THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in China Lumena New Materials Corp. (In Provisional Liquidation), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the EGM to be held on Monday, 23 December 2019.

The issuance of this circular does not necessarily mean that trading in the Shares will be resumed. The Company will make separate announcement in respect of the Resumption.

China Lumena New Materials Corp.

中国旭光高新材料集团有限公司

CHINA LUMENA NEW MATERIALS CORP.

(In Provisional Liquidation)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 67)

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;
(6) APPLICATION FOR WHITEWASH WAIVER;
(7) PROPOSED APPOINTMENT OF PROPOSED DIRECTORS;
(8) PROPOSED ADOPTION OF THE SECOND AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION; AND
(9) NOTICE OF EXTRAORDINARY GENERAL MEETING

Sole Sponsor to the new listing application of the Company

SUNWAH KINGSWAY
新華滙富

Kingsway Capital Limited

Financial adviser to the Company

ASIAN CAPITAL

Independent Financial Adviser to the Independent Shareholders

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

A letter from the Provisional Liquidators is set out on pages 68 to 108 of this circular, and a letter from the Independent Financial Adviser containing its advice to the Independent Shareholders is set out on pages 109 to 151 of this circular.

A notice convening the EGM to be held at Room 1804, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Monday, 23 December 2019 at 2:00 p.m. is set out on pages EGM-1 to EGM-8 of this circular. A form of proxy for use at the EGM is enclosed.

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

29 November 2019

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Notice of EGM EGM-1

The following expected timetable is indicative only and is subject to change. If necessary, further announcement in relation to the revised timetable will be published as and when appropriate.

Event	Expected date/time (Note 1)
High Court hearing to convene the Creditors Schemes meetings (subject to the approval granted by the listing committee and the Court availability)	Friday, 20 December 2019
Grand Court hearing to convene the Creditors Schemes meetings (subject to the approval grant by the listing committee and the Court availability)	Friday, 20 December 2019
Record date for attendance and voting at the EGM	12:00 a.m. on Monday, 23 December 2019
Expected date of the EGM	2:00 p.m. on Monday, 23 December 2019
Announcement of results of the EGM	Monday, 23 December 2019
Last day of cum-entitlements of the New Shares	Friday, 10 January 2020
Creditors meetings to approve the Creditors Schemes	10:00 a.m. on Monday, 13 January 2020
Expected effective date of the Capital Reorganisation	Tuesday, 14 January 2020
First day of ex-entitlements of the New Shares	Tuesday, 14 January 2020
High Court hearing to sanction the Creditors Schemes (subject to the Court availability)	Tuesday, 14 January 2020
Grand Court hearing to sanction the Creditors Schemes (subject to the Court availability)	Tuesday, 14 January 2020
Latest time for lodging transfer of the New Shares in order to qualify for the Preferential Offer	4:00 p.m. on Tuesday, 14 January 2020
Record date and time for the Preferential Offer	4:30 p.m. on Tuesday, 14 January 2020
Posting date of the prospectus in relation to the Share Offer	Wednesday, 15 January 2020

Latest time to complete electronic applications for Public Offer through the designated website	11:30 a.m. on Monday, 20 January 2020
Application lists open for Public Offer and the Preferential Offer	11:45 a.m. on Monday, 20 January 2020
Latest time for (a) lodging WHITE, YELLOW and BLUE Application Forms, (b) giving electronic application instructions to HKSCC and (c) completing payment of White Form eIPO applications by effecting Internet banking transfer(s) or PPS payment transfer(s) for Public Offer and the Preferential Offer	12:00 noon on Monday, 20 January 2020
Application lists close for Public Offer and the Preferential Offer	12:00 noon on Monday, 20 January 2020
Latest time for termination of the SO Underwriting Agreements	8:00 a.m. on Wednesday, 29 January 2020
Announcement of (i) the level of indications of interest in the Placing, (ii) the level of applications in the Public Offer and the Preferential Offer and (iii) basis of allocation of the Public Offer Shares and the Reserved Shares on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at http://joegreenpanel.com/	Wednesday, 29 January 2020
Announcement of results of allocations in the Public Offer and the Preferential Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels	Wednesday, 29 January 2020
Effective date of the Creditors Schemes	Wednesday, 29 January 2020
Completion of the Share Offer and the Acquisition	Wednesday, 29 January 2020
Completion of all the Resumption Conditions and publication of an announcement in relation to the completion of the Proposed Restructuring including but not limited to, the Share Offer and the Acquisition	Wednesday, 29 January 2020

Despatch of certificates for the New Shares (including the New Shares then in issue, the Public Offer Shares, the Company's Placing Shares and the Consideration Shares) or refund cheques for the Share Offer, if the Share Offer is terminated . . . . .Thursday, 30 January 2020

Resumption and dealing in the New Shares commence . . . . .Friday, 31 January 2020

Long Stop Date . . . . .Friday, 31 January 2020

Notes:

(1) All reference to times and dates in this circular are references to Hong Kong times and dates unless otherwise stated.

(2) Potential investors and Shareholders are reminded to complete the lodging of transfer of the New Shares to the branch share registrar of the Company in Hong Kong on or before 4:00 p.m. on Tuesday, 14 January 2020 in order to qualify for the Preferential Offer and to receive the new share certificates for the New Shares after the Capital Reorganisation.

(3) The Company will post the new share certificates for the New Shares to the Shareholders at the Company's expense. The old share certificates for existing Shares will be voided automatically upon the despatch of the new share certificates.

(4) Share certificates for the New Shares will only become valid at 8:00 a.m. on Friday, 31 January 2020 provided that the Proposed Restructuring has become unconditional in all respects and the rights of termination in the SO Underwriting Agreements, if any, have not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk. If the Proposed Restructuring does not become unconditional or any of the SO Underwriting Agreements is terminated in accordance with its terms, the Proposed Restructuring will not proceed. In such a case, the Company will make an announcement as soon as possible thereafter.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE PREFERENTIAL OFFER

If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning,

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance, the latest time of acceptance of and payment for the Reserved Shares will not take place at the latest time for acceptance, but will be extended to 5:00 p.m. on the same day instead;

(ii) in force in Hong Kong at any local time between 12:00 noon and the Latest Time for Acceptance, the latest time of acceptance of and payment for the Reserved Shares will not take place at the latest time for acceptance, but will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE PUBLIC OFFER

If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 20 January 2020, the application lists for the Public Offer will not open and close on that day. For further details, please refer to the prospectus to be issued by the Company in relation to the Share Offer in due course.

Dates and times specified in this circular are indicative only. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

This summary aims at giving you an overview of the information contained in this circular. As it is a summary, it does not contain all the information that may be important to you. You should read the whole circular before making a decision as to how you would cast your votes at the EGM in relation to the transactions and the appropriate course of action for yourself. There are risks associated with any business. You should read the section headed "Risk Factors" in this circular carefully before making a decision on the transactions.

BACKGROUND

This circular is to provide the Shareholders with further information in connection with the Proposed Restructuring, among other things, (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Share Offer; (iv) the Acquisition; (v) reverse takeover involving the New Listing Application; (vi) the Whitewash Waiver; (vii) the proposed appointment of proposed Directors; and (viii) the Articles Adoption, and to give a notice to the Shareholders of the EGM. This circular also provides additional information on the Target Group as required under the Listing Rules in connection with the New Listing Application.

Dealing in the shares of the Company on the Main Board of the Stock Exchange has been suspended since 25 March 2014. The Acquisition and the Share Offer form part of the Proposed Restructuring seeking the resumption of trading in the New Shares. Upon Completion, the Group is expected to have a sufficient level of operation while the proceeds from the Public Offer and the Company's Placing (including the Preferential Offer) after settlement of the Creditors Schemes Consideration and payment of professional fees and expenses for the Proposed Restructuring will be retained as working capital of the Enlarged Group which will improve the financial and liquidity position of the Group based on the financial effect of the Proposed Restructuring, details of which are set out in the section headed "Letter from the Provisional Liquidators – Financial effects of the Proposed Restructuring" in this circular.

The Company is currently insolvent, with very limited prospect of recovery for Shareholders. The Company's listing status has been actively marketed and this Proposed Restructuring represents the best offer received. Accordingly, the Provisional Liquidators believe that the terms of the Restructuring Framework Agreement are fair and reasonable and in the best interests of the Company and its Shareholders as a whole. The Company entered into the Restructuring Framework Agreement on 23 September 2016 with the Provisional Liquidators and the Investors (as amended on 29 September 2017, 29 December 2017, 27 April 2018, 26 November 2018, 25 April 2019, 29 July 2019 and 31 October 2019), pursuant to which the Company will purchase the Sale Equity Interests. Under the Restructuring Framework Agreement, the Company shall purchase from the Investors the Sale Equity Interests, being the entire issued share capital of the Target Company. The entire issued share capital of the Target Company is owned by Mr. Widjaja, Ms. Lim and Ms. Limarto (each owning one-third of the entire issued share capital). Upon completion of the Acquisition, the Target Group will become wholly-owned subsidiaries of the Company. Immediately following Resumption, Mr. Widjaja, Ms. Lim, Ms. Limarto, Amazana Investments, Amazana Equity and Amazana Ventures as a group and each of them on an individual basis will be the Controlling Shareholders.

CHANGE OF PRINCIPAL BUSINESS ACTIVITIES OF THE ENLARGED GROUP AFTER RESUMPTION

The Group principally engages in the processing and sale of powder thenardite, specialty thenardite and medical thenardite and in the manufacturing and sale of PPS (polyphenylene sulfide) products.

The Investors do not intend to continue the existing businesses of the Group. After completion of the Proposed Restructuring and the transfer of the Group's assets and indebtedness to the Scheme Company pursuant to the terms of the Creditors Schemes, the Enlarged Group will primarily engage in manufacturing and sale of green precast concrete wall panel system and sale of related accessories and building materials in Singapore, Malaysia and Southeast Asia after Resumption. Other than the introduction of the business of the Target Group, the Investors do not intend to introduce any major change to the Enlarged Group's business (including any re-deployment of the Enlarged Group's fixed assets) nor does it intend to discontinue the employment of any of the Group's employees after Resumption. Please refer to the section headed "Letter from the Provisional Liquidators" in this circular for further details.

BUSINESS OF THE TARGET GROUP

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 headquarters in Singapore, and has 3 automated production lines and 3 manual production yards in its production plant in Johor Bahru, Malaysia.

Precast concrete wall panel is considered as one of the building materials for green buildings. 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". During the Track Record Period, over 500 completed commercial, industrial, residential and institution building construction projects in Singapore, Malaysia and Indonesia, etc. used the Target Group's precast concrete wall panel systems.

The Target Group's green light-weight precast concrete wall panels are primarily manufactured from recycled materials including RCA and quarry dust, other materials including cement and sand with minimum waste generated and have become an essential construction material for green buildings. The Target Group also sells wall panel related accessories, which are sourced from other manufacturers, to its customers who purchased the wall panel system, which are used in conjunction with the Target Group's precast wall panel systems at their installation and application. During the Track Record Period, the Target Group also sold lightweight expanded clay aggregate manufactured by its supplier to its customers.

Upon receiving purchase orders from its customers, generally two weeks to one month in advance, the Target Group commences its production. The finished products will then be cured and stored for 7 to 14 days while awaiting being delivered to the customer's construction site for installation in accordance with the customer's schedule. The Target Group is not responsible for the on-site assembly and installation of its wall panel system but will, if necessary and upon requests from the customers, arrange technical personnel to inspect and to provide guidance at the customers' sites. The utilisation rates of the Target Group's production plant for the three years ended 31 December 2018 and the five months ended 31 May 2019 were approximately 87.6%, 61.8%, 68.2% and 62.6% respectively.

When determining the selling price of products, the Target Group uses a cost plus approach and also considers a number of factors which are mainly based on market acceptance and assessment of market value of its products. The Target Group also considers factors such as (i) the costs of raw materials, labour and transportation costs; (ii) specifications of customised wall panels and order volume; (iii) type of projects and customers' creditability; and (iv) selling price of other building materials including similar products by its competitors.

The Target Group recorded accumulated losses as at 1 January 2014, which was primarily due to the move of the Target Group's manufacturing operation to Malaysia from Singapore in 2012. After the move, continuous investments and fine-tuning of the then new manufacturing plant were required, which in turn had affected the financial performance of the Target Group. On the other hand, the Target Group took the advantage of the move as its production capacity, volume and efficiency were gradually increased from 2014 onwards after the completion of the installation of additional production lines. It also enabled the Target Group to take up larger orders with its growing track record, and eventually leading the Target Group to become the leading precast hollow-core concrete wall panel provider in Singapore in terms of revenue.

To expand the geographical reach of the Target Group's products in a cost-effective manner, the Target Group commenced the First Franchise Arrangement in Indonesia with Franchisee A (an Independent Third Party and the Target Group's largest customer for 2017 and 2018) in November 2017. The First Franchise Arrangement was for a period of two years and subject to renew by the relevant parties. Given Franchisee A's delay in setting up the JOE Green production plant in Indonesia, the parties agreed to temporarily suspend the exclusivity element in the First Franchise Arrangement between 25 October 2018 and 30 June 2019 so that the Target Group could take up orders from customers in Indonesia directly. Subsequently, the First Franchise Arrangement was terminated on 30 June 2019. 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. Under the Second Franchise Arrangement, Franchisee B has the right to set up its own production plant for the manufacturing and sales of precast concrete wall panel system and related accessories using the Target Group's operation methods, knowhow, registered patents and the trademark "JOE". In addition, on 1 August 2019, the Target Group entered into the MOU (3rd Franchise) with Proposed Franchisee C whereby the parties (a) expressed their intention to explore possible modes of future cooperation and to promote the use and sale of the Target Group's products in Indonesia;

and (b) agreed to negotiate in good faith the terms and conditions of the Proposed Franchise Arrangement which is expected to commence on or before 1 August 2020. During the Track Record Period, the Target Group did not recognise any revenue arising from the franchise arrangements.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES OF THE TARGET GROUP

The proposed Directors believe that the Target Group's key competitive strengths, include but not limited to, (i) being the leading green precast hollow-core concrete wall panel system provider in Singapore with a market share of approximately 63.2% (in terms of revenue generated from both domestic and export sales) in 2018 with an established track record; (ii) well positioned to capture the growth opportunities in green buildings in Singapore and Malaysia; (iii) benefited from the Singapore/Malaysia cross-border advantages; (iv) well-established long-term relationship with customers, suppliers and authorities; and (v) the capability to customise products to fit customers' specific needs and requirements.

Further, the proposed Directors will implement the following business strategies to seek sustainable growth: (i) enhance leading position in existing Singapore market and to penetrate into the Malaysia and Southeast Asia markets through increasing the production capabilities, strengthening its sales network, continue to focus on the manufacturing and sales of high quality products and enhance its pre-sales service, logistics and after-sales services; (ii) expand the production capacity to cope with the growth in Malaysia and other Southeast Asia markets; (iii) expand the geographical reach via franchise arrangement; (iv) continue to strengthen sales and market strategies and to diversify customer base; (v) product innovation and enhancement for offering a wider range of wall panels related accessories to customers; and (vi) further enhance operational efficiency and reduce production costs.

Please refer to the paragraphs headed "Competitive Strengths" and "Business Objectives, Strategies and Future Plans" in the section headed "Business of the Target Group" in this circular for further details.

COMPETITIVE LANDSCAPE

According to the Frost and Sullivan Report, the Target Group is the leading precast hollow-core concrete wall panel provider in Singapore as of 2018 in terms of revenue with the market share of approximately 63.2% (in terms of revenue generated from both domestic and export sales), while other top 3 market players together have an aggregate market share of less than 22% in Singapore. Please refer to the section headed "Industry Overview" in this circular for details.

FUTURE DEVELOPMENT AND PLAN OF THE TARGET GROUP

During the Track Record Period, a majority of the Target Group's revenue was generated from the Singapore market. Being the market leader in the industry with significant presence in Singapore, 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, in particular increase its market share in Malaysia with a primary focus on the Johor Bahru, Kuala Lumpur and Indonesia markets. The proposed Directors expect to conduct more business in the Malaysia and Indonesia markets in the next 12 months. For more information, please refer to the section headed "Business of the Target Group" in this circular.

The proposed Directors (excluding the proposed independent non-executive Directors) believe that the Listing will further strengthen the Target Group's position as the leading precast hollow-core concrete wall panel provider in Singapore. The proposed Directors (excluding the proposed independent non-executive Directors) decided to participate in the Proposed Restructuring and the New Listing Application after taking into account factors including prevailing market conditions, the terms and conditions of the Acquisition as well as the Target Group's business strategy and long term development. Furthermore, at the time when the Investors decided to participate in the Proposed Restructuring and the New Listing Application instead of proceeding with an initial public offering, they believed that the Proposed Restructuring will allow the Investors to minimise the risks associated with underwriting an initial public offering and the proposed Directors (excluding the proposed independent non-executive Directors) believe that the process of a listing through the Proposed Restructuring is less susceptible to market conditions, hence minimising completion risks. For further details, please refer to the section headed "Information about the Proposed Restructuring" in this circular.

RISK FACTORS

There are certain risks involved in the business and operations of the Enlarged Group and in connection with the Acquisition. Please refer to the section headed "Risk Factors" in this circular for further details. Set forth below are some of the major risks that may materially and adversely affect the Target Group: (i) the heavy reliance of Target Group on the construction industry in Singapore; (ii) possible failure to maintain the qualifications, permits or licences required for the Target Group's business; (iii) possible inability to obtain foreign labour; (iv) the Target Group may not be able to secure new projects; (v) the Target Group's financial operating results may fluctuate along with the fluctuations of the selling price of its products; and (vi) the Target Group's business, financial condition and results may be affected by price fluctuations and shortages of supply of raw materials or electricity.

CUSTOMERS AND SUPPLIERS

The Target Group has a stable customer base comprised of a broad range of customers including main contractors and sub-contractors. The Target Group also tapped into the Indonesia and Cambodia markets since 2017 and 2018, respectively. In order to introduce the Target Group's products and their application to new customers in new markets, upon customer's request, the Target Group provides its customers with drawings and/or designs to demonstrate the installation of concrete precast wall panels and recognised a design fee.

The table below sets forth a breakdown of the Target Group's revenue by geographical location:

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Singapore	24,208	97.4	17,027	87.1	13,047	60.6	5,670	79.7	5,024	88.9
Malaysia	639	2.6	512	2.6	1,828	8.5	601	8.4	626	11.1
Indonesia	–	–	2,013	10.3	5,509	25.6	263	3.7	–	–
Cambodia	–	–	–	–	1,145	5.3	580	8.2	–	–
Total	24,847	100.0	19,552	100.0	21,529	100.0	7,114	100.0	5,650	100.0

In 2017 and 2018, the Singapore construction industry experienced delays in project execution which led to a decrease in the value of construction projects awarded in 2017 and a decrease in total progress payment certified in construction projects in 2017 and 2018. As such, the Target Group's sales to the Singapore market decreased throughout the Track Record Period.

The Target Group principally sells its products to customers in Singapore and Malaysia. In 2017 and 2018, the Target Group expanded its geographical reach to Indonesia and Cambodia, respectively.

For the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, revenue from the Target Group's five largest customers amounted to approximately S$5.8 million, S$6.6 million, S$9.1 million, S$2.3 million and S$1.8 million, and accounted for approximately 23.4%, 33.6%, 42.2%, 31.8% and 32.5% of the Target Group's revenue, respectively. Revenue from the Target Group's largest customer for the same periods amounted to approximately S$2.1 million, S$1.9 million, S$4.8 million, S$0.6 million and S$0.5 million, and accounted for approximately 8.6%, 9.9%, 22.4%, 8.2% and 8.8% of the Target Group's revenue, respectively.

In Singapore, generally the main contractors will participate in bidding or public tenders in respect of construction projects. Once the main contractors and sub-contractors are awarded their contracts, they invite their suppliers, such as the Target Group, for fee quote for various supply contracts for the required materials. As the Target Group has been the leading precast hollow-core concrete wall panel provider in Singapore in terms of revenue throughout the Track Record Period, the Target Group has managed to maintain a substantial list of regular and new customers who would invite the Target Group to quote for their new construction projects. The Target Group enters into contract with its customers on a project basis, which is non-recurring in nature, and does not have long-term contacts, which is an industry norm.

The Target Group orders raw materials according to its monthly production plans. The Target Group has maintained a stable and reliable source of raw materials. During the Track Record Period, the Target Group purchased most of the required raw materials for the manufacturing of its wall panels in Malaysia and such purchases were settled in Ringgit. The Target Group did not enter into long-term agreement with its suppliers in order to maintain flexibility and it was in-line with the Target Group's industry practice.

For the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, the purchases from the Target Group's top five largest suppliers amounted to approximately S$4.8 million, S$3.4 million, S$3.5 million, S$1.6 million and S$1.6 million, respectively, which constituted approximately 55.1%, 41.6%, 37.5%, 47.4% and 50.3% of the Target Group's total cost of sales, respectively. During the same period, the purchases from the Target Group's largest supplier amounted to approximately S$2.9 million, S$1.8 million, S$1.8 million, S$0.8 million and S$0.7 million, respectively, which constituted approximately 33.0%, 21.5%, 19.3%, 23.4% and 22.5%, respectively.

SUMMARY OF FINANCIAL INFORMATION OF THE TARGET GROUP

The following is a summary of the Target Group's consolidated results for the Track Record Period, which was extracted from the Accountants' Report on the Target Group in Appendix I to this circular.

Highlights of combined statements of profit or loss and other comprehensive income

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
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)
Total comprehensive income/(loss) for the year/period	6,631	2,648	3,129	217	(472)

In 2017 and 2018, the Singapore construction industry experienced delays in project execution which led to a decrease in the value of construction projects awarded in 2017 and a decrease in total progress payment certified in construction projects in 2017 and 2018. The decrease in the market size of precast concrete wall panels by sales value in Singapore from approximately S$56.3 million in 2016 to approximately S$49.2 million in 2018 resulted in a decrease in the average selling prices of the Target Group's products throughout the relevant period as a majority of the Target Group's revenue was generated from Singapore. As such, the Target Group's revenue decreased from approximately S$24.8 million in 2016 to approximately S$19.6 million in 2017. Despite the aforementioned development in the Singapore construction industry, the overall sales volume of the Target Group's products increased in 2018 as the Target Group has begun to extend its geographical reach to Indonesia and Cambodia since 2017 and 2018, respectively, which resulted in an increase in the Target Group's revenue from approximately S$19.6 million in 2017 to approximately S$21.5 million in 2018. In addition, the Target Group recorded transaction expenses which are the expenses relating to the Acquisition and the Share Offer, and are substantially non-recurring in nature of approximately S$1.3 million, S$2.0 million and S$0.9 million for the three years ended 31 December 2018 respectively. Therefore, the Target Group's profit for the year decreased from approximately S$6.8 million in 2016 to approximately S$2.3 million in 2017 and increased to approximately S$3.2 million in 2018.

The Target Group recorded a net loss of approximately S$0.4 million for the five months ended 31 May 2019 primarily because (i) a decrease in the sales volume of the Target Group's products during the five months ended 31 May 2019, which was mainly due to (a) the completion of all projects on hand in Indonesia by the end of 2018; (b) the political instability and uncertainty arising from the Indonesian presidential election during April and May 2019 brought negative impacts to the Indonesia construction industry thereby resulting in delay in commencement of construction of its customers' potential projects in Indonesia; and (c) no new projects have been secured by the Target Group in Cambodia during the five months ended 31 May 2019, resulting in no revenue was generated from the Indonesia and Cambodia markets; (ii) a change in product mix whereby the Target Group sold a higher proportion of standardised precast concrete wall panels during the five months ended 31 May 2019 due to customers' requests and orders which led to a decrease in gross profit margin as the gross profit margin for standardised precast concrete wall panels (being 33.9% for the five months ended 31 May 2019) was lower than that for customised precast concrete wall panels (being 48.6% for the five months ended 31 May 2019); (iii) a decrease in the average selling prices of the Target Group's products during the five months ended 31 May 2019, primarily because (a) 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 while no revenue was generated from Indonesia during the five months ended 31 May 2019; 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 amount 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; and (iv) the Target Group recorded non-recurring transaction expenses of approximately S$0.6 million for the five months ended 31 May 2019.

To improve the Target Group's financial performance going forward, the Target Group will continue to (a) enhance its leading position in the Singapore market by attracting its potential customers to use the Target Group's precast wall panel systems instead of AAC panels; (b) penetrate into the Malaysia and Southeast Asia markets where it is expected that market demand for precast wall panels will increase with the increased adoption of precast wall panels in line with the rising trend of green building construction; (c) expand its sales network to new markets upon completion of its expansion plan by the second quarter of 2020; and (d) adopt a prudent financial management policy to control its operating costs.

Non-IFRS measures

To enable investors to better evaluate the financial performance of the Target Group, the following table represents the adjusted net profit of the Target Group during the Track Record Period by excluding non-recurring transaction expenses as a non-IFRS measure:

	Year ended 31 December			**Five months ended 31 May**	
	2016	**2017**	**2018**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Profit/(loss) for the year/period	6,798	2,298	3,190	32	(372)
Add: Transaction expenses	1,252	2,016	889	737	555
Adjusted profit for the year/period	8,050	4,314	4,079	769	183

Note: The adjusted net profit represents the Target Group's profit for the year/period excluding the effects of the non-recurring transaction expenses relating to the Acquisition and the Share Offer. The adjusted net profit is not a measure of performance under IFRS. As a non-IFRS measure, the adjusted net profit is presented because the Target Group's management believes such information would be helpful for investors in assessing the level of the Target Group's financial performance. The use of the adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact the Target Group's net profit for the year/period.

Highlights of combined statements of financial position

	At 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(audited)
Total non-current assets	39,505	40,673	39,406	38,627
Total current assets	12,846	12,772	15,262	12,753
Total current liabilities	38,449	13,605	30,087	29,441
Net current liabilities	(25,603)	(833)	(14,825)	(16,688)
Total non-current liabilities	1,026	24,316	5,928	5,758
Net assets	12,876	15,524	18,653	16,181

As at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, the Target Group recorded net current liabilities of approximately S$25.6 million, S$0.8 million, S$14.8 million, S$16.7 million and S$15.8 million, respectively. The Target Group's net current liabilities as at 31 December 2016 was primarily due to the effect of the classification of the long term loans from the United Overseas Bank, the RHB Islamic Bank Berhad and Maybank as current liabilities, resulting from the repayment on demand clause contained in or the breaches of covenants/restrictive undertaking included in the said credit facilities, while as at 31 December 2018, 31 May 2019 and 30 September 2019, it was primarily due to the use of banking facilities which contained repayment on demand clause and have lower interest rates to replace old bank loans. Please refer to the section headed "Financial Information of the Target Group – Loan covenants" in this circular for details.

As at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, bank borrowings in the amount of approximately S$29.8 million, S$5.4 million, S$22.5 million, S$22.0 million and S$21.6 million which contained repayment on demand clause or in breach and with period of repayment after one year are classified as current liabilities respectively. If the above mentioned bank borrowings are excluded from current liabilities as the proposed Directors do not expect them to be required for repayment within 12 months, the Target Group would have adjusted net current assets of approximately S$4.2 million, S$4.6 million, S$7.7 million, S$5.3 million and S$5.8 million as at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, respectively.

In view of the net current liabilities position during the Track Record Period and as at 30 September 2019, the Target Group has adopted various liquidity management measures to improve its net current liabilities position including such as appointing Mr. Thomas Wong as its chief risk officer to monitor the Target Group's liquidity position on a regular basis, strengthening its internal control measures to ensure the ongoing compliance with loan covenants and negotiating with banks to obtain long-term borrowings without repayment on demand clause. Please refer to the section headed "Financial Information of the Target Group – Net Current Assets/Liabilities" in this circular for details.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Target Group recorded net assets of approximately S$12.9 million, S$15.5 million, S$18.7 million and S$16.2 million, respectively. The decrease in net assets from approximately S$18.7 million as at 31 December 2018 to approximately S$16.2 million as at 31 May 2019 was primarily due to 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.

Highlights of combined statements of cash flows

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Operating profit before working capital changes	11,267	5,444	7,016	1,460	630
Net cash generated from/(used in) operating activities	10,290	3,668	4,276	2,285	(85)
Net cash used in investing activities	(3,233)	(3,021)	(597)	(63)	(59)
Net cash used in financing activities	(8,297)	(2,150)	(2,391)	(726)	(2,739)
Net (decrease)/increase in cash and cash equivalents	(1,240)	(1,503)	1,288	1,496	(2,883)
Cash and cash equivalents at the beginning of the year/period	7,331	6,083	4,595	4,595	5,885
Effect of foreign exchange rate change	(8)	15	2	21	(8)
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	6,083	4,595	5,885	6,112	2,994

While the Target Group recorded operating profit before working capital changes of approximately S$0.6 million for the five months ended 31 May 2019, the movements in net working capital outflow of approximately S$0.6 million and taxation paid of approximately S$0.1 million have led to the net cash used in operating activities of approximately S$85,000 during the five months ended 31 May 2019. The net working capital outflow was primarily attributable to an increase in inventories of approximately S$0.6 million and a decrease in trade and other payables of approximately S$0.4 million for the five months ended 31 May 2019. The increase in the Target Group's inventory level as at 31 May 2019 was mainly due to the Target Group's production of standardised precast concrete wall panels in advance in order to meet the expected fulfillment of sales orders in the second half of the financial year ending 31 December 2019 which could be evidenced by the increase in the value of backlog as at 31 May 2019. The decrease in trade and other payables was primarily due to the settlement of other payables in relation to the acquisition of property, plant and equipment. The Target Group has adopted and will continue to adopt various measures to improve its operating cashflow position going forward, such as closely monitor its cash receipts and payment obligations, incorporate stricter inventory monitoring measures and review of its trade credit policy. Please refer to the section headed "Financial Information of the Target Group – Liquidity, Financial Resources and Capital Structure" in this circular for further details.

Breakdown of revenue

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	Revenue S$'000	*Approximate %*	*Revenue S$'000*	*Approximate %*	*Revenue S$'000*	*Approximate %*	*Revenue S$'000*	*Approximate %*	*Revenue S$'000*	*Approximate %*
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Standardised precast concrete wall panel system	3,250	13.1	3,140	16.1	3,110	14.5	1,280	18.0	1,070	18.9
Customised precast concrete wall panel system	18,906	76.1	13,279	67.9	14,880	69.1	4,640	65.2	3,665	64.9
Wall panel system accessories and building materials	2,691	10.8	2,973	15.2	3,318	15.4	1,194	16.8	783	13.9
Design fee income	–	–	160	0.8	221	1.0	–	–	132	2.3
Total	24,847	100.0	19,552	100.0	21,529	100.0	7,114	100.0	5,650	100.0

Breakdown of gross profit and gross profit margin

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	Gross profit S$'000	*Gross profit margin*	*Gross profit S$'000*	*Gross profit margin*	*Gross profit S$'000*	*Gross profit margin*	*Gross profit S$'000*	*Gross profit margin*	*Gross profit S$'000*	*Gross profit margin*
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Standardised precast concrete wall panel system	1,762	54.2%	1,318	42.0%	1,127	36.2%	498	38.9%	363	33.9%
Customised precast concrete wall panel system	13,187	69.8%	8,306	62.5%	8,838	59.4%	2,644	57.0%	1,781	48.6%
Wall panel system accessories and building materials	1,143	42.5%	1,584	53.3%	2,159	65.1%	541	45.3%	305	39.0%
Design service	–	–	147	91.9%	190	86.0%	–	–	107	81.1%

Breakdown of the cost of sales

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Raw materials consumed	5,328	60.9	4,787	58.4	4,657	50.5	1,697	49.5	1,165	37.7
Sub-contractors' fee	808	9.2	617	7.5	816	8.9	350	10.2	369	11.9
Direct labour	872	10.0	883	10.8	1,004	10.9	394	11.5	340	11.0
Consumable tools	332	3.8	200	2.4	111	1.2	21	0.6	47	1.5
Depreciation	596	6.8	820	10.0	1,172	12.7	480	14.0	476	15.4
Lease rental – plant and machinery	75	0.8	48	0.6	–	–	–	–	–	–
Packaging expenses	237	2.7	152	1.9	221	2.4	31	0.9	121	3.9
Repair and maintenance	141	1.6	223	2.7	456	5.0	200	5.8	224	7.2
Water and electricity charges	149	1.7	185	2.3	240	2.6	103	3.0	99	3.2
Other cost of goods sold	217	2.5	269	3.3	507	5.5	155	4.5	228	7.4
Cost of services	–	–	13	0.1	31	0.3	–	–	25	0.8
Total	8,755	100.0	8,197	100.0	9,215	100.0	3,431	100.0	3,094	100.0

Sales volume and average selling price for wall panels and Joint Bonding Adhesive

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	Sales volume	*Average selling price S$/m² or S$/bag*	*Sales volume*	*Average selling price S$/m² or S$/bag*	*Sales volume*	*Average selling price S$/m² or S$/bag*	*Sales volume*	*Average selling price S$/m² or S$/bag*	*Sales volume*	*Average selling price S$/m² or S$/bag*
Standardised precast concrete wall panel system	190,283 m²	17.08	202,995 m²	15.47	216,253 m²	14.38	97,236 m²	13.16	87,215 m²	12.27
Customised precast concrete wall panel system	947,312 m²	19.96	737,428 m²	18.00	859,088 m²	17.32	308,436 m²	15.04	262,297 m²	13.97
Joint Bonding Adhesive	197,293 bags	12.39	194,582 bags	11.33	200,476 bags	9.93	88,693 bags	10.16	67,566 bags	9.05

In 2017 and 2018, the Singapore construction industry, experienced delays in project execution, which led to a decrease in the value of construction projects awarded in 2017 and a decrease in total progress payment certified in construction projects in 2017 and 2018. According to Frost & Sullivan, the market size of precast concrete wall panels by sales value in Singapore decreased from approximately S$56.3 million in 2016 to approximately S$49.2 million in 2018 and the total progress payment certified in construction projects decreased from approximately S$26.5 billion in 2016 to approximately S$19.1 billion in 2018. The decrease in total progress payment certified in construction projects in 2017 and 2018 resulted in a decrease in the average selling prices of the Target Group's products throughout the relevant period as a majority of the Target Group's revenue was generated from Singapore. Despite the aforementioned recent development in the Singapore construction industry, the overall sales volume of the Target Group's products increased in 2018 as the Target Group has begun to extend its geographical reach to Indonesia and Cambodia since 2017 and 2018, respectively. The Target Group experienced a decrease in the average selling prices of its products for the five months ended 31 May 2019 primarily because (i) 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 the products sold to Indonesia had different specifications and customised features such as water-proof features; and (ii) 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 amount 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. Please refer to the section headed "Financial Information of the Target Group" in this circular for further details.

Movement of the Target Group's backlog

The following table sets forth the movement of backlog of the Target Group's projects (which represents the total estimated contract value of works which remains to be completed pursuant to the terms of the outstanding contracts as at a certain date and assuming performance in accordance with the terms of the contract) during the periods indicated:

	Year ended 31 December			Five months ended 31 May	Period between 1 June 2019 up to Latest Practicable Date
	2016	**2017**	**2018**	**2019**	
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
Opening value of backlog as at the beginning of the relevant period	18,561	17,188	15,634	15,025	20,456
Value of new contracts *(Note 1)*	23,474	17,998	20,920	11,081	21,745
Revenue recognised *(Note 2)*	24,847	19,552	21,529	5,650	9,705
Closing value of backlog as at the end of the relevant period	17,188	15,634	15,025	20,456	32,496

	As at 31 December			As at 31 May	As at the Latest Practicable
	2016	**2017**	**2018**	**2019**	**Date**
Number of outstanding projects	88	150	80	152	199

Notes:

1. Value of new contracts means the total contract sum of new projects as at the end of the relevant period which were awarded to the Target Group and the increment in project value due to revision of contract sum for existing contracts during the relevant period.

2. Revenue recognised means the value of contract work recognised as revenue during the relevant period.

Fluctuation in exchange rate between Singapore dollar and Malaysian Ringgit

The following table sets forth a sensitivity analysis illustrating the impact on the Target Group's gross and net profit of hypothetical fluctuations in exchange rate between S$ and RM during the Track Record Period. Please also refer to the section headed "Financial Information of the Target Group – Fluctuation in exchange rate between Singapore dollar and Malaysian Ringgit" in this circular for details and reasons for the difference in sensitivity on gross profit and net profit.

Appreciation/(depreciation) of exchange rate of RM against S$	-10%	-5%	+5%	+10%
Increase/(decrease) in gross profit	*S$'000*	*S$'000*	*S$'000*	*S$'000*
Year ended 31 December 2016	800	400	(400)	(800)
Year ended 31 December 2017	755	378	(378)	(755)
Year ended 31 December 2018	675	337	(337)	(675)
Five months ended 31 May 2019	222	111	(111)	(222)
Increase/(decrease) in net profit				
Year ended 31 December 2016	1,192	596	(596)	(1,192)
Year ended 31 December 2017	1,044	522	(522)	(1,044)
Year ended 31 December 2018	1,167	583	(583)	(1,167)
(Increase)/decrease in net loss				
Five months ended 31 May 2019	409	204	(204)	(409)

KEY FINANCIAL RATIOS OF THE TARGET GROUP

The following table sets forth the key financial ratios of the Target Group as at/for the periods indicated. For more details, please see the section headed "Financial Information of the Target Group – Key financial ratios" in this circular.

	Year ended 31 December/ As at 31 December			Five months ended 31 May/ As at 31 May
	2016	**2017**	**2018**	**2019**
Current ratio	0.3	0.9	0.5	0.4
Quick ratio	0.3	0.9	0.5	0.4
Gearing ratio *(Note 1)*	2.5	2.0	1.7	1.9
Return on total assets *(Note 2)*	13.0%	4.3%	5.8%	N/A
Return on equity *(Note 2)*	52.8%	14.8%	17.1%	N/A
Gross profit margin	64.8%	58.1%	57.2%	45.2%
Net profit margin *(Note 2)*	27.4%	11.8%	14.8%	N/A

Notes:

(1) Gearing ratio is calculated based on the total borrowings (bank borrowing and lease liabilities) divided by the total equity as at the respective period end.

(2) The Target Group recorded net loss for the five months ended 31 May 2019.

The Target Group's gross profit margin decreased from approximately 64.8% for the year ended 31 December 2016 to approximately 58.1% for the year ended 31 December 2017 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 products. The Target Group's gross profit margin decreased slightly from approximately 58.1% for the year ended 31 December 2017 to approximately 57.2% for the year ended 31 December 2018. The Target Group's gross profit margin decreased from approximately 57.2% for the year ended 31 December 2018 to approximately 45.2% for the five months ended 31 May 2019 primarily due to (a) a change in product mix whereby the Target Group sold a higher proportion of standardised precast concrete wall panels during the five months ended 31 May 2019 due to customers' requests and orders and the gross profit margin for standardised precast concrete wall panels (being 33.9% for the five months ended 31 May 2019) was lower than that for customised precast concrete wall panels (being 48.6% for the five months ended 31 May 2019); and (b) a decrease in the average selling prices of the Target Group's products primarily because (i) 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 the products sold to Indonesia had different specifications and customised features such as water-proof features; and (ii) 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 amount 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. In addition, despite the decrease in sales and production volume during the five months ended 31 May 2019, the production overhead costs including depreciation, repair and maintenance and water and electricity charges remained relatively stable for the five months ended 31 May 2019 as compared with the corresponding period in 2018, which further led to a decrease in the gross profit margin.

The Target Group's net profit margin decreased from approximately 27.4% for the year ended 31 December 2016 to approximately 11.8% for the year ended 31 December 2017. The decrease was primarily due to (i) increase in the staff cost during the relevant period; (ii) the transaction expenses in the amount of approximately S$1.3 million and S$2.0 million incurred by the Target Group for the years ended 31 December 2016 and 2017, respectively; (iii) the increase in depreciation due to the increase in motor vehicles acquired by the Target Group during the Track Record Period; and (iv) the decrease in revenue for the year ended 31 December 2017. The Target Group's net profit margin increased to approximately 14.8% for the year ended 31 December 2018 which was mainly due to (i) an increase in revenue from approximately S$19.6 million in 2017 to approximately S$21.5 million in 2018; and (ii) the decrease in the recognition of non-recurring transaction expenses relating to the Acquisition and the Share Offer in 2018. The Target Group recorded a net loss of approximately S$0.4 million for the five months ended 31 May 2019 as a result of (i) a decrease in gross profit and gross profit margin for the five months ended 31 May 2019; and (ii) the Target Group recorded non-recurring transaction expenses of approximately S$0.6 million for the five months ended 31 May 2019.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD AND NO MATERIAL ADVERSE CHANGE

Having considered Franchisee A's delay in setting up the JOE Green production plant in Indonesia, the First Franchise Arrangement was terminated on 30 June 2019. 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. In addition, on 1 August 2019, the Target Group entered into the MOU (3rd Franchise) with Proposed Franchisee C whereby the parties (a) expressed their intention to explore possible modes of future cooperation and to promote the use and sale of the Target Group's products in Indonesia; and (b) agreed to negotiate in good faith the terms and conditions of the Proposed Franchise Arrangement which are expected to commence on or before 1 August 2020. Franchisee B has commenced production under the Second Franchise Arrangement in November 2019. Please refer to the section headed "Franchise Arrangements" in the section headed "Business of the Target Group" in this circular for further details.

Despite the adverse developments in the construction industry and precast concrete wall panels industry in Singapore in 2017 and 2018, according to Frost & Sullivan, the market size of precast concrete wall panels by sales value in Singapore will increase from approximately S$49.2 million in 2018 to approximately S$51.1 million in 2019 and further to approximately S$67.2 million in 2023, as a result of expected growth in number of building projects and recovery of construction industry. According to Frost & Sullivan with referencing to the BCA, the monthly average construction progress payment in the private sector increased by approximately 4.5% between June and August 2019 when compared to that between January and May 2019. Frost & Sullivan also expects that the value of progress payment certified for building works is expected to increase at a CAGR of 4.7% during 2019 to 2023. Furthermore, the Target Group will continue to penetrate into the Malaysia and Indonesia markets.

Although the Target Group did not generate any revenue from the Indonesia market for the five months ended 31 May 2019 as there were no on-going projects in Indonesia during that period, the Target Group has secured 2 new residential building construction projects with estimated sales volume of precast concrete wall panels amounted to more than 300,000 m^2 and was in negotiation with potential customers for 9 building construction projects, of which 6 are commercial, 2 are residential and 1 is institutional, for the Indonesia market as at the Latest Practicable Date.

The operational information of the Target Group has improved in the third quarter of the financial year ending 31 December 2019 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.

The increase in sales volume after the Track Record Period was mainly as a result of (a) the increase in the number of sizeable orders in the second and third quarters of 2019; (b) the Target Group's continued fulfilment of orders in respect of an increasing value of backlog, which accounted for approximately S$32.6 million as at the Latest Practicable Date; and (c) the resumption of sales to Indonesia in the third quarter of 2019. In connection with the increase in sales volume, the Target Group's production volume and utilisation rates of its production plant have increased from approximately 755,422 m^2 and 60.5% for the nine months ended 30 September 2018 to approximately 768,382 m^2 and 61.5% for the nine months ended 30 September 2019, respectively.

The increase in average selling prices after the Track Record Period was primarily attributable to (a) the steady growth in the demand for the Target Group's product coupled with the recovery of the Singapore construction industry which drove up the average selling prices of the Target Group's products; (b) products sold by the Target Group pursuant to the recently secured Indonesia contracts were of higher average selling prices as products with higher specifications and features (such as customised lengths) were required; and (c) a shift in customer orders for product types with higher specifications and features (including enhanced thickness, extra light weight, enhanced water tightness, sound insulation and fire proofing, etc.) and primarily used for the construction of performance base during the early phase of the construction projects of the Target Group's customers.

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.

Having considered (a) the increase in production volume and utilisation rates for the nine months ended 30 September 2019 as compared with the corresponding period in 2018; (b) the improvement in sales volume of precast concrete wall panels and increase in average selling prices of the Target Group's products after the Track Record Period; and (c) the increasing value of backlog as at the Latest Practicable Date, the proposed Directors confirm that (i) the adverse business environment during the five months ended 31 May 2019 will not have material adverse impact on the Target Group's business and financial performance going forward; (ii) there has been no material adverse change in the general economic and market condition, legal, industry and operating environment in which the Target Group operates that materially and adversely affected its financial or operating position or prospects of the Target Group since 31 May 2019, being the date to which the latest financial information of the Target Group was made up and recorded in the Accountants' Report of the Target Group set out in Appendix I to this circular, and up to the date of this circular; and (iii) no event has occurred since 31 May 2019 that would materially and adversely affect the information shown in the Accountants' Report of the Target Group set out in Appendix I to this circular.

When the Creditors Schemes become effective, all the indebtedness of the Company (as at the date on which the Creditors Schemes become effective) shall be compromised and be fully discharged. Assuming the Creditors Schemes become effective and are implemented, it is expected that the Enlarged Group will incur a net loss after taking off the effect of the one-off gain resulted from the Creditors Schemes. As set out in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group in Appendix III to this circular, assuming the Creditors Schemes become effective and are implemented on 31 December 2018, the Enlarged Group would have recorded a net loss of approximately RMB175.1 million. Such loss was mainly attributable to the recognition of 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. For further details regarding the financial effects of the Proposed Restructuring on the Enlarged Group, please refer to Appendix III to this circular.

The transaction expenses relating to the Acquisition and the Share Offer expected to be charged to the profit or loss of the Enlarged Group during the years ending 31 December 2019 and 2020 will be approximately HK$13.9 million and HK$38.5 million (equivalent to approximately S$2.4 million and S$6.6 million respectively).

NON-COMPLIANCE INCIDENT

During the Track Record Period and up to the Latest Practicable Date, the Target Group was involved in one non-compliance incident in relation to the Malaysia Street, Drainage and Building Act, 1974 in relation to certain temporary building structures of the Target Group's production plant. For details, please refer to the section headed "Business of the Target Group – Legal proceedings and non-compliance" in this circular.

CONTROLLING SHAREHOLDERS

Immediately following Resumption, Mr. Widjaja (via Amazana Investments), Ms. Lim (via Amazana Equity) and Ms. Limarto (via Amazana Ventures), who are acting in concert (with Mr. Widjaja being the leader of such concert group), will indirectly and beneficially own in aggregate 65% of the enlarged issue share capital of the Company. Hence, Mr. Widjaja, Ms. Lim, Ms. Limarto and their respective wholly-owned investment holding companies will be a group of Controlling Shareholders of the Company upon Resumption.

Apart from the Target Group, during the Track Record Period and as at the Latest Practicable Date, none of the Controlling Shareholders had any interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group. For further details of the Controlling Shareholders, please refer to the section headed "Relationship with Controlling Shareholders" in this circular.

THE SHARE OFFER

As part of the Proposed Restructuring, the Share Offer of 840,578,904 SO Shares at the Share Offer Price of HK$0.24 per SO Share will be launched. 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 and the Qualifying Lumena Shareholders. 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. Please refer to the section headed "Letter from the Provisional Liquidators – 3. The Share Offer" in this circular for further details.

THE USE OF PROCEEDS FROM THE SHARE OFFER

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 HK$90.0 million will be paid into the Creditors Schemes. The 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.

SHAREHOLDING STRUCTURE OF THE COMPANY

Scenario A: Assuming all of the existing Shareholders take up their respective Preferential Entitlements to the Reserved Shares under the Preferential Offer[(1)]

	1		2		3		4		5	
	As at the Latest Practicable Date		Immediately after the completion of the Capital Reorganisation		Immediately after the completion of the Capital Reorganisation and the Creditors Schemes		Immediately after the completion of the Capital Reorganisation, the Creditors Schemes and the Acquisition		Immediately after the completion of the Capital Reorganisation, the Creditors Schemes, the Acquisition and the Share Offer	
	No. of Shares	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*
Concert Group (Amazana)										
Amazana Investments	–	0.00%	–	0.00%	–	0.00%	1,098,356,435	46.12%	892,414,604	31.85%
Amazana Equity	–	0.00%	–	0.00%	–	0.00%	1,075,940,997	45.18%	874,202,060	31.20%
Amazana Ventures	–	0.00%	–	0.00%	–	0.00%	67,246,312	2.82%	54,637,628	1.95%
Sub-total	–	0.00%	–	0.00%	–	0.00%	2,241,543,744	94.12%	1,821,254,292	65.00%
Substantial Shareholder										
Suo Lang Duo Ji	1,875,846,510	33.47%	46,896,162	33.47%	46,896,162	33.47%	46,896,162	1.97%	93,792,324	3.35%
Sub-total	1,875,846,510	33.47%	46,896,162	33.47%	46,896,162	33.47%	46,896,162	1.97%	93,792,324	3.35%
Public Shareholders										
Other existing pubic shareholders	3,728,012,883	66.53%	93,200,322	66.53%	93,200,322	66.53%	93,200,322	3.91%	186,400,644	6.65%
SO Underwriter(s)	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%
Placees under the Investors' Placing for restoration of public float	–	0.00%	–	0.00%	–	0.00%	–	0.00%	420,289,452	15.00%
Other new public shareholders under the Company's Placing	–	0.00%	–	0.00%	–	0.00%	–	0.00%	56,036,968	2.00%
Other new public shareholders under the Public Offer	–	0.00%	–	0.00%	–	0.00%	–	0.00%	224,156,000	8.00%
Sub-total	3,728,012,883	66.53%	93,200,322	66.53%	93,200,322	66.53%	93,200,322	3.91%	886,883,064	31.65%
Total	5,603,859,393	100.00%	140,096,484	100.00%	140,096,484	100.00%	2,381,640,228	100.00%	2,801,929,680	100.00%

Scenario B: Assuming none of the existing Shareholders take up their respective Preferential Entitlements to the Reserved Shares under the Preferential Offer(1)

	1		2		3		4		5	
	As at the Latest Practicable Date		**Immediately after the completion of the Capital Reorganisation**		**Immediately after the completion of the Capital Reorganisation and the Creditors Schemes**		**Immediately after the completion of the Capital Reorganisation, the Creditors Schemes and the Acquisition(5)**		**Immediately after the completion of the Capital Reorganisation, the Creditors Schemes, the Acquisition and the Share Offer(5)**	
	No. of Shares	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*
Concert Group (Amazana)										
Amazana Investments(7)	–	0.00%	–	0.00%	–	0.00%	1,098,356,435	46.12%	892,414,604	31.85%
Amazana Equity(8)	–	0.00%	–	0.00%	–	0.00%	1,075,940,997	45.18%	874,202,060	31.20%
Amazana Ventures(9)	–	0.00%	–	0.00%	–	0.00%	67,246,312	2.82%	54,637,628	1.95%
Sub-total	–	0.00%	–	0.00%	–	0.00%	2,241,543,744	94.12%	1,821,254,292	65.00%
Substantial Shareholder										
Suo Lang Duo Ji	1,875,846,510	33.47%	46,896,162	33.47%	46,896,162	33.47%	46,896,162	1.97%	46,896,162	1.67%
Sub-total	1,875,846,510	33.47%	46,896,162	33.47%	46,896,162	33.47%	46,896,162	1.97%	46,896,162	1.67%
Public Shareholders										
Other existing pubic shareholders	3,728,012,883	66.53%	93,200,322	66.53%	93,200,322	66.53%	93,200,322	3.91%	93,200,322	3.33%
SO Underwriter(s)	–	0.00%	–	0.00%	–	0.00%	–	0.00%	140,096,484	5.00%
Placees under the Investors' Placing for restoration of public float	–	0.00%	–	0.00%	–	0.00%	–	0.00%	420,289,452	15.00%
Other new public shareholders under the Company's Placing	–	0.00%	–	0.00%	–	0.00%	–	0.00%	56,036,968	2.00%
Other new public shareholders under the Public Offer	–	0.00%	–	0.00%	–	0.00%	–	0.00%	224,156,000	8.00%
Sub-total	3,728,012,883	66.53%	93,200,322	66.53%	93,200,322	66.53%	93,200,322	3.91%	933,779,226	33.33%
Total	5,603,859,393	100.00%	140,096,484	100.00%	140,096,484	100.00%	2,381,640,228	100.00%	2,801,929,680	100.00%

Notes:

(1) For illustrative purpose only and may not occur in the above manner.

(2) The Company (together with the Investors) will take necessary steps to ensure its minimum public float will be maintained at all times upon completion of the transactions under the Proposed Restructuring. Please refer to section headed "Letter from the Provisional Liquidators – Fulfilment of the minimum public float requirement" in this circular.

(3) As the Share Offer and the Acquisition, which form part of the Proposed Restructuring are interconditional to each other, the completion of the Acquisition and the issue and allotment for the Consideration Shares, Company's Placing Shares (including the Reserved Shares) and Public Offer Shares will take place on the same day and therefore column 4 as shown in the change of the shareholding structure are for illustrative purposes and will not occur.

(4) Shareholders and public investors should note that the above changes in shareholding structure of the Company are for illustration purpose only and the actual change in the shareholding structure of the Company is subject to the SO Underwriting Agreements.

(5) The completion of the Share Offer and the Acquisition will take place simultaneously.

(6) Certain percentages figures included in the above table are subject to rounding adjustments.

(7) Amazana Investments is a company wholly-owned by Mr. Widjaja.

(8) Amazana Equity is a company wholly-owned by Ms. Lim.

(9) Amazana Ventures is a company wholly-owned by Ms. Limarto.

SELECTED UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The table below sets out selected unaudited pro forma financial information of the Enlarged Group as at 30 June 2019. For more details, please refer to the section headed "Unaudited pro forma financial information of the Enlarged Group" set out in Appendix III to this circular.

	Consolidated net tangible liabilities of the Group	**Consolidated net tangible liabilities of the Group per Share**	**Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group**	**Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per Share**
	RMB'000	*RMB*	*RMB'000*	*RMB*
				Note 1
Consolidated net tangible assets/(liabilities) attributable to owners of the Company	(7,537,941)	(1.35)	65,552	0.02

Notes:

(1) The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per Share is approximately HK$0.0271. Conversion of RMB into HK$ is based on the approximate exchange rate of RMB1 to HK$1.16. Such exchange rate is for the purpose of illustration only.

(2) Please refer to the Appendix III to this circular for further details on the assumptions used and the calculation method.

GEARING RATIO OF THE ENLARGED GROUP UPON RESUMPTION

The unaudited pro forma gearing ratio of the Enlarged Group upon Resumption calculated on the basis of total borrowings (bank borrowing and lease liabilities) of the Enlarged Group of approximately RMB154.6 million divided by the pro forma total assets of the Enlarged Group of approximately RMB246.9 million would be approximately 62.6%.

TRANSACTION EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, and other expenses relating to the Acquisition and the Share Offer, are estimated to be approximately HK$83.9 million in aggregate paid or to be paid by the Enlarged Group. Among the estimated total transaction expenses of approximately HK$83.9 million, which includes (i) fees and expenses relating to the Acquisition of approximately HK$48.9 million; and (ii) expenses relating to the restructuring of the Company of approximately HK$35.0 million, of which approximately HK$1.7 million is directly attributable to the issue of Reserved Shares that will be accounted for as a deduction from equity upon issuance of the Reserved Shares as it incurred. Transaction expenses of approximately HK$8.3 million, HK$13.1 million, HK$8.4 million and HK$3.7 million had been charged to the profit or loss for the year ended 31 December 2016 and before, the year ended 31 December 2017 and 2018 and the five months ended 31 May 2019, respectively, and the remaining transaction expenses of approximately HK$10.2 million and HK$38.5 million are expected to be charged to the profit or loss of the Enlarged Group for the seven months ending 31 December 2019 and the year ending 31 December 2020 respectively. The substantial portion of the estimated total transaction expenses is non-recurring in nature.

DIVIDEND

In 2016, JOE Green Pte declared dividends of S$200,000, S$4,100,000 and S$1,000,000 in respect of the year ended 30 September 2014, 31 December 2015 and 31 December 2016, respectively, and such dividends were paid to the then shareholders during the year ended 31 December 2016. In 2016, JOE Green Precast declared dividends of RM14,600,000 (equivalent to S$4,865,000) in respect of the year ended 31 December 2015 and paid such dividends to the then shareholders during the year ended 31 December 2016. During the years ended 31 December 2017 and 2018, the Target Group did not declare any dividend. On 6 May 2019, JOE Green MKT Singapore declared final dividends of S$2.0 million in respect of the year ended 31 December 2018, of which S$1.0 million has been paid to the then shareholder in May 2019 and the remaining S$1.0 million dividends has been settled in August 2019. Such historical dividend distributions should not be used as a reference or basis to determine the amount of dividends, if any, that may be declared or paid by the Target Group in the future. In particular, the Target Group does not have a dividend payment plan, policy or any pre-determined dividend payout ratio and the payment of dividends could be subject to restrictive undertakings under the bank loan facility documents entered into by the Target Group. Please refer to the paragraphs headed "Dividends" and "Loan covenants" in the section headed "Financial Information of the Target Group" in this circular for details.

RECOMMENDATIONS AND THE EGM

The Company has appointed Lego Corporate Finance to advise the Shareholders in relation to the Capital Reorganisation, the Acquisition and the Share Offer, the Whitewash Waiver and the transactions contemplated thereunder. Lego Corporate Finance is of the view that the terms and conditions of the Capital Reorganisation, the Acquisition and the Share Offer, the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, it recommends the Shareholders to vote in favour of the resolutions in relation to the Capital Reorganisation, the Acquisition and the Share Offer and the Whitewash Waiver to be proposed at the EGM.

A notice of the EGM to be held at Room 1804, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Monday, 23 December 2019 at 2:00 p.m. is set out on pages EGM-1 to EGM-8 of this circular for the purpose of considering and, if thought fit, approving the Capital Reorganisation, the Acquisition, the Share Offer, the Creditors Schemes, the Whitewash Waiver, the Restructuring Framework Agreement, the proposed appointment of the proposed Directors and the Articles Adoption. Voting on the resolutions at the EGM will be taken by poll.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules; and a reverse takeover of the Company under Rule 14.06(6)(b) of the Listing Rules. The Acquisition will therefore be 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. Such new listing application is required to comply with all the requirements under the Listing Rules, in particular the requirements under Chapters 8 and 9 of the Listing Rules. The Share Offer will result in a theoretical dilution effect of 74.64%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. Given that the Group is in financial difficulties and that the Share Offer forms part of the Proposed Restructuring, the Stock Exchange is satisfied that there are exceptional circumstances (details of which are set out in the paragraph headed "Implications under the Listing Rules – Exceptional circumstances for Rule 7.27B" in the section headed "Letter from the Provisional Liquidators" in this circular) for the Company to undertake the Share Offer resulting in a theoretical dilution effect of over 25%. The Public Offer Shares and the Company's Placing Shares (including the Reserved Shares) will be issued under the Specific Mandate, the Public Offer and the Company's Placing (including the Preferential Offer) will be subject to the approval by the Independent Shareholders at the EGM by way of poll. Please refer to the section headed "Letter from the Provisional Liquidators" in this circular for further details.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Whitewash Waiver

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 as a result of the issue of the Consideration Shares, 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 Whitewash 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 and/or the Whitewash Waiver will abstain from voting on the relevant resolution(s). Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, the Whitewash Waiver and the underlying transactions of the Proposed Restructuring shall be approved by at least 75% of the independent votes that are cast by the Whitewash Independent Shareholders and more than 50% of the independent votes that are cast by the Independent Shareholders respectively, either in person or by proxy at the EGM. If the Whitewash Waiver is granted by the Executive and approved by the Whitewash 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 of the Consideration Shares. As the Concert Group will own more than 50% of the voting rights of the Company at the time of Resumption, the Concert Group may increase its shareholding in the Company in the future without incurring an obligation under Rule 26 of the Takeovers Code to make a general offer. 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.

As at the date of this circular, the Company does not believe that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition does not comply with other applicable rules and regulations.

In this circular, unless the context otherwise requires, the following expressions shall have the following respective meanings.

"Accepted Offer Application(s)"	applications for Public Offer Shares made on the application forms in the Public Offer and accepted by the Company. For the avoidance of doubt, "Accepted Offer Applications" shall exclude such placees successfully procured by the Public Offer Underwriter(s) to subscribe for the Public Offer Shares for the purpose of fulfilling the Public Offer Underwriter(s)' underwriting commitment as set out in the Public Offer Underwriting Agreement
"Acquisition"	the conditional sale by the Investors and the purchase by the Company of the Sale Equity Interest pursuant to the Restructuring Framework Agreement
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Amazana Capital"	Amazana Capital Sdn Bhd, a company incorporated in Malaysia with limited liability on 7 June 2013, which is owned as to 50% and 50% by Mr. Widjaja and Ms. Lim respectively as at the Latest Practicable Date and will be a connected person of the Company upon Completion. As at the Latest Practicable Date, Mr. Widjaja and Ms. Lim ceased the operations of Amazana Capital and has commenced voluntary winding-up procedures on Amazana Capital
"Amazana Equity"	Amazana Equity Limited, a company incorporated in the BVI with limited liability on 27 March 2017, one of the group of Controlling Shareholders and a company legally and beneficially wholly-owned by Ms. Lim
"Amazana Gratia"	Amazana Gratia Pte Ltd, a company incorporated in Singapore with limited liability on 8 December 2004, which is owned as to 90% and 10% by Ms. Lim and Mr. Widjaja respectively as at the Latest Practicable Date and will be a connected person of the Company upon Completion

"Amazana Investments"	Amazana Investments Limited, a company incorporated in the BVI with limited liability on 27 March 2017, one of the group of Controlling Shareholders and a company legally and beneficially wholly-owned by Mr. Widjaja
"Amazana Ventures"	Amazana Ventures Limited, a company incorporated in the BVI with limited liability on 27 March 2017, one of the group of Controlling Shareholders and a company legally and beneficially wholly-owned by Ms. Limarto
"Amendment Letters"	seven amendment letters dated 29 September 2017, 29 December 2017, 27 April 2018, 26 November 2018, 25 April 2019, 29 July 2019 and 31 October 2019 entered into among the Investors, the Company and the Provisional Liquidators in respect of certain amendments to the Restructuring Framework Agreement
"Announcement"	the announcement of the Company dated 16 February 2017 in relation to, among other things, the Proposed Restructuring
"Articles"	the articles of association of the Company adopted on 27 June 2012, as may be amended from time to time
"Articles Adoption"	the adoption of the second amended and restated memorandum and articles of association of the Company, the details of which are set out in the section headed "Letter from the Provisional Liquidators – Proposed Adoption of the Second Amended and Restated Memorandum and Articles of Association of the Company" in this circular
"Authorised Share Capital Cancellation"	the proposed cancellation of the authorised but unissued share capital of the Company in its entirety
"Authorised Share Capital Increase"	the proposed increase of the authorised share capital of the Company from US$100,000 to US$2,000,000 following completion of the Share Consolidation and Authorised Share Capital Cancellation to be divided into 5,000,000,000 New Shares of US$0.0004 each
"BLUE Application Form(s)"	the application form(s) to be sent to the Qualifying Lumena Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offer

"Board"	the board of Directors
"Business Day(s)"	a business day on which the Stock Exchange is open for the transaction of business
"BVI"	the British Virgin Islands
"Capital Reorganisation"	the proposed reorganisation of the capital of the Company comprising, inter alia, the Share Consolidation, the Authorised Share Capital Cancellation and the Authorised Share Capital Increase
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Law" or "Cayman Companies Law"	the Companies Law (2018 Revision) of the Cayman Islands as amended from time to time
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) as amended from time to time
"Company"	China Lumena New Materials Corp. (In Provisional Liquidation) (stock code: 67), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Company's Placing"	the placing of the Company's Placing Shares (including the Reserved Shares) at the Share Offer Price of HK$0.24 per Company's Placing Share to selected professional, institutional and/or other investors in Hong Kong and elsewhere and the Qualifying Lumena Shareholders
"Company's Placing Share(s)"	the 196,133,452 New Shares (subject to adjustment as described in the paragraph headed "– 3. The Share Offer" in the section headed "Letter from the Provisional Liquidators" in this circular) being offered by the Company under the Company's Placing (including the Preferential Offer)
"Completion"	completion of the Proposed Restructuring
"Completion Date"	the date on which Completion occurs

"Concert Group"	the Investors, Amazana Investments, Amazana Equity, Amazana Ventures and parties acting in concert with any of them
"Consideration"	the amount of approximately HK$538.0 million, being the consideration payable by the Company to the Investors for the Sale Equity Interest pursuant to the Restructuring Framework Agreement
"Consideration Price"	HK$0.24, the price at which the Consideration Shares are to be issued under the Restructuring Framework Agreement
"Consideration Shares"	the 2,241,543,744 New Shares to be issued and allotted as fully paid by the Company to the Investors under the Restructuring Framework Agreement
"Controlling Shareholder(s)"	Mr. Widjaja, Ms. Lim, Ms. Limarto, Amazana Investments, Amazana Equity and Amazana Ventures, who will become the group of controlling shareholders (having the meaning ascribed to it under the Listing Rules) of the Company upon completion of the Acquisition
"Convertible Bonds"	convertible bonds with an aggregate principal amount of US$120,000,000 interest at the rate of 6% per annum issued on 6 May 2011 which expired on 6 May 2014
"Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report referred to in Appendix 14 to the Listing Rules, as amended from time to time
"Creditors"	collectively all the creditors of the Company who have a valid claim against the Company as at the date on which the Creditors Schemes become effective
"Creditors Claims"	an estimated total amount of claims of approximately US$1,161 million under the Creditors Schemes as at the Latest Practicable Date

"Creditors Schemes"	the schemes of arrangement entered into between the Company and its creditors pursuant to Sections 666 to 675 of the Companies Ordinance and Section 86 of the Companies Law with, or subject to, any modification, addition or conditions approved or imposed by the High Court and the Grand Court
"Creditors Schemes Consideration"	the amount of HK$90 million payable under the Creditors Schemes
"Deed of AIC Confirmation"	a deed of confirmation dated 22 November 2019 executed by Mr. Widjaja, Ms. Lim, Ms. Limarto, Amazana Investments, Amazana Equity and Amazana Ventures to confirm and record, among others, the existence of their acting in concert arrangement, a summary of which is set out in the section headed "Relationship with Controlling Shareholders – Controlling Shareholders – Acting in concert arrangements" in this circular
"Deed of Indemnity"	the deed of indemnity dated 23 November 2019 and executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for each of the subsidiaries of the Enlarged Group), particulars of which are set out in the section headed "K. Deed of Indemnity" in Appendix VII to this circular
"Deed of Non-competition"	the deed of non-competition dated 23 November 2019 and executed by the Controlling Shareholders in favour of the Company (for itself and on behalf of its subsidiaries), particulars of which are set out in the section headed "Relationship with Controlling Shareholders – Independence from the Controlling Shareholders – Non-competition Undertaking" in this circular
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be held to consider, among others, all the resolutions of the Company necessary or appropriate in relation to the Capital Reorganisation, the grant of the Specific Mandate, the Acquisition and the Share Offer, the Creditors Schemes, the Whitewash Waiver and any other matters as required by law, the Listing Rules, the Stock Exchange and/or the SFC, which are necessary to give effect to the Proposed Restructuring and any transactions contemplated under the Restructuring Framework Agreement
"Enlarged Group"	the Group upon Completion
"Excluded Shareholder(s)"	(i) Shareholder(s) whose address(es) as shown on the register of members is/are outside in a jurisdiction the laws of which may prohibit the making of the Preferential Offer to such Shareholders or otherwise require the Company to comply with additional requirements which are unduly onerous or burdensome; (ii) Shareholder(s) who is a Director or his/her close associate; and (iii) Shareholder(s) who has the power to appoint a Director or any other special rights
"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time or any of his delegate
"Existing Substantial Shareholder"	Mr. Suo Lang Duo Ji, interested in 1,875,846,510 Shares, representing approximately 33.5% of the existing issued share capital of the Company as at the Latest Practicable Date and neither an associate of nor acting in concert with any member of the Concert Group
"Financial Adviser"	Asian Capital Limited, a registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, being the financial adviser of the Company in relation to the Proposed Restructuring

"First Franchise Agreement"	the international development and operating franchise agreement dated 1 November 2017 and entered into among JOE Green Pte. (as franchisor), Franchisee A (as developer and franchisee) and the sole shareholder of Franchisee A (as Franchisee A's principal) in relation to the First Franchise Arrangement
"First Franchise Arrangement"	the franchise arrangement contemplated under the First Franchise Agreement, details of which are set out in the section headed "Business of the Target Group – Franchise Arrangements" in this circular
"Franchisee A"	a company incorporated in the Republic of Indonesia whose principal business is to act as a trader and distributor of building materials in Indonesia. Franchisee A is an Independent Third Party and the Target Group's largest customer for 2017 and 2018
"Franchisee B"	a company incorporated in the Republic of Indonesia which is principally engaged in the distribution of building materials in Indonesia and an Independent Third Party
"Frost & Sullivan"	Frost & Sullivan International Limited, an independent industry expert engaged by the Target Group
"Frost and Sullivan Report"	an independent research report commissioned by the Target Group and prepared by Frost & Sullivan for the purpose of this circular
"Grand Court"	the Grand Court of the Cayman Islands
"Group"	the Company and its subsidiaries immediately prior to the Proposed Restructuring
"High Court"	the High Court of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"IDR"	Indonesian Rupiah, the lawful currency of Indonesia
"Independent Financial Adviser" or "Lego Corporate Finance"	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Shareholders in respect of the Proposed Restructuring and the Whitewash Waiver and an Independent Third Party
"Independent Shareholder(s)"	the independent Shareholder(s) who are not members of the Concert Group and/or not involved in or interested in (other than solely as a Shareholder) the transactions contemplated under the Restructuring Framework Agreement including, without limitation, the Share Offer and the Acquisition, and therefore permitted to vote in respect of the resolution(s) to approve the Share Offer and the Acquisition at the EGM, which include the Whitewash Independent Shareholder(s)
"Independent Third Party(ies)"	a person(s) or company(ies) who or which is/are independent of and not connected (within the meaning of the Listing Rules) with the Company, the Target Group and their respective connected persons
"Investors"	Mr. Widjaja, Ms. Lim and Ms. Limarto collectively
"Investors' Placing"	the placing of the Investors' Placing Shares at the Share Offer Price of HK$0.24 per Investors' Placing Share to selected professional, institutional and/or other investors in Hong Kong and elsewhere
"Investors' Placing Share(s)"	the 420,289,452 New Shares (subject to adjustment as described in the paragraph headed "– 3. The Share Offer" in the section headed "Letter from the Provisional Liquidators" in this circular) being offered by the Investors under the Investors' Placing

"JOE Green Gratia"	JOE Green Gratia Limited, a company incorporated in the BVI with limited liability on 24 March 2017 and a wholly-owned subsidiary of the Target Company upon completion of the Reorganisation
"JOE Green MKT Malaysia"	JOE Green Marketing Sdn. Bhd., a company incorporated in Malaysia with limited liability on 7 June 2013, which is one of the major operating subsidiaries of the Target Group in Malaysia and is owned as to 90% and 10% by Ms. Lim and Ms. Limarto respectively immediately before the Reorganisation
"JOE Green MKT Singapore"	JOE Green Marketing Pte. Ltd., a company incorporated in Singapore with limited liability on 28 May 1994, which is one of the major operating subsidiaries of the Target Group in Singapore and is wholly-owned by Mr. Widjaja immediately before the Reorganisation
"JOE Green Pacific"	JOE Green Pacific Limited, a company incorporated in the BVI with limited liability on 24 March 2017 and a wholly-owned subsidiary of the Target Company upon completion of the Reorganisation
"JOE Green Precast"	JOE Green Precast Sdn. Bhd., a company incorporated in Malaysia with limited liability on 6 September 2010, which is one of the major operating subsidiaries of the Target Group in Malaysia and is owned as to 50% and 50% by Mr. Widjaja and Ms. Lim respectively immediately before the Reorganisation
"JOE Green Prominent"	JOE Green Prominent Limited, a company incorporated in the BVI with limited liability on 24 March 2017 and a wholly-owned subsidiary of the Target Company upon completion of the Reorganisation
"JOE Green Pte."	JOE Green Pte. Ltd., a company incorporated in Singapore with limited liability on 19 September 2006, which is one of the major operating subsidiaries of the Target Group in Singapore and is owned as to 94.5% and 5.5% by Mr. Widjaja and Ms. Lim respectively immediately before the Reorganisation

"JOE Green Summit"	JOE Green Summit Limited, a company incorporated in the BVI with limited liability on 24 March 2017 and a wholly-owned subsidiary of the Target Company upon completion of the Reorganisation
"Knight Frank"	Knight Frank Petty Limited, a valuation advisory services company, which is an Independent Third Party
"Last Trading Day"	24 March 2014, being the last full trading day immediately before the suspension of trading in the Shares
"Latest Practicable Date"	26 November 2019, being the latest practicable date prior to the date of this circular for the purpose of ascertaining certain information contained in this circular
"Legal Opinion"	the legal opinion dated 22 November 2019 issued by Tang, Chun Kit Danny, barrister-at-law in Hong Kong, in respect of the litigation risk that may arise in the event that the Investors unilaterally terminate the Restructuring Framework Agreement before the then Long Stop Date (i.e.: 30 April 2019) or refrain from performing under the Restructuring Framework Agreement before the then Long Stop Date (i.e.: 30 April 2019)
"Linktopz Entertainment"	Linktopz Entertainment Limited, a company incorporated in Hong Kong, on 15 October 2014 and a member of the Target Group, which will become a wholly-owned subsidiary of the Target Group immediately after completion of the Reorganisation
"Listing"	the listing approval granted by the Listing Committee for the listing of, and permission to deal in, the New Shares in issue upon the Capital Reorganisation becoming effective, the Consideration Shares, the Public Offer Shares and the Company's Placing Shares (including the Reserved Shares) on the Stock Exchange in connection with the New Listing Application of the Company for the purpose of the Acquisition
"Listing Committee"	the Listing Committee of the Stock Exchange

"Listing Date"	the date on which dealings of the New Shares on Main Board first commence, which is expected to be Friday, 31 January 2020
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange from time to time
"Long Stop Date"	31 January 2020 or such other date as the parties to the Restructuring Framework Agreement may agree in writing
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange and which, for avoidance of doubt, excludes GEM of the Stock Exchange
"Memorandum"	the memorandum of association of the Company
"MOU (3rd Franchise)"	the memorandum of understanding dated 1 August 2019 and entered into between JOE Green MKT Singapore and Proposed Franchisee C in relation to the Proposed Third Franchise Arrangement
"Mr. Widjaja"	Mr. Boediman Widjaja, an Investor, one of the Controlling Shareholders, the proposed chairman of the Enlarged Group and a proposed Director, and the spouse of Ms. Lim and the brother-in-law of Ms. Limarto
"Ms. Lim"	Ms. Insinirawati Limarto, an Investor, one of the Controlling Shareholders, the proposed chief executive officer of the Enlarged Group and a proposed Director, and the spouse of Mr. Widjaja and the sister of Ms. Limarto
"Ms. Limarto"	Ms. Incunirawati Limarto, an Investor, one of the Controlling Shareholders and a proposed Director, and the sister of Ms. Lim and the sister-in-law of Mr. Widjaja
"MTM"	MTM Resources Sdn. Bhd., a company incorporated in Malaysia and an Independent Third Party

"New Listing Application"	the new listing application submitted by the Company on 31 March 2017, resubmitted on 16 October 2017, 9 May 2018, 14 November 2018, 22 May 2019 and 25 November 2019 by the Company to the Stock Exchange relating to the transactions contemplated under the Resumption Proposal (and the revision thereof) pursuant to the requirements and procedures set out in Chapters 8 and 9 of the Listing Rules
"New Public Shareholders"	the members of the public (for the avoidance of doubt, excluding the Qualifying Lumena Shareholders, the SO Underwriter(s), the sub-underwriter(s) of the SO Underwriter(s) and/or the subscribers or placees procured by them
"New Share(s)" or "Consolidated Shares"	the ordinary share(s) of US$0.0004 each in the capital of the Company immediately following the Capital Reorganisation becoming effective
"Placing"	collectively, the Company's Placing (including the Reserved Shares) and the Investors' Placing
"Placing Share(s)"	the placing of 616,422,904 New Shares (subject to adjustment as described in the paragraph headed "– 3. The Share Offer" in the section headed "Letter from the Provisional Liquidators" in this circular) by the Company and the Investors to selected professional, institutional and/or other investors in Hong Kong and elsewhere, which comprises the Company's Placing Shares (including the Reserved Shares) and the Investors' Placing Shares
"Placing Underwriter(s)"	the underwriter(s) of the Placing
"Placing Underwriting Agreement"	an underwriting agreement to be entered into by the Company, the Investors and the Placing Underwriter(s) in respect of the Placing
"PRC"	the People's Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan

"Preferential Entitlement"	the entitlement of the Qualifying Lumena Shareholder(s) to apply for the Reserved Shares under the Preferential Offer on an assured basis to be determined on the basis of their respective shareholdings in the Company as at 4:30 p.m. on the Preferential Offer Record Date
"Preferential Offer"	the preferential offer to the Qualifying Lumena Shareholders of 140,096,484 Reserved Shares (representing approximately 71.4%, 22.7% and 16.7% of the SO Shares available under the Company's Placing, the Placing and the Share Offer, respectively (assuming no reallocation between the Public Offer and the Placing)) as Preferential Entitlement at the Share Offer Price, on and subject to the terms and conditions set out in the Share Offer Prospectus and in the BLUE Application Form
"Preferential Offer Record Date"	Tuesday, 14 January 2020, being the record date for determining the Preferential Entitlement of the Qualifying Lumena Shareholders to the Reserved Shares
"Proposed Franchise Arrangement"	the franchise arrangement between JOE Green MKT Singapore and Proposed Franchisee C as contemplated under the MOU (3rd Franchise) which is expected to commence on or before 1 August 2020
"Proposed Franchisee C"	a limited liability company incorporated in the Republic of Indonesia which is principally engaged in property development and construction logistic in Indonesia and an Independent Third Party
"Proposed Restructuring"	the proposed restructuring of the Group, involving, among other things, the Capital Reorganisation, the Creditors Schemes, the Share Offer, and the Acquisition
"Provisional Liquidators"	Mr. Man Chun So, Mr. Yat Kit Jong and Mr. Simon Conway, being the joint and several provisional liquidators of the Company acting as agents without personal liabilities
"Public Offer"	the offer of the Public Offer Shares at the Share Offer Price of HK$0.24 per Public Offer Share for subscription by the public in Hong Kong

"Public Offer Share(s)"	the 224,156,000 New Shares (subject to adjustment as described in the paragraph headed "– 3. The Share Offer" in the section headed "Letter from the Provisional Liquidators" in this circular) being offered by the Company for subscription under the Public Offer
"Public Offer Underwriter(s)"	the underwriter(s) of the Public Offer
"Public Offer Underwriting Agreement"	an underwriting agreement to be entered into by the Company and the Public Offer Underwriter(s) in respect of the Public Offer
"Qualifying Lumena Shareholder(s)"	Shareholder(s), other than the Excluded Shareholder(s), whose names appear on the register of members of the Company as at 4:30 p.m. on the Preferential Offer Record Date
"Reorganisation"	the reorganisation of the shareholding structure of the Target Group, details of which are set out in the section headed "History and Background of the Target Group – Reorganisation" in this circular
"Reserved Shares"	the 140,096,484 Company's Placing Shares being offered by the Company to the Qualifying Lumena Shareholders pursuant to the Preferential Offer as the Preferential Entitlement, which are to be allocated out of the Company's Placing Shares being offered under the Company's Placing
"Restructuring Framework Agreement"	the restructuring framework agreement entered into among the Company, the Provisional Liquidators and the Investors on 23 September 2016 in respect of, among other things the Proposed Restructuring, as amended by the Amendment Letters dated 29 September 2017, 29 December 2017, 27 April 2018, 26 November 2018, 25 April 2019, 29 July 2019 and 31 October 2019
"Resumption"	resumption of trading in the New Shares on the Stock Exchange
"Resumption Proposal"	the resumption proposal in relation to the Proposed Restructuring, submitted by the Company to the Stock Exchange

"Ringgit" or "RM" or "MYR"	Malaysian Ringgit, the lawful currency of Malaysia
"SGD" or "S$"	Singapore dollar, the lawful currency of Singapore
"Sale Equity Interest"	the entire issued share capital of the Target Company
"Second Franchise Agreement"	the international development and operating licensing agreement dated 15 October 2019 and entered into among JOE Green Pte. (as franchisor), Franchisee B (as developer and licensee) and a shareholder of Franchisee B (as Franchisee B's principal) in relation to the Second Franchise Arrangement
"Second Franchise Arrangement"	the franchise arrangement contemplated under the Second Franchise Agreement, details of which are set out in the section headed "Business of the Target Group – Franchise Arrangements" in this circular
"Scheme Administrators"	such persons who are appointed as the scheme administrators or their successors pursuant to the terms of the Creditors Schemes
"Scheme Company"	a company to be incorporated and to be held and controlled by the Scheme Administrators for the purpose of implementing the Creditors Schemes
"Scheme Subsidiaries"	all existing subsidiaries of the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share(s)"	the existing ordinary shares of US$0.00001 each in the capital of the Company prior to the Capital Reorganisation becoming effective
"Share Consolidation"	the consolidation of every forty (40) Shares into one (1) consolidated share of US$0.0004
"Share Offer"	the Public Offer and the Placing

"Share Offer Price"	HK$0.24, the price at which the SO Shares are to be subscribed for and issued pursuant to the Share Offer as described in the sections headed "Information about the Proposed Restructuring" and "Letter from the Provisional Liquidators" in this circular
"Share Offer Prospectus"	the prospectus for the Share Offer
"Shareholder(s)"	holder(s) of the Share(s)
"Singapore"	The Republic of Singapore
"SO Share(s)"	the Public Offer Shares and the Placing Shares
"SO Underwriter(s)"	collectively, the Public Offer Underwriter(s) and the Placing Underwriter(s)
"SO Underwriting Agreements"	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"Sole Sponsor"	Kingsway Capital Limited, a corporation licenced to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the New Listing Application
"Specific Mandate"	the specific mandate to be approved by the Shareholders, minority Shareholders, or Independent Shareholders (as the case may be), details of which are set out in the section headed "Share Capital – Specific Mandate" in this circular
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs
"Target Company"	JOE Green Capital Limited, a company incorporated in the BVI with limited liability on 24 March 2017 and the holding company of the Target Group Companies immediately upon completion of the Reorganisation

"Target Group"	the Target Company and its subsidiaries or where the context so required, in respect of the period before the Target Company became the holding company of its present subsidiaries, the present subsidiaries of the Target Group and the business operated by such subsidiaries, including, without limitation, (i) JOE Green Pte.; (ii) JOE Green Precast; (iii) JOE Green MKT Singapore; and (iv) JOE Green MKT Malaysia
"Target Group Companies"	members of the Target Group
"Target Share(s)"	the ordinary shares of US$1 each in the issued share capital of the Target Company
"Track Record Period"	the period comprising the three years ended 31 December 2018 and the five months ended 31 May 2019
"US$"	United States dollar(s), the lawful currency of the United States of America
"WHITE Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' own name(s)
"Whitewash Independent Shareholder(s)"	the independent Shareholder(s) who are not members of the Concert Group and/or not involved in or interested in the transactions contemplated under the Restructuring Framework Agreement including, without limitation, the Whitewash Waiver
"Whitewash Waiver"	a waiver in respect of the obligations of Amazana Investments, Amazana Equity and Amazana Ventures to make a mandatory general offer to the Shareholders 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 as a result of the issue of Consideration Shares under the Acquisition in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
"YELLOW Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
"%"	per cent

In this circular, unless the context otherwise requires, the terms "associate(s)", "close associates", "connected person(s)", "connected transaction(s)", "controlling shareholder(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

For the purpose of this circular, unless the context otherwise requires, conversion of SGD into HK$ is based on the approximate exchange rate of SGD1 to HK$5.65 and conversion of SGD into US$ is based on the approximate exchange rate of SGD1 to US$0.72. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in SGD, HK$ or US$ have been, could have been or may be converted at such or any other rate or at all.

For the purpose of this circular, unless the context otherwise requires, conversion of RM into HK$ is based on the approximate exchange rate of RM1 to HK$1.75 and conversion of RM into US$ is based on the approximate exchange rate of RM1 to US$0.23. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in RM, HK$ or US$ have been, could have been or may be converted at such or any other rate or at all.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures show as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

The percentage shareholding of the Shareholders in the Company upon Completion represent the number of Shares held by them as a percentage of the total number of issued Shares immediately upon Completion.

The following sets out a list of glossary which contains certain terms and definition used in this circular in connection to the Target Group's business and operations. The terms and their meanings may not correspond to the standard industry meanings or usage of those terms.

"AAC"	autoclaved aerated concrete, a lightweight, precast, foam concrete building material suitable for producing concrete masonry unit like blocks
"BCA"	The Building and Construction Authority of Singapore
"Building Control Act"	the Building Control Act (Chapter 29) of Singapore, as amended from time to time
"cement"	a mixture of cement clinker, limestone, clay, silica and gypsum, which can be hardened in water and air
"CIDB"	The Construction Industry Development Board of Malaysia
"concrete"	an artificial, stonelike material used for various structural purposes, made by mixing cement and water together with various aggregates, such as sand
"CPF"	the Central Provident Fund of Singapore
"CWSH"	the Commissioner for Workplace Safety and Health of Singapore
"DNCR"	the Do Not Call Registry established by the PDPA
"DOSH"	The Department of Occupational Safety and Health of Malaysia
"EA"	the Employment Act (Chapter 91) of Singapore as amended from time to time
"EPF"	Employees Provident Fund of Malaysia
"FMA"	Factory and Machinery Act 1967, Laws of Malaysia as amended from time to time

"green building"	green building is defined as the practice of (1) increasing efficiency with which buildings use resources including energy, water and materials, and (2) reducing building impacts on human health and the environment, through better siting, design, construction, operation, maintenance, and removal throughout the complete lifecycle
"GST"	Goods and Services Tax of Singapore
"HDB"	The Housing & Development Board of Singapore
"IBS"	Industrialised Building System, a term used in Malaysia for prefabricated construction, and components for construction are usually prepared in a controlled environment and then transported for on-site assembly
"ICA"	Industrial Coordination Act 1975, Laws of Malaysia as amended from time to time
"km"	kilometre(s)
"KWH"	kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"LHDN"	Lembaga Hasil Dalam Negeri Malaysia, the Inland Revenue Board of Malaysia
"M&E"	mechanical & electrical
"Malaysia Companies Act"	Companies Act 2016, Laws of Malaysia as amended from time to time
"Malaysia Companies Act 1965"	the then Companies Act 1965, Laws of Malaysia which has been repealed and replaced by Malaysia Companies Act 2016
"Malaysia Employment Act"	Employment Act 1955, Laws of Malaysia as amended from time to time
"Malaysia PDPA"	Personal Data Protection Act 2010, Laws of Malaysia as amended from time to time

"Malaysia SDB Act"	Street, Drainage and Building Act 1974, Laws of Malaysia as amended from time to time
"MIDA"	Malaysian Investment Development Authority
"MOM"	Ministry of Manpower of Singapore
"MYE"	Man year entitlements
"NAS"	North Asian sources
"NTS"	Non-traditional sources
"OSHA"	Occupational Safety and Health Act 1994, Laws of Malaysia as amended from time to time
"Part IV Employee(s)"	workmen who receive basic salaries not exceeding S$4,500 a month and employees other than workmen who receive basic salaries not exceeding S$2,000 a month, as defined under the EA as amended from time to time
"precast concrete wall panel system"	a range of concrete wall panel products manufactured by the Target Group including standardised and customised precast concrete wall panels, L-Joint and T-Joint
"quarry dust"	rock particles residue, tailing or other non-voluble waste material generated from extraction and processing of rocks
"RCA"	recycled concrete aggregate (principally of crushed concrete, resulting from the processing of inorganic material previously used in construction)
"SGBC"	Singapore Green Building Council
"Singapore Companies Act"	the Companies Act (Chapter 50) of Singapore as amended from time to time
"Singapore PDPA"	the Personal Data Protection Act 2012 (No. 26 of 2012) of Singapore as amended from time to time
"sq.ft." and "sq.m."	square feet and square metres, respectively
"tonne(s)"	metric ton(s), equivalent to 1,000 kilograms

"WICA"	the Work Injury Compensation Act (Chapter 354) of Singapore as amended from time to time
"WSHA"	the Workplace Safety and Health Act (Chapter 354A) of Singapore as amended from time to time
"WSHR"	the Workplace Safety and Health (General Provisions) Regulations of Singapore as amended from time to time

Registered office	P.O. Box 258, 18 Forum Lane Camana Bay Grand Cayman KY1-1104 Cayman Islands
Headquarters and principal place of business in Hong Kong	22/F., Prince's Building Central, Hong Kong
Company's website address (upon Completion)	www.joegreenpanel.com *(the contents of the website do not form part of this circular)*
Company secretary (upon Completion)	Mr. Fung Nam Shan (HKICPA, CPA Australia)
Authorised representatives (upon Completion)	Mr. Boediman Widjaja Mr. Fung Nam Shan
Audit committee (upon Completion)	Mr. Jimmy Suwono *(Chairman)* Mr. Christanto Suryadarma Mr. Kua Mong Lam
Remuneration committee (upon Completion)	Mr. Kua Mong Lam *(Chairman)* Ms. Insinirawati Limarto Mr. Jimmy Suwono
Nomination committee (upon Completion)	Mr. Christanto Suryadarma *(Chairman)* Mr. Boediman Widjaja Mr. Kua Mong Lam
Principal share registrar and transfer office	Appleby Trust (Cayman) Limited PO Box 1350, Clifton House 75 Fort Street, Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shop 1712 – 1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wanchai Hong Kong

Principal banker(s) (upon Completion)	United Overseas Bank Limited 1 Tampines Central 1 #08-01 UOB Tampines Centre Singapore 529539
	RHB No.35 & 37, Jalan Permas 10/2 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim Malaysia
	DBS 12 Marina Boulevard Level 43 DBS Asia Central @ Marina Bay Financial Centre Tower 3 Singapore 018982
	Maybank 2 Battery Road Maybank Tower Singapore 049907

DIRECTORS

The following were the Directors as at the Latest Practicable Date. The Company has no non-executive Directors or independent non-executive Directors as at the Latest Practicable Date. Upon Completion and due to the change of principal business activities of the Group as enlarged, it will be necessary for the Target Group to reconstitute the Board, and all of the existing Directors will be replaced by new Directors with the necessary skills to manage the new business activities of the Enlarged Group upon Completion.

Existing executive Directors

Name	Address	Nationality
Mr. Zhang Zhigang (張志剛)	No.4, 2/F, Unit 2, Building 8 7 Cheng Long Street Wu Hou District Chengdu City PRC	Chinese
Mr. Zhang Daming (張大明)	#3-11 Sanlizhaiyuan 6 Zhonghe Avenue Chengdu City PRC	Chinese
Mr. Shi Jianping (石健平)	No.1904, 1/F Xinglong Jiayuan 29 Jianguo Road Chaoyang District Beijing PRC	Chinese

The following are the proposed Directors immediately following Completion:

Proposed executive Directors

Name	Address	Nationality
Mr. Boediman Widjaja	19 Jalan Jelita 278343 Singapore	Indonesian
Ms. Insinirawati Limarto	19 Jalan Jelita 278343 Singapore	Indonesian
Ms. Incunirawati Limarto	Apt Blk 604 Bedok Reservoir Road #02-600 Singapore	Indonesian

Name	Address	Nationality
Mr. Ng Eng Hong	158 Verde View Singapore	Singaporean
Mr. Lau Ching Kei (劉正基)	Flat B, 17/F St George Apartments 81 Waterloo Road Homantin Kowloon, Hong Kong	Chinese

Proposed independent non-executive Directors

Name	Address	Nationality
Mr. Jimmy Suwono	Apt Blk 19 Cantonment Close #20-73 Singapore	Indonesian
Mr. Kua Mong Lam	28 Parbury Avenue #07-04 Singapore 467298	Malaysian
Mr. Christanto Suryadarma	8 Alexandra View #05-08 Singapore 158747	Indonesian

Please refer to the section headed "Directors and Senior Management of the Enlarged Group" in this circular for further details of the proposed Directors.

PARTIES INVOLVED

Sole Sponsor to the new listing application of the Company	Kingsway Capital Limited *A licenced corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities* 7/F, Tower One, Lippo Centre 89 Queensway, Hong Kong

Financial adviser to the Company	Asian Capital Limited *A licenced corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities* Suite 601, Bank of America Tower 12 Harcourt Road, Central Hong Kong
Independent financial adviser to the Independent Shareholders	Lego Corporate Finance Limited *A licenced corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity* Room 1601, 16/F China Building 29 Queen's Road Central Hong Kong
Legal advisers to the Company	as to Hong Kong Law on Proposed Restructuring Linklaters *Solicitors, Hong Kong* 10/F, Alexandra House 18 Chater Road Hong Kong as to Hong Kong Law on New Listing Application P. C. Woo & Co. *Solicitors, Hong Kong* 12/F, Prince's Building 10 Chater Road, Central Hong Kong as to Hong Kong Law in respect of the matters addressed in the Legal Opinion Mr. Tang, Chun Kit Danny *Barrister-at-law* 16/F, One Pacific Place 88 Queensway Admiralty Hong Kong

as to Singapore Law on New Listing Application

Equity Law LLC
Solicitors, Singapore
7 Temasek Boulevard
#43-03 Suntec Tower One
Singapore 038987

as to Singapore Law on civil claim matters

Mirandah Law LLP
Solicitors, Singapore
1 Coleman Street
#07-09 The Adelphi
Singapore 179803

as to Malaysia Law on New Listing Application

The Law Office of K K Chong & Company
Solicitors, Malaysia
Suite 1213, 12th Floor, Plaza Permata
No 6, Jalan Kampar
50400 Kuala Lumpur
Malaysia

as to Cayman Islands Law on Proposed Restructuring and New Listing Application

Harney Westwood & Riegels
Cayman Islands attorneys-at-law
3501 The Center
99 Queen's Road Central
Hong Kong

Legal advisers to the Sole Sponsor

as to Hong Kong Law

Lau, Horton & Wise LLP
in Association with
CMS Hasche Sigle, Hong Kong LLP
Solicitors, Hong Kong
8th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

Reporting accountants in relation to the Target Group	Crowe (HK) CPA Limited *Certified Public Accountant* 9/F Leighton Centre 77 Leighton Road, Causeway Bay Hong Kong
Reporting accountants in relation to the Company	Crowe (HK) CPA Limited *Certified Public Accountant* 9/F Leighton Centre 77 Leighton Road, Causeway Bay Hong Kong
Reporting accountants and auditors in relation to the Company upon completion of the Proposed Restructuring	Crowe (HK) CPA Limited *Certified Public Accountant* 9/F Leighton Centre 77 Leighton Road, Causeway Bay Hong Kong
Property valuer	Knight Frank Petty Limited 4/F, Shui On Centre, 6-8 Harbour Road Wan Chai, Hong Kong
Industry expert	Frost & Sullivan International Limited 1706, One Exchange Square 8 Connaught Place Central Hong Kong
Compliance adviser	Kingsway Capital Limited *A licenced corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities* 7/F, Tower One, Lippo Centre 89 Queensway Hong Kong

The Proposed Restructuring of the Group involves, among other things, the Capital Reorganisation, the Creditors Schemes, the Share Offer and the Acquisition. The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and a reverse takeover of the Company under Rule 14.06(6)(b) of the Listing Rules. Pursuant to the Restructuring Framework Agreement, the Company will implement the following:

THE CAPITAL REORGANISATION

Pursuant to the Restructuring Framework Agreement and the Amendment Letters, the Company proposes to implement, subject to the approval by the Shareholders, the Capital Reorganisation. The Capital Reorganisation will comprise:

(i) the Share Consolidation – the consolidation of every forty (40) Shares of US$0.00001 each into one (1) Consolidated Share of US$0.0004;

(ii) the Authorised Share Capital Cancellation – all the existing authorised but unissued shares will be cancelled in its entirety; and

(iii) the Authorised Share Capital Increase – upon the Authorised Share Capital Cancellation becoming effective, the Company's authorised share capital will be increased from approximately US$100,000 following completion of the Authorised Share Capital Cancellation and Share Consolidation to US$2,000,000, divided into 5,000,000,000 New Shares of US$0.0004 each.

Fractional New Shares arising from the Capital Reorganisation will be disregarded and will not be issued to the Shareholders but all such fractional New Shares will be aggregated and, if possible, sold for the benefit of the Company.

Effects of the Capital Reorganisation

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will not, by itself, alter the underlying assets, liabilities, businesses, operations, management or financial position of the Company and the Group or the rights of the Shareholders.

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, before and after completion of the Capital Reorganisation:

	Immediately before the Capital Reorganisation	**Immediately after the Capital Reorganisation**
Nominal value	US$0.00001 per Share	US$0.0004 per Share
Authorised share capital	US$100,000	US$2,000,000
Number of issued and paid-up shares	5,603,859,393	140,096,484

Please refer to the paragraph headed "– 1. Capital Reorganisation" in the section headed "Letter from the Provisional Liquidators" in this circular for further details regarding the Capital Reorganisation.

THE CREDITORS SCHEMES

As at the Latest Practicable Date, 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 Public Offer and the Company's Placing (including the Preferential 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 in full to the Scheme Company or the Scheme Administrators 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 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 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.

Please refer to the paragraph headed "– 2. The Creditors Schemes" in the section headed "Letter from the Provisional Liquidators" in this circular for further details regarding the Creditors Schemes.

THE SHARE OFFER

As part of the Proposed Restructuring, the Share Offer of 840,578,904 SO Shares at the Share Offer Price of HK$0.24 per SO Share will be launched. 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.

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 Qualifying Lumena Shareholders, professional, institutional and/or other investors expected to have a sizeable demand for the Placing Shares. Unless otherwise permitted by the Listing Rules, no SO Shares will be offered to (a) an existing beneficial owner (save for the Reserved Shares) of shares in the Company and/or any of its subsidiaries; (b) a Director or chief executive officer of the Company and/or any of its subsidiaries; (c) a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Share Offer; or (d) a close associate (as defined in the Listing Rules) of any of the above.

The number of Public Offer Shares and the Placing Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as described in the paragraph headed "– 3. The Share Offer" in the section headed "Letter from the Provisional Liquidators" in this circular.

The Share Offer will be managed by one or more corporation(s) licensed by the SFC and permitted to carry out type 1 (dealing in securities) regulated activity under the SFO. The Public Offer and the Placing will be fully underwritten by Public Offer Underwriter(s) and the Placing Underwriter(s) respectively. The Company is expected to enter into (i) the Public Offer Underwriting Agreement with the Public Offer Underwriter(s) shortly before the Share Offer Prospectus is despatched; and (ii) the Placing Agreement with the Placing Underwriter(s) shortly upon the close of the Public Offer period.

Please refer to the paragraph headed "– 3. The Share Offer" in the section headed "Letter from the Provisional Liquidators" in this circular for further details regarding the Share Offer.

THE USE OF PROCEEDS FROM THE SHARE OFFER

The gross proceeds from the Share Offer are expected to amount to approximately HK$201.7 million, respectively. 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. Any expenses attributable to the Investors' Placing (including the underwriting commission payable to the Placing Underwriter(s) for the Investors' Placing) will be borne 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), 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 will be retained 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.

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 at a total Consideration of approximately HK$538.0 million. Upon completion of the Reorganisation of the Target Group, the Target Company will become the holding company of the Target Group. The asset to be acquired under the Restructuring Framework Agreement is the Sale Equity Interest, being the entire equity interest of the Target Company. Upon the completion of the Acquisition, the Target Company will become a wholly owned subsidiary of the Company.

Please refer to the paragraph headed "– 6. The Acquisition" in the section headed "Letter from the Provisional Liquidators" in this circular for further details regarding the Acquisition.

REASONS FOR THE NEW LISTING APPLICATION AND COMPLIANCE WITH RULE 8.08 OF THE LISTING RULES

Reasons for the New Listing Application

The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and therefore constitutes a reverse takeover of the Company under Rule 14.06(6)(b) of the Listing Rules.

Set out below are the reasons which the proposed Directors (excluding the proposed independent non-executive Directors) have considered and thereby decided to proceed with the reverse takeover and the Listing:

The proposed Directors (excluding the proposed independent non-executive Directors) believe that the Listing will further strengthen the Target Group's position as the leading precast hollow-core concrete wall panel provider in Singapore. The proposed Directors decided to participate in the Proposed Restructuring and the New Listing Application after taking into account factors including prevailing market conditions, the terms and conditions of the Acquisition as well as the Target Group's business strategy and long term development. The Hong Kong Stock Exchange is considered to be the most suitable platform given its level of internationalism, maturity in financial markets, well-established regulatory framework, sufficient capital and higher liquidity in contrast to the stock exchanges of Singapore and Malaysia. Hong Kong's zero capital flow restrictions and currency convertibility also offer an attractive market for both issuers and investors.

The proposed Directors (excluding the proposed independent non-executive Directors) further believe that the Listing will benefit the Target Group as it will:

- Increase the Target Group's brand awareness and publicity on a worldwide basis, letting the products and brand name be known to potential new local and international customers, which will enable the Target Group to penetrate into new markets in the future and to capture potential opportunities.

  With high level of openness, close business links to other Asian economies, and freedom of capital, Hong Kong is strategically placed as a leading financial centre in Asia with an abundance of international expertise, which will provide the Target Group with potential opportunities on a worldwide basis;

- Provide a platform for the Target Group to access the capital markets for future secondary fund raising activities and enhance the Target Group's flexibility in its source of funding, which is vital for the future expansion and development of the Target Group, in particular for the expansion of its production capacity to meet the increasing market demand.

Hong Kong capital market is well known for its sufficient sources of institutional capital and high market liquidity. Based on the data from the World Bank, in 2018, the turnover ratio of stocks traded in Hong Kong reported at 59.4% while the turnover ratio of stocks traded in Singapore was 31.9%. Meanwhile, according to the World Federation of Exchanges and Bloomberg, the Stock Exchange ranked the sixth largest market of the world's leading stock exchanges in terms of domestic equity market capitalisation as at the end of September 2019 with a total market capitalisation of approximately US$3,907.5 billion. It was also the third largest stock market in Asia following after Japan and China (Shanghai) during the same period. Therefore, it makes the Target Group easier to attract investors and raise fund as and when necessary to support the future development of the Target Group; and

- Thanks to the sound and solid regulatory and legal framework of Hong Kong, the internal control system, corporate governance practice and information transparency of the Target Group will be enhanced, boosting the confidence of customers and suppliers in the Target Group and attracting potential customers, which is in turn an alternative means of marketing.

  Hong Kong has a well established legal system based on English common law. The Listing Rules are on a par with international standards and demand from listed issuers a high level of disclosure. The stringent corporate governance requirements ensure that investors have access to timely and transparent information. The supervision by the SFC and the Stock Exchange ensures regular and normal operations of the capital market, which in turn raise the confidence of the Target Group to be listed. The proposed Directors are also of the view that a listing status in Hong Kong will help to attract more talented candidates to join the Target Group.

Furthermore, at the time when the Investors decided to participate in the Proposed Restructuring and the New Listing Application instead of proceeding with an initial public offering, they believed that the Proposed Restructuring will allow the Investors to minimise the risks associated with underwriting an initial public offering, for example, under Rule 8.08(2) of the Listing Rules, a minimum number of 300 shareholders is required for a class of securities new to listing. In situation where the underwriter(s) for an initial public offering is/are unable to procure at least 300 shareholders, the initial public offering will lapse. As the Company already has an established shareholder base, the proposed Directors (excluding the proposed independent non-executive Directors) expect the Enlarged Group would be able to fulfil the requirements under Rule 8.08(2) of the Listing Rules at the time of Completion without the aforementioned risk associated with an initial public offering, such as delay in timetable as a result of any possible under subscription of the public offering. Furthermore, the proposed Directors (excluding the proposed independent non-executive Directors) believe that the process of a listing through the Proposed Restructuring is less susceptible to market conditions, as the risk of failure to reach agreement with underwriters on the offer price is comparatively lower in the Proposed Restructuring when compared with that in an initial public offering, given the existing Shareholders have equal opportunities to participate in the Proposed

Restructuring through the Preferential Offer as shareholder base of the Company as well as enabling the existing Shareholders to continue participating in the future development of the Enlarged Group upon completion of the Proposed Restructuring. Hence, the Investors and the proposed Directors (excluding the proposed independent non-executive Directors) believe that the process of a listing through the Proposed Restructuring is less susceptible to market conditions. Based on the foregoing, the Investors and the proposed Directors (excluding the proposed independent non-executive Directors) are of the view that through participating in the Proposed Restructuring, the Investors are able to minimise the aforementioned risks associated with an initial public offering, and therefore decided to participate in the Proposed Restructuring and get listed through a reverse takeover.

Prior to the execution of the Restructuring Framework Agreement in September 2016, the proposed Directors (excluding the proposed independent non-executive Directors) conducted, among others, the following major due diligence to ascertain that it is in the interest of the Target Group Companies and its then shareholders (namely the Investors) to bring its business public through reverse takeover instead of an initial public offering:

(i) considered and reviewed, as well as obtained independent professional advices, on the feasibility and legality of, and the relevant risks and benefits associated with, the reverse takeover, the Proposed Restructuring and the Listing;

(ii) conducted a budgeting analysis to compare the ultimate costs (taking into account that the potential costs to be incurred by the Target Group and the Investors in the Listing may largely be recouped from the sale of the Investors' Placing Shares in the case of reverse takeover and the Proposed Restructuring) that may be incurred in the reverse takeover and an initial public offering;

(iii) reviewed and sought independent legal and financial advices on the terms and conditions of the Restructuring Framework Agreement;

(iv) reviewed and discussed with the relevant professional advisers the relevant precedents of successful reverse takeover cases on the Stock Exchange in recent years;

(v) conducted due diligence on and considered, among others, the stage and timetable of delisting, the amount of indebtedness, the status of provisional liquidation, the structure and details of the proposed Creditors Schemes of the Company;

(vi) considered the risks associated with underwriting an initial public offering which is more susceptible to market conditions while the Proposed Restructuring, given the established shareholder base as well as the existing Shareholders have equal opportunities to participate in the Proposed Restructuring and future development of the Enlarged Group upon completion of the Proposed Restructuring, is believed to be less prone to the risks; and

(vii) after assessing and reviewing the above, considered the costs and benefits of an initial public offering and reverse takeover.

In light of the above, the proposed Directors (excluding the proposed independent non-executive Directors) were, at the time of or around the execution of the Restructuring Framework Agreement in September 2016, of the view that the reverse takeover and the Listing were in the best interests of the Target Group Companies and its then shareholders.

Subsequent to the execution of the Restructuring Framework Agreement, the proposed Directors (excluding the proposed independent non-executive Directors) noted from the consultation paper issued by the Stock Exchange in June 2018 which requires the Proposed Directors to ensure that there is sufficient public interest in the Target Group's business and that there is a sufficient spread of investors to enable an open, fair and orderly market in the New Shares to develop upon and following the Resumption.

Despite the subsequent changes to the mechanism of the Proposed Restructuring, having considered and balanced the risks and benefits between (i) proceeding with the reverse takeover and adopting the revised Proposed Restructuring, given that it has already incurred resources and expenses; and (ii) terminating the Restructuring Framework Agreement and opt for an initial public offering, which additional time, resources and expenses will occur to proceed with new application for an initial public offering the proposed Directors (excluding the proposed independent non-executive Directors) reasonably believed that the continuation with the reverse takeover would be in the best interest of the Target Group Companies, its then shareholders (namely the Investors), the Company and the Company's then Shareholders as a whole.

The following factors have been taken into account in reaching its conclusion:

(a) Reputation and integrity risks

Given that (i) the Proposed Restructuring has been made known to the Shareholders, creditors of the Company and the general public; and (ii) should the Restructuring Framework Agreement be terminated, the Stock Exchange will proceed with cancelling the Company's listing on the Stock Exchange and that the Shareholders of the Company are expected to lose their entire investment in the Company and the Company's creditors may only receive very minimal recovery from the liquidation proceedings, the abortion of the New Listing Application will adversely affect the reputation of the Investors.

(b) Litigation Risks

According to the Legal Opinion (and subject to the assumptions and qualifications made therein), in the event that the Investors give notice to the Company and/or the Provisional Liquidators to unilaterally terminate the Restructuring Framework Agreement, this may amount to a renunciation in law. Accordingly, there is a risk that the Investors will be sued for breach of contract (both in respect of obligations which are currently due to be performed by them and obligations which performance is due at a later date as anticipatory breach), and be held liable for damages.

In the event that the Investors allow the Restructuring Framework Agreement to lapse through inaction by not taking any steps to perform under the said agreement before the Long Stop Date, the risk that this may amount to a breach of contract cannot be entirely precluded. Whether mere inaction would amount to renunciation is a fact sensitive question, but renunciation may be established if, for instance, the Company and/or the Provisional Liquidators had requested the Investors to carry out its obligations under the Restructuring Framework Agreement but those requests were repeatedly ignored.

(c) Delay in the expected listing timetable

Additional time is required for the Target Company to prepare for a new listing application for an initial public offering. Given a new listing application for an initial public offering would only be submitted after the lapse of current application, having considered the additional audit and due diligence work, it is expected that the listing timetable will be further delayed.

(d) Additional fees and expenses

To proceed with a new initial public offering, it is expected that the time costs and professional expenses will substantially increase and the Target Group will need to bear incremental expenses as a result of a delay in the timetable.

Having considered the above factors, the proposed Directors (excluding the proposed independent non-executive Directors) decided to continue to proceed with the reverse takeover and the Listing.

Extension of the Long Stop Date under the Restructuring Framework Agreement

The Long Stop Date under the Restructuring Framework Agreement has been amended from 31 October 2017 to 30 April 2018, then to 30 November 2018, then to 30 April 2019, then to 31 July 2019, then to 31 October 2019 and further to 31 January 2020 under the Amendment Letters. Although the Investors were and are not under any contractual obligations to extend the Long Stop Date under the Restructuring Framework Agreement, the Investors are of the view that each extension of the Long Stop Date was evaluated independently and is in their best interests based on the circumstances at the relevant time. In particular, at each relevant time when the Investors decided to extend the Long Stop Date, the Investors have carefully assessed the then progress of the Proposed Restructuring, in particular, the status of the New Listing Application. Having considered the among others, the usual time required from the date of submitting the listing application to the date of listing in similar transactions of this kind, the Investors agree to extend the Long Stop Date as they are of the view that the New Listing Application is still ongoing and making progress.

Compliance with Rule 8.08 of the Listing Rules

In order to enable the Company to establish sufficient public shareholder base to fulfill the requirements under Rule 8.08 of the Listing Rules at Completion, (i) the Share Offer will be fully underwritten by the SO Underwriter(s); (ii) no subscribers of the Share Offer (including the Qualifying Lumena Shareholders under the Preferential Offer) will become a substantial shareholder (as defined under the Listing Rules) of the Company upon completion of the Proposed Restructuring; and (iii) not less than 980,675,388 New Shares will be held in the hands of the public, representing 35% of the enlarged issued share capital of the Company immediately after completion of the Proposed Restructuring. The Company and the Investors will also ensure that the SO Shares will be subscribed by not less than 300 new Shareholders and that the top 10 new Shareholders would not hold more than 30% of the SO Shares and the top 25 new Shareholders would not hold more than 50% of the SO Shares; and for the remaining 50% of the SO Shares, each new Shareholder will be allocated not more than 1% of the total number of SO Shares.

The Company expects to enter into (i) the Public Offer Underwriting Agreement with the Public Offer Underwriter(s) shortly before the Share Offer Prospectus is despatched; and (ii) the Placing Underwriting Agreement with the Placing Underwriter(s) shortly upon the close of the Public Offer period.

China Lumena New Materials Corp.
中国旭光高新材料集团有限公司

CHINA LUMENA NEW MATERIALS CORP.

(In Provisional Liquidation)
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 67)

Provisional Liquidators:
Mr. Man Chun So
Mr. Yat Kit Jong
Mr. Simon Conway

Executive Directors:
Mr. Zhang Zhigang
Mr. Zhang Daming
Mr. Shi Jianping

Registered office:
P.O. Box 258
18 Forum Lane
Camana Bay
Grand Cayman KY1-1104
Cayman Islands

Principal place of business:
22/F., Prince's Building
Central
Hong Kong

29 November 2019

To the Shareholders

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;
(6) APPLICATION FOR WHITEWASH WAIVER;
(7) PROPOSED APPOINTMENT OF PROPOSED DIRECTORS;
(8) PROPOSED ADOPTION OF THE SECOND AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION; AND
(9) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is 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, 4 January 2019, 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, 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 Stock Exchange has been suspended since 25 March 2014. By its letter to the Company on 24 March 2016, the Stock Exchange set out the conditions for the resumption of trading in the Shares as follows:

The Resumption Proposal 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:

- 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;
- publish all outstanding financial results and address any audit qualifications; and
- demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its obligations under the Listing Rules.

STEPS TO FULFILL RESUMPTION CONDITIONS

The Company has taken the following actions to fulfill each of the Resumption Conditions mentioned above:

The Resumption Proposal 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.

Following the entering into of the Restructuring Framework Agreement, the Company submitted the Resumption Proposal to the Stock Exchange before the expiry of the third delisting stage (i.e. 7 October 2016) to seek resumption of trading of the Company's Shares.

On 24 October 2016, the Company received a letter of even date 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. If the Company fails to submit a new listing application by 31 March

2017, or the transactions proposed in the Resumption Proposal fail to proceed for any reason, the Stock Exchange will proceed with cancelling the Company's listing on the Stock Exchange. The Company submitted a new listing application to the Stock Exchange on 31 March 2017 and resubmitted on 16 October 2017, 9 May 2018, 15 November 2018 and 22 May 2019.

Upon the completion of the Proposed Restructuring, the business of the Target Group will have been acquired by the Group and the Enlarged Group will have a sufficient level of operations while the proceeds from the Public Offer and the Company's Placing (including the Preferential Offer) will improve the financial and liquidity position of the Enlarged Group. Details of the financial effects of the Proposed Restructuring are set out in the section headed "Financial effects of the Proposed Restructuring" in this letter.

Subject to necessary approvals being expected to be obtained from the High Court and the Grand Court on or around the effective date of the Creditors Schemes, the winding up petition against the Company will be withdrawn and the Provisional Liquidators will be discharged on the Completion Date.

The Company must also 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.

Upon the completion of the Proposed Restructuring, all assets of the Group (including Scheme Subsidiaries with the alleged irregularities mentioned in the reports published by Glaucus Research Group and Emerson Analytics Co., Ltd.) shall all be transferred to the Scheme Company or the Scheme Administrators pursuant to the terms of the Creditors Schemes, subject to any modifications, additions or conditions as may be approved or imposed by the High Court and the Grand Court, for realisation if appropriate for the benefit of the Creditors. None of the Scheme Subsidiaries will be within the Enlarged Group upon completion of the Proposed Restructuring. As such, the aforesaid allegations against the Group will no longer be relevant.

The Company must also publish all outstanding financial results and address any audit qualifications.

The following outstanding financial information of the Company was published in July 2017:

(i) the audited results announcements and the annual reports of the Company for the years ended 31 December 2013 (the "**2013 Annual Results**"), 31 December 2014 (the "**2014 Annual Results**"), 31 December 2015 (the "**2015 Annual Results**") and 31 December 2016 (the "**2016 Annual Results**") and the annual reports of the Company for the years ended 31 December 2013, 2014, 2015 and 2016; and

(ii) the unaudited interim results announcements and interim reports for the six months ended 30 June 2014, 2015 and 2016.

The unaudited interim results announcement and interim report for the six months ended 30 June 2017 were published in September 2017, the audited result announcement and the annual report for the year ended 31 December 2017 were published in February 2018 and March 2018 respectively, the unaudited interim results and interim report for the six months ended 30 June 2018 were published in August 2018 and September 2018 respectively, the audited result announcement and the annual report for the year ended 31 December 2018 were published in February 2019 and March 2019 respectively, and the unaudited interim results and interim report for the six months ended 30 June 2019 were published in August 2019 and September 2019 respectively.

In respect of the audit qualifications, please refer to the section headed "The Audit Qualifications" of the circular for details.

The Company must also demonstrate that it has put in place adequate financial reporting procedures and internal control systems to meet its obligations under the Listing Rules.

As disclosed in this circular, the Scheme Subsidiaries shall all be transferred to the Scheme Company or the Scheme Administrators pursuant to the terms of the Creditors Schemes on the completion of the Proposed Restructuring. The Scheme Subsidiaries to which the alleged irregularities mentioned in the reports published by Glaucus Research Group and Emerson Analytics Co., Ltd. relate will cease to be subsidiaries of the Enlarged Group and their results, assets and liabilities will no longer be consolidated into the Enlarged Group's financial statements. The Enlarged Group will consist of the Target Group and the Target Group has appointed Crowe (HK) Risk Advisory Limited as adviser to perform an independent internal control review of the Target Group to ensure compliance and meet the obligations under the Listing Rules. The Target Group's internal control advisers has completed its review of the Target Group's internal control and Target Group has further enhanced internal control measures in accordance with the Target Group's internal control advisers' recommendation so as to ensure that full compliance with the relevant laws and regulations in the future.

For details of the steps taken by the Target Group and the Enlarged Group in respect of the internal control systems, please refer to the section headed "Business of the Target Group – Internal control and risk management".

The purpose of this circular is to provide the Shareholders with further information in connection with the Proposed Restructuring, among other things, (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Share Offer; (iv) the Acquisition; (v) the Restructuring Framework Agreement; (vi) the Whitewash Waiver; (vii) the proposed appointment of proposed Directors; and (viii) the Articles Adoption, and to give a notice to the Shareholders of the EGM. This circular also provides additional information on the Creditors Schemes and the Target Group as required under the Listing Rules in connection with the New Listing Application.

RESTRUCTURING FRAMEWORK AGREEMENT

Date: 23 September 2016

As amended by the amendment letters dated 29 September 2017, 27 April 2018, 26 November 2018, 25 April 2019, 29 July 2019 and 31 October 2019, the Long Stop Date for the fulfillment of conditions precedent has been extended to 31 January 2020 or any other date as the parties may agree in writing. As amended by the amendment letter dated 29 December 2017, the Consideration has been adjusted to approximately HK$538.0 million.

Parties to the Restructuring Framework Agreement

(i) the Company, being the purchaser;

(ii) the Investors, being the vendors; and

(iii) the Provisional Liquidators.

The Investors are Independent Third Parties.

Conditions Precedent to the Restructuring Framework Agreement

Completion is conditional on each of the following conditions precedent being satisfied on or before the Long Stop Date:

(a) the Creditors Schemes becoming effective and being implemented in accordance with their terms;

(b) all of the required resolutions being anticipated at the Latest Practicable Date having been duly passed at the duly convened EGM of the Company and not having been revoked or vitiated, in connection with the following:

  (i) the Capital Reorganisation;

  (ii) the Restructuring Framework Agreement and the transactions contemplated thereunder (including but not limited to the Acquisition);

  (iii) the Share Offer;

  (iv) the Creditors Schemes; and

  (v) the Whitewash Waiver.

(c) the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn;

(d) the listing of and permission to deal in all of the Consolidated Shares (namely, the Shares of the Company upon completion of the Capital Reorganisation), the Consideration Shares, the Company's Placing Shares (including the Reserved Shares) and the Public Offer Shares, having been granted by Listing Committee of the Stock Exchange (either unconditionally or subject to conditions) and such permission not having been subsequently revoked or withdrawn;

(e) the Resumption Proposal having been submitted to the Stock Exchange and the approval in-principle having been received from the Stock Exchange and such approval not having been subsequently revoked or withdrawn;

(f) the deemed new listing application of the Company having been submitted to the Stock Exchange and the approval for the listing application having been granted by the Listing Committee and such approval not having been subsequently revoked or withdrawn; and

(g) the Shares or the New Shares (as the case may be) of the Company remaining listed on the Main Board of the Stock Exchange.

As at the Latest Practicable Date, condition (e) has been fulfilled. If any of the above conditions precedent have not been satisfied by the Long Stop Date, the Restructuring Framework Agreement shall automatically terminate with immediate effect, unless otherwise agreed by the Parties in writing. For the avoidance of doubt, the Long Stop Date stipulated in the Restructuring Framework Agreement has been changed from 31 October 2017 to 31 January 2020 or such other date as the parties to the Restructuring Framework Agreement may agree in writing pursuant to the Amendment Letters dated 29 September 2017, 29 December 2017, 27 April 2018, 26 November 2018, 25 April 2019, 29 July 2019 and 31 October 2019 entered by parties to the Restructuring Framework Agreement and none of the Conditions Precedent can be waived by either Party.

1. CAPITAL REORGANISATION

Pursuant to the Restructuring Framework Agreement and the Amendment Letters, the Company proposes to implement, subject to the approval by the Shareholders, the Capital Reorganisation. The Capital Reorganisation will comprise:

(i) the Share Consolidation – the consolidation of every forty (40) Shares of US$0.00001 each into one (1) Consolidated Share of US$0.0004;

(ii) the Authorised Share Capital Cancellation – all the existing authorised but unissued shares will be cancelled in its entirety; and

(iii) the Authorised Share Capital Increase – upon the Authorised Share Capital Cancellation becoming effective, the Company's authorised share capital will be increased from approximately US$100,000 following completion of the Authorised Share Capital Cancellation and Share Consolidation to US$2,000,000, divided into 5,000,000,000 New Shares of US$0.0004 each.

Fractional New Shares arising from the Capital Reorganisation will be disregarded and will not be issued to the Shareholders but all such fractional New Shares will be aggregated and, if possible, sold for the benefit of the Company.

Effects of the Capital Reorganisation

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will not, by itself, alter the underlying assets, liabilities, businesses, operations, management or financial position of the Company and the Group or the rights of the Shareholders.

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, before and after completion of the Capital Reorganisation:

	Immediately before the Capital Reorganisation	**Immediately after the Capital Reorganisation**
Nominal value	US$0.00001 per Share	US$0.0004 per Share
Authorised share capital	US$100,000	US$2,000,000
Number of issued and paid-up shares	5,603,859,393	140,096,484

Status of the New Shares after the Capital Reorganisation

The New Shares after the Capital Reorganisation will be identical and rank *pari passu* in all respects with each other.

Conditions of the Capital Reorganisation

The implementation of the Capital Reorganisation and the listing of the New Shares are conditional upon:

(i) the passing of the necessary resolutions by the Shareholders by way of poll at the EGM to approve the Capital Reorganisation;

(ii) the Grand Court granting an order confirming the Capital Reorganisation;

(iii) the registration by the Registrar of Companies in the Cayman Islands of a copy of the Grand Court order and the minutes containing the particulars required under the Companies Law;

(iv) compliance with any conditions imposed by the Grand Court; and

(v) the Listing Committee granting the listing of, and permission to deal in, the New Shares in issue upon the Capital Reorganisation becoming effective.

Listing and dealings

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the New Shares in issue arising from the Capital Reorganisation. Subject to the granting of the listing of, and the permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal in is being or is currently proposed to be sought from any other stock exchanges.

Expected effective date of the Capital Reorganisation

Upon the conditions mentioned above being fulfilled, the Capital Reorganisation will become effective immediately after the registration of the Grand Court order and the minutes as referred to in condition (iii) above. An application will be made to the Grand Court for the approval of the Capital Reorganisation on 20 December 2019, it is expected that the Capital Reorganisation will become effective on Tuesday, 14 January 2020.

Reasons for the Capital Reorganisation

The Company considers that the Capital Reorganisation will give greater flexibility to the Company to raise funds through the issuance of New Shares in the future.

The Capital Reorganisation is subject to the approval of the Shareholders at the EGM and the Capital Reorganisation becoming effective is also one of the conditions precedent under the Restructuring Framework Agreement. Accordingly, given the Capital Reorganisation is a condition precedent to the Proposed Restructuring, the Provisional Liquidators are of the view that the implementation of the Capital Reorganisation is in the best interest of the Company and the Shareholders as a whole.

Latest time for lodging transfer of Shares

In order to be registered as a member to qualify for the receipt of new share certificates for the New Shares, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by 4:00 p.m. on Tuesday, 14 January 2020.

Posting of new certificates to the Shareholders

Subject to the completion of the Capital Reorganisation, the Company will post the new share certificates in jumbo lot for the New Shares to the Shareholders at the Company's expense. The old share certificates for existing Shares will be voided automatically upon the despatch of the new share certificates.

2. THE CREDITORS SCHEMES

As at the Latest Practicable Date, 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 Public Offer and the Company's Placing (including the Preferential 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 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 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 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 fully discharged.

Conditions of the Creditors Schemes

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 Creditors Schemes shall become effective and legally binding on the Company and all the Creditors, including those voting against the Creditors Schemes and those not voting, upon the fulfilment of the following conditions:

(1) the requisite majority (being a majority in number representing three-fourths in value of each class of creditors who, either in person or by proxy, attend and vote at the scheme meetings convened with the leave of the relevant courts) voted in favour of the Creditors Schemes;

(2) all necessary resolutions are passed by the Shareholders by way of poll at the EGM;

(3) the Creditors Schemes are sanctioned by the Grand Court and the High Court; and

(4) a copy of each of the relevant court orders sanctioning the Creditors Schemes filed or as the case may be are registered with the relevant Registrars of Companies in the Cayman Islands and Hong Kong respectively.

As at the Latest Practicable Date, none of the Creditors are Shareholders, nor have they indicated their intention to become Shareholders.

As at the Latest Practicable Date, the Creditors Schemes have not come into effect.

3. 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. 196,133,492 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.

The Share Offer Price of HK$0.24 each represents a discount of approximately 99.52% to the theoretical quoted price of HK$50.00 per New Share (the quoted price of HK$1.25 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 24 March 2014, being the last trading day before the suspension of trading in the Shares since 25 March 2014; and the Share Offer Price was determined after arm's length negotiations, 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.

Conditions of the Share Offer

Acceptance of all applications for the SO Shares pursuant to the Share Offer will be conditional on, inter alia:

- the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, the Consideration Shares, the Public Offer Shares and the Company's Placing Shares (including the Reserved Shares) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in such Shares on the Stock Exchange;

- the obligations of the SO Underwriter(s) under the SO Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the bookrunner, on behalf of the SO Underwriter(s)) and not having been terminated in accordance with the terms of the SO Underwriting Agreements;

- there are not less than 300 Accepted Offer Applications in respect of the Public Offer from members of the public in Hong Kong (for the avoidance of doubt, excluding the applications made by subscribers procured by the Public Offer Underwriter(s) or its sub-underwriter(s) for the purpose of fulfilling the Public Offer Underwriter(s)' underwriting commitment as set out in the Public Offer Underwriting Agreement);

- not less than 112,078,000 Public Offer Shares (being 50% of the number of the Public Offer Shares initially offered for subscription under the Public Offer) will be allotted and issued to the New Public Shareholders or his/her/its nominee(s) upon Completion;

- the number of the SO Shares to be allotted and issued to the three largest New Public Shareholders upon Completion will not exceed 112,078,000 Public Offer Shares (being 50% of the number of the Public Offer Shares initially offered for subscription under the Public Offer);

- all of the required resolutions being anticipated at the Latest Practicable Date having been duly passed at the duly convened EGM of the Company, and not having been revoked or vitiated:

    - the Capital Reorganisation;

    - the Restructuring Framework Agreement and the transactions contemplated thereunder;

    - the Share Offer;

    - the Creditors Schemes; and

    - the Whitewash Waiver;

- the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn; and

- the completion of the Acquisition, which forms part of the Proposed Restructuring,

in each case on or before the dates and times specified in the SO Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of the prospectus for the Share Offer.

Number of Shares initially offered

The Company will initially offer 224,156,000 Public Offer Shares at the Share Offer Price, representing 26.7% of the SO Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Placing Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 8.0% of the Company's enlarged issued share capital immediately after completion of the Share Offer and upon completion of the Proposed Restructuring. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Subject to the reallocation, the number of SO Shares to be initially offered under the Placing will be 616,422,904 Shares, representing 73.3% of the total number of the SO Shares initially available under the Share Offer. 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.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section.

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 Qualifying Lumena Shareholders, 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.

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 Qualifying Lumena Shareholders as 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.

The Preferential Offer will only be available to the Qualifying Lumena Shareholders, whose names appear on the register of members of the Company as at 4:30 p.m. on Tuesday, 14 January 2020, being the Preferential Offer Record Date. The Company will send (i) the prospectus documents for the Share Offer to the Qualifying Lumena Shareholders and (ii) the Share Offer Prospectus, for information only, to the Excluded Shareholders.

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.

Fractions of Reserved Shares will not be allotted to Qualifying Lumena Shareholders and fractional entitlements will be rounded down to the nearest whole number of Reserved Shares. Any Reserved Shares created from the aggregation of fractions of Reserved Shares will be aggregated and taken up by the Placing Underwriter in accordance with the Placing Underwriting Agreement.

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. A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Lumena Shareholder's Preferential Entitlement under the Preferential Offer will be accepted in full.

Where a Qualifying Lumena Shareholder applies for a number of Reserved Shares which is greater than his/her/its Preferential Entitlement under the Preferential Offer, the relevant Preferential Entitlement will be satisfied in full (subject to the terms and conditions mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Lumena Shareholders declining to take up some or all of their Preferential Entitlements by way of allocation on a fair and reasonable basis.

To the extent that the excess applications for the Reserved Shares are:

(a) less than the Reserved Shares not taken up by the Qualifying Lumena Shareholders' Preferential Entitlements, the available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated to the Company's Placing for the subscription by selected professional, institutional and/or other investors in Hong Kong and elsewhere;

(b) equal to the available Reserved Shares, the available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the available Reserved Shares, the available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offers in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of New Shares left after satisfying the excess applications, such number of odd lot New Shares will be reallocated to the Company's Placing for the subscription by selected professional, institutional and/or other investors in Hong Kong and elsewhere.

Save for the above, the Preferential Offer will not be subject to the clawback arrangement between the Placing and the Public Offer.

Allocation

Allocation of the Placing Shares pursuant to the Placing will be determined by the Placing Underwriter(s) and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Placing Shares after the Resumption. Such allocation may be made to professional, institutional and corporate investors and other investors and is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and the Shareholders as a whole.

Under the Placing, the Placing Underwriter(s) will conditionally place the Placing Shares with professional, institutional and corporate investors and other investors who are anticipated to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S under the U.S. Securities Act. Allocation of Placing Shares under the Placing will be effected in accordance with the "book-building" process and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further New Shares, and/or hold or sell its New Shares, after the Resumption. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base for the benefit of the Company and the Shareholders as a whole.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation of the Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The 224,156,000 Public Offer Shares being offered under the Public Offer will be divided equally into two pools (subject to adjustment at odd lot size): Pool A comprising 112,078,000 Public Offer Shares and Pool B comprising 112,078,000 Public Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for the Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Public Offer Shares from either Pool A or Pool B but not from both pools, and may only apply for Public Offer Shares in either Pool A or Pool B. When there is an oversubscription, the allocation of the Public Offer Shares to investors under the Public Offer, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Public Offer. Multiple or suspected multiple applications and any application for more than 112,078,000 Public Offer Shares are liable to be rejected.

Reallocation and clawback

The allocation of SO Shares among the Public Offer and the Placing is subject to reallocation on the following basis:

(a) where the Placing Shares are fully subscribed or oversubscribed:

(i) if the Public Offer Shares are not fully subscribed but there are at least 300 Accepted Offer Applications under the Public Offer, the Share Offer will only proceed if the Public Offer Underwriter(s) subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares being offered which are not taken up under the Public Offer on the terms and conditions of the Public Offer Underwriting Agreement and the other conditions precedent of the Share Offer as described in the paragraph headed "3. The Share Offer – Conditions of the Share Offer" in this section are satisfied;

(ii) if there are at least 300 Accepted Offer Applications under the Public Offer and the Public Offer Shares are not undersubscribed but the number of Public Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of Public Offer Shares initially available under the Public Offer, then up to 28,020,000 SO Shares will be reallocated to the Public Offer from the Placing, increasing the total number of SO Shares available under the Public Offer to 252,176,000, representing approximately 30% of the SO Shares initially available under the Share Offer;

(iii) if there are at least 300 Accepted Offer Applications under the Public Offer and the Public Offer Shares are not undersubscribed but the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Public Offer Shares initially available under the Public Offer, then 28,020,000 SO Shares will be reallocated to the Public Offer from the Placing, increasing the total number of SO Shares available under the Public Offer to 252,176,000, representing approximately 30% of the SO Shares initially available under the Share Offer;

(iv) if there are at least 300 Accepted Offer Applications under the Public Offer and the Public Offer Shares are not undersubscribed but the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Public Offer Shares initially available under the Public Offer, then 112,076,000 SO Shares will be reallocated to the Public Offer from the Placing, increasing the total number of SO Shares available under the Public Offer to 336,232,000, representing approximately 40% of the SO Shares initially available under the Share Offer; and

(v) if there are at least 300 Accepted Offer Applications under the Public Offer and the Public Offer Shares are not undersubscribed but the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Public Offer Shares initially available under the Public Offer, then 196,136,000 SO Shares will be reallocated to the Public Offer from the Placing, increasing the total number of SO Shares available under the Public Offer to 420,292,000, representing approximately 50% of the SO Shares initially available under the Share Offer.

(b) Where the Placing Shares are not fully subscribed:

(i) if the Public Offer Shares are not fully subscribed but there are at least 300 Accepted Offer Applications under the Public Offer, the Share Offer will only proceed if (I) the Public Offer Underwriter(s) subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares being offered which are not taken up under the Public Offer on the terms and conditions of the Public Offer Underwriting Agreement; (II) the Placing Underwriter(s) subscribe or procure subscribers for their respective applicable proportions of the Placing Shares being offered which are not taken up under the Placing on the terms and conditions of the Placing Underwriting Agreement; and (III) the other conditions precedent of the Share Offer as described in the paragraph headed "3. The Share Offer – Conditions of the Share Offer" in this section are satisfied; and

(ii) if the Public Offer Shares are fully subscribed and there are at least 300 Accepted Offer Applications under the Public Offer, irrespective of the number of times the number of Public Offer Shares initially available under the Public Offer, then up to 28,020,000 SO Shares will be reallocated to the Public Offer from the Placing, increasing the total number of SO Shares available under the Public Offer to 252,176,000, representing 30% of the SO Shares initially available under the Share Offer.

For the avoidance of doubt and notwithstanding the foregoing, if (i) there are less than 300 Accepted Offer Applications for the Public Offer; or (ii) less than 112,078,000 Public Offer Shares (being 50% of the number of the Public Offer Shares initially offered for subscription under the Public Offer) will be allotted and issued to the New Public Shareholders or his/her/its nominee(s) upon Completion; or (iii) the number of the SO Shares to be allotted and issued to the three largest New Public Shareholders upon Completion will exceed 112,078,000 Public Offer Shares (being 50% of the number of the Public Offer Shares initially offered for subscription under the Public Offer), there will be no reallocation between the Public Offer and the Placing and the Share Offer will lapse.

In addition, the Bookrunner(s) may reallocate SO Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of SO Shares that may be reallocated to the Public Offer following such reallocation shall be the lesser of (i) not more than double the initial allocation to the Public Offer; and (ii) not more than 30% of the total SO Shares (i.e. 252,176,000 SO Shares).

In all cases, the number of SO Shares allocated to the Placing will be correspondingly reduced. In addition, the bookrunner(s) may in its sole and absolute discretion to reallocate the SO Shares available under the Placing to the Public Offer so as to satisfy valid applications under the Public Offer. The SO Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the bookrunner(s).

Underwriting Arrangements

The Share Offer will be managed by one or more corporation(s) licensed by the SFC and permitted to carry out type 1 (dealing in securities) regulated activity under the SFO. The Public Offer and the Placing will be fully underwritten by the Public Offer Underwriter(s) and the Placing Underwriter(s), respectively. The Company is expected to enter into (i) the Public Offer Underwriting Agreement with the Public Offer Underwriter(s) shortly before the Share Offer Prospectus is despatched; and (ii) the Placing Agreement with the Placing Underwriter(s) shortly upon the close of the Public Offer period.

SO Underwriting Agreements

The Company and the Public Offer Underwriter(s) will enter into the Public Offer Underwriting Agreement shortly prior to the issue of the Share Offer Prospectus while the Company, the Investors and the Placing Underwriter(s) will enter into the Placing Underwriting Agreement after the close of the Public Offer period. The SO Underwriter(s) are independent from the Investors and their respective concert parties and none of them is a Creditor nor has any shareholding or beneficial interests in any member of the Target Group and the Group as at the Latest Practicable Date. Further, subscribers of the Public Offer and placees to be procured by the Placing Underwriter(s) under the Placing (other than Preferential Offer) will be Independent Third Parties and not existing Shareholder. It is expected that the terms of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement will contain such terms and conditions customary for initial public offerings in Hong Kong. Further details of the underwriting arrangements for the Share Offer will be contained in the Share Offer Prospectus to be issued by the Company.

Others

The Company has published announcements in respect of the Proposed Restructuring in order to update all Shareholders of the Company. Since the appointment of the Provisional Liquidators, despite the Provisional Liquidators have exhausted all feasible means of communication to contact the Existing Substantial Shareholder, such as via mail and telephone calls during the period from February 2015 to November 2019, the Existing Substantial Shareholder has not been contactable. Based on the information available, the Existing Substantial Shareholder is not a member of the Concert Group and is not involved in, or interested in any of the transactions contemplated by the Restructuring Framework Agreement including the Share Offer, the Acquisition and/or the Whitewash Waiver, other than solely in his capacity as a Shareholder as at the date of this letter. Hence, based on the information available, it is concluded that the Existing Substantial Shareholder is an Independent Shareholder and a Whitewash Independent Shareholder. The Investors also confirms that the Existing Substantial Shareholder is neither an associate nor a concert party to the Concert Group and is not involved in or interested in the transactions contemplated by the Restructuring Framework Agreement.

As at the Latest Practicable Date, the Company has not received any information from the Existing Substantial Shareholder of its intention to take up the Reserved Shares under the Preferential Offer.

The Company's Placing Shares (including the Reserved Shares), the Public Offer Shares and the Consideration 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.

5. REASONS FOR AND BENEFITS OF THE SHARE OFFER AND THE USE OF PROCEEDS

The Share Offer forms part of the Proposed Restructuring seeking the resumption of trading in the Shares, which has been suspended since 25 March 2014.

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), HK$90.0 million will be paid into the Creditors Schemes. The remaining balance of approximately HK$10.8 million will be retained 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.

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 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 under the Company's Placing 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. Considered the factors above, the Provisional Liquidators consider that the terms of the Restructuring Framework Agreement are on normal commercial terms and are fair and reasonable and the entering into the Restructuring Framework Agreement is in the best interests of the Company, the Shareholders and the Creditors as a whole.

6. 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 at a total Consideration of approximately HK$538.0 million.

Set out below are the salient terms of the Acquisition:

Parties to the Acquisition

(i) the Company, being the purchaser;

(ii) the Investors, being the vendors; and

(iii) the Provisional Liquidators.

The Investors are Independent Third Parties.

Asset to be acquired

Upon completion of the reorganisation of the Target Group, the Target Company will become the holding company of the Target Group. The asset to be acquired under the Restructuring Framework Agreement is the Sale Equity Interest, being the entire equity interest of the Target Company. Upon the completion of the Acquisition, the Target Company will become a wholly owned subsidiary of the Company.

Consideration

Pursuant to the restructuring framework agreement entered into among the Company, the Provisional Liquidators and the Investors on 23 September 2016, the original consideration was approximately HK$717.3 million. On 29 December 2017, the Company, the Provisional Liquidators and the Investors entered into an amendment letter, pursuant to which the Consideration has been amended to HK$538.0 million. The Consideration 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 of the Company; 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 aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Acquisition.

Based on the audited financial information of the Target Group as at 31 May 2019, it had a combined net asset valued approximately SGD16.3 million (equivalent to approximately HK$94.54 million). For the years ended 31 December 2016, 31 December 2017, 31 December 2018 and the five months ended 31 May 2019, the Target Group recorded an audited net profit of SGD6.8 million (equivalent to approximately HK$38.9 million), SGD2.3 million (equivalent to approximately HK$13.3 million), SGD3.2 million (equivalent to approximately HK$18.6 million) and loss of SGD0.4 million (equivalent to approximately HK$1.74 million) respectively.

Please refer to the sections headed "Financial Information of the Target Group" in this circular and "Accountant's Report of the Target Group" as set out in Appendix I to this circular for further information of the Target Group.

Based on the information provided by the Investors, the market for the industry of the precast concrete wall panels is a significant component of the construction industry in Singapore and building materials such as precast concrete wall panels are commonly used in construction projects and, as such, the demand for building materials is positively correlated with the demand for construction projects.

Taking the above into consideration and in view of the current status of the Company, the Consideration of the Acquisition is fair and reasonable with reference to the total benefit attributed to the Shareholders.

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 2,241,543,744 Consideration Shares to be allotted and issued at the Consideration Price of HK$0.24 each represent:

(i) approximately 1,600% of the issued shares of the Company upon the completion of the Capital Reorganisation;

(ii) approximately 400% of the issued shares of the Company upon the completion of the Capital Reorganisation as enlarged by the allotment and issue of the Company's Placing Shares (including the Reserved Shares) and the Public Offer Shares; and

(iii) approximately 80% of the issued shares of the Company upon the completion of the Capital Reorganisation as enlarged by the allotment and issue of the Company's Placing Shares (including the Reserved Shares), the Public Offer Shares and the Consideration Shares.

The Consideration Price of HK$0.24 each represents a discount of approximately 99.52% to the theoretical quoted price of HK$50.00 per New Share (the quoted price of HK$1.25 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 24 March 2014, being the last trading day before the suspension of trading in the Shares since 25 March 2014.

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 30 June 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.

The Consideration Shares will be issued pursuant to a specific mandate to be obtained upon approval by the Independent Shareholders at the EGM.

Save as disclosed above, no other consideration, compensation or benefit has been or will be paid by the Concert Group to the Company, its substantial Shareholder or any party acting in concert with any of them.

Conditions for the Acquisition

The Acquisition is conditional upon, inter alia, the fulfilment of the conditions set out under the paragraph headed "Conditions Precedent to the Restructuring Framework Agreement" in this section.

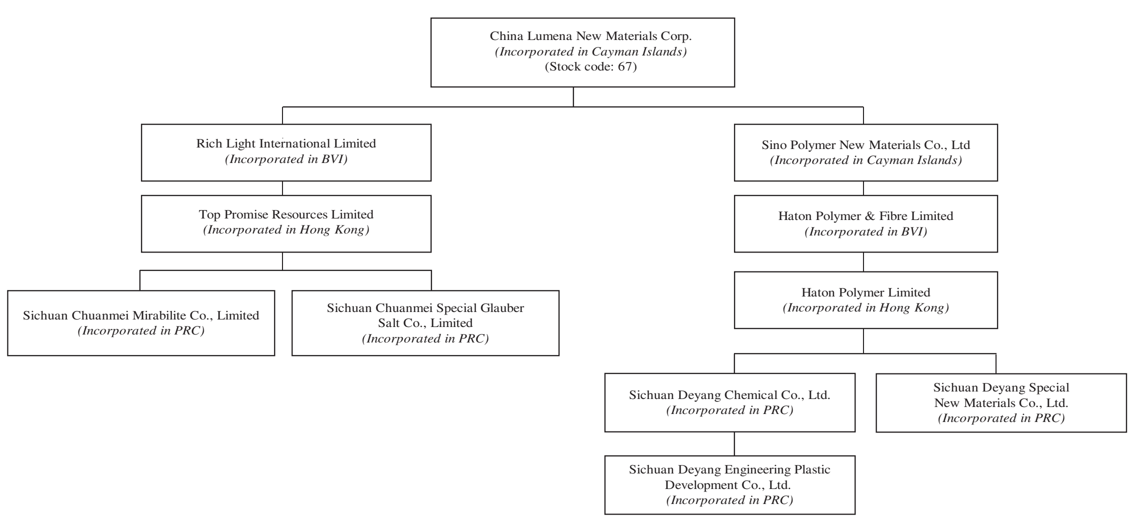
The completion of the Share Offer and the Acquisition, which form part of the Proposed Restructuring will be inter-conditional to each other.

Reasons and benefit for the Acquisition

The Acquisition forms part of the Proposed Restructuring seeking the resumption of trading in the Shares, which has been suspended since 25 March 2014.

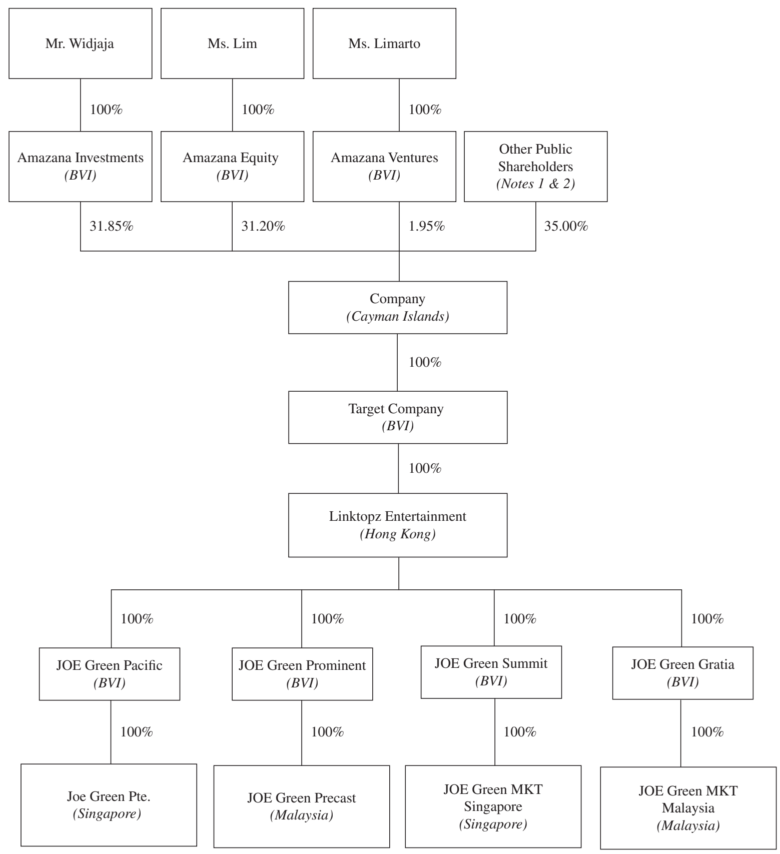
Upon the completion of the Acquisition, the Group will have a sufficient level of operation while the proceeds from the Share Offer will improve the financial and liquidity position of the Group. Details of the financial effects of the Proposed Restructuring which are set out in the section headed "Financial effects of the Proposed Restructuring" in this letter. The terms of the Acquisition are considered to be fair and reasonable and in the best interests of the Company, its Shareholders and Creditors as a whole.

Organisational structure of the Group Prior to the Proposed Restructuring



Note: all subsidiaries are wholly owned

Organisational structure of the Enlarged Group upon the Completion of the Proposed Restructuring



Notes:

(1) Upon the Completion, it is expected that not less than 980,675,388 Shares, representing approximately 35.0% of the issued share capital of the Company immediately after the completion of the Capital Reorganisation, the Share Offer and the Acquisition, will be held in the hands of the public.

(2) Assuming all of the existing Shareholders take up their respective Preferential Entitlements to the Reserved Shares under the Preferential Offer, other public Shareholders include (i) Mr. Suo Lang Duo Ji, the Existing Substantial Shareholder, who owns 3.35% of the issued share capital of the Company; (ii) other existing public Shareholders, who own 6.65% of the issued share capital of the Company; (iii) the placees of the Company's Placing (who are Independent Third Parties and not existing Shareholders), who own 2.0% of the issued share capital of the Company; (iv) the public investors of the Company under the Public Offer, who own 8.0% of the issued share capital of the Company; and (v) placees (who are Independent Third Parties and not existing Shareholders) to be procured to acquire certain Shares from the Investors under the Investor's Placing who own 15% of the issued share capital of the Company.

PROPOSED APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

For further details of the proposed Directors and biographical and other information related to any proposed Directors, please refer to the section headed "Directors and senior management of the Enlarged Group" in this circular.

PROPOSED ADOPTION OF THE SECOND AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

The memorandum and articles of association of the Company were last amended on 27 June 2012. In order to modernise and update as well as to bring the existing memorandum and articles of association in line with the Listing Rules and the Takeovers Code, the Company proposes to seek approval from the Shareholders by way of the special resolution to adopt the second amended and restated memorandum and articles of association in place of the existing memorandum and articles of association at the EGM.

The adoption of the second amended and restated memorandum and articles of association of the Company is subject to the passing of the special resolution by the Shareholders at the EGM.

A summary of the major provisions in the second amended and restated memorandum and articles of association is set out in Appendix VI to this circular.

CHANGE OF PRINCIPAL BUSINESS ACTIVITIES OF THE ENLARGED GROUP AFTER RESUMPTION

After completion of the Acquisition, the principal business activities of the Enlarged Group will be changed to the manufacturing and sales of precast concrete wall panel systems and the sales of related accessories.

CHANGE IN SHAREHOLDING STRUCTURE

The tables below set out the changes in the shareholding structure of the Company arising from the Capital Reorganisation, the Share Offer and the Acquisition. For illustrative purposes only, two cases, which assume (A) all of the existing Shareholders take up their respective entitlements to the Reserved Shares under the Preferential Offer; and (B) none of the existing Shareholders take up their respective entitlements to the Reserved Shares under the Preferential Offer, are shown below.

Scenario A: Assuming all of the existing Shareholders take up their respective Preferential Entitlements to the Reserved Shares under the Preferential Offer[(1)]

	1		2		3		4		5	
	As at the Latest Practicable Date		Immediately after the completion of the Capital Reorganisation		Immediately after the completion of the Capital Reorganisation and the Creditors Schemes		Immediately after the completion of the Capital Reorganisation, the Creditors Schemes and the Acquisition		Immediately after the completion of the Capital Reorganisation, the Creditors Schemes, the Acquisition and the Share Offer	
	No. of Shares	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*
Concert Group (Amazana)										
Amazana Investments	–	0.00%	–	0.00%	–	0.00%	1,098,356,435	46.12%	892,414,604	31.85%
Amazana Equity	–	0.00%	–	0.00%	–	0.00%	1,075,940,997	45.18%	874,202,060	31.20%
Amazana Ventures	–	0.00%	–	0.00%	–	0.00%	67,246,312	2.82%	54,637,628	1.95%
Sub-total	–	0.00%	–	0.00%	–	0.00%	2,241,543,744	94.12%	1,821,254,292	65.00%
Substantial Shareholder										
Suo Lang Duo Ji	1,875,846,510	33.47%	46,896,162	33.47%	46,896,162	33.47%	46,896,162	1.97%	93,792,324	3.35%
Sub-total	1,875,846,510	33.47%	46,896,162	33.47%	46,896,162	33.47%	46,896,162	1.97%	93,792,324	3.35%
Public Shareholders										
Other existing pubic shareholders	3,728,012,883	66.53%	93,200,322	66.53%	93,200,322	66.53%	93,200,322	3.91%	186,400,644	6.65%
SO Underwriter(s)	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%
Placees under the Investors' Placing for restoration of public float	–	0.00%	–	0.00%	–	0.00%	–	0.00%	420,289,452	15.00%
Other new public shareholders under the Company's Placing	–	0.00%	–	0.00%	–	0.00%	–	0.00%	56,036,968	2.00%
Other new public shareholders under the Public Offer	–	0.00%	–	0.00%	–	0.00%	–	0.00%	224,156,000	8.00%
Sub-total	3,728,012,883	66.53%	93,200,322	66.53%	93,200,322	66.53%	93,200,322	3.91%	886,883,064	31.65%
Total	5,603,859,393	100.00%	140,096,484	100.00%	140,096,484	100.00%	2,381,640,228	100.00%	2,801,929,680	100.00%

Scenario B: Assuming none of the existing Shareholders take up their respective Preferential Entitlements to the Reserved Shares under the Preferential Offer[(1)]

	1		2		3		4		5	
	As at the Latest Practicable Date		Immediately after the completion of the Capital Reorganisation		Immediately after the completion of the Capital Reorganisation and the Creditors Schemes		Immediately after the completion of the Capital Reorganisation, the Creditors Schemes and the Acquisition[(5)]		Immediately after the completion of the Capital Reorganisation, the Creditors Schemes, the Acquisition and the Share Offer[(5)]	
	No. of Shares	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*	*No. of New Shares*	*%*
Concert Group (Amazana)										
Amazana Investments[(7)]	–	0.00%	–	0.00%	–	0.00%	1,098,356,435	46.12%	892,414,604	31.85%
Amazana Equity[(8)]	–	0.00%	–	0.00%	–	0.00%	1,075,940,997	45.18%	874,202,060	31.20%
Amazana Ventures[(9)]	–	0.00%	–	0.00%	–	0.00%	67,246,312	2.82%	54,637,628	1.95%
Sub-total	–	0.00%	–	0.00%	–	0.00%	2,241,543,744	94.12%	1,821,254,292	65.00%
Substantial Shareholder										
Suo Lang Duo Ji	1,875,846,510	33.47%	46,896,162	33.47%	46,896,162	33.47%	46,896,162	1.97%	46,896,162	1.67%
Sub-total	1,875,846,510	33.47%	46,896,162	33.47%	46,896,162	33.47%	46,896,162	1.97%	46,896,162	1.67%
Public Shareholders										
Other existing pubic shareholders	3,728,012,883	66.53%	93,200,322	66.53%	93,200,322	66.53%	93,200,322	3.91%	93,200,322	3.33%
SO Underwriter(s)	–	0.00%	–	0.00%	–	0.00%	–	0.00%	140,096,484	5.00%
Placees under the Investors' Placing for restoration of public float	–	0.00%	–	0.00%	–	0.00%	–	0.00%	420,289,452	15.00%
Other new public shareholders under the Company's Placing	–	0.00%	–	0.00%	–	0.00%	–	0.00%	56,036,968	2.00%
Other new public shareholders under the Public Offer	–	0.00%	–	0.00%	–	0.00%	–	0.00%	224,156,000	8.00%
Sub-total	3,728,012,883	66.53%	93,200,322	66.53%	93,200,322	66.53%	93,200,322	3.91%	933,779,226	33.33%
Total	5,603,859,393	100.00%	140,096,484	100.00%	140,096,484	100.00%	2,381,640,228	100.00%	2,801,929,680	100.00%

Notes:

(1) For illustrative purpose only and may not occur in the above manner.

(2) The Company (together with the Investors) will take necessary steps to ensure its minimum public float will be maintained at all times upon completion of the transactions under the Proposed Restructuring. Please refer to section headed "Letter from the Provisional Liquidators – Fulfilment of the minimum public float requirement" in this circular.

(3) As the Share Offer and the Acquisition, which form part of the Proposed Restructuring are interconditional to each other, the completion of the Acquisition and the issue and allotment for the Consideration Shares, Company's Placing Shares (including the Reserved Shares) and Public Offer Shares will take place on the same day and therefore column 4 as shown in the change of the shareholding structure are for illustrative purposes and will not occur.

(4) Shareholders and public investors should note that the above changes in shareholding structure of the Company are for illustration purpose only and the actual change in the shareholding structure of the Company is subject to the SO Underwriting Agreements.

(5) The completion of the Share Offer and the Acquisition will take place simultaneously.

(6) Certain percentages figures included in the above table are subject to rounding adjustments.

(7) Amazana Investments is a company wholly-owned by Mr. Widjaja.

(8) Amazana Equity is a company wholly-owned by Ms. Lim.

(9) Amazana Ventures is a company wholly-owned by Ms. Limarto.

Fulfilment of the minimum public float requirement

Following completion of the Placing, not less than 980,675,388 New Shares will be held in the hands of the public, representing 35% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Acquisition. Accordingly, the Company shall restore the more than 25% minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules.

FINANCIAL EFFECTS OF THE PROPOSED RESTRUCTURING

The Company and the Target Group have prepared the pro forma financial information based on the current knowledge, historical performance and best available information to date of the Enlarged Group.

Unaudited Pro Forma Financial Information of the Enlarged Group as at 30 June 2019 and for the Year Ended 31 December 2018

The financial impact of the Acquisition on the Company (including its effect on the earnings, assets and liabilities of the Company) is illustrated by way of the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular. This pro forma financial information is prepared on the basis set out in the notes in Appendix III to this circular and is prepared for illustrative purposes only.

As set out in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group, the pro forma loss for the year of the Enlarged Group attributable to equity holders of the Company for the year ended 31 December 2018, as if the Completion had taken place on 1 January 2018, would have been RMB175.1 million. Such loss was mainly attributable to the recognition of 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.

As set out in the unaudited pro forma consolidated statement of financial position of the Enlarged Group, assuming the Completion had taken place on 30 June 2019, the pro forma total assets and total liabilities of the Enlarged Group as at 31 December 2018 would have been RMB246.9 million and RMB180.2 million, respectively; resulting in a net assets position of approximately RMB66.7 million.

Consolidated Financial Information of the Group

Upon the Completion, the Acquisition will be accounted for as a reverse acquisition in accordance with IFRS under which the Target Group will be regarded as the acquirer and the Group will be regarded as the acquiree, and the reverse acquisition will be accounted for as if the Completion had taken place on 1 January 2020 or 31 December 2020, the date on which the Investors acquired 65% of the total issued share capital of the Company and after which the Target Group and the Group became under common control by the ultimate beneficial owners of the Investors.

In applying reverse acquisition accounting, the consolidated financial statements of the Group as at 1 January 2020 and for the year ending 31 December 2020 will include the carrying amounts of the results, assets and liabilities of the Target Group.

THE AUDIT QUALIFICATIONS

As set out in Appendix II in this circular, the Company's auditor has issued disclaimer of opinions on the consolidated financial statements of the Company for the three years ended 31 December 2018. The audit qualifications relate to (i) scope limitation due to incomplete books and record; (ii) non-compliance with IFRSs and omission of disclosure; (iii) investments in unconsolidated subsidiaries and deconsolidation of subsidiaries; and (iv) material uncertainty related to going concern basis. Set out below are details of the aforesaid disclaimer opinions and the steps taken by the management of the Company to address the audit qualifications:

Audit qualifications	**Rectifications**
(1) Scope limitation due to incomplete books and record	
Up to the date of this report, given the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the Provisional Liquidators believe that it is almost impossible, and not practical, to ascertain the correct revenue and profit or loss (and the resultant assets and liabilities) for the three years ended 31 December 2018 for inclusion in the consolidated financial statements of the Group. Also due to incomplete books and records, the Provisional Liquidators believe that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group and financial statements of the Company (including interest in subsidiaries and loans to subsidiaries in the Company – level statement of financial position) for the past years, in particular prior to the appointment of the Provisional Liquidators on 25 February 2015. The auditor was therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification and disclosures of the transactions of the Group and the Company.	Upon completion of the Proposed Restructuring, those subsidiaries with uncertain opening balance will be transferred to the Scheme Company or Scheme Administrators pursuant to the Creditors Schemes and not be consolidated into the Enlarged Group for the year ending 31 December 2020, and the opening balances of the Company's financial results (the "**Opening Balance**") as at 1 January 2020 will be restated to only reflect the financial position of the Target Group as at 1 January 2020. As such, it is anticipated that all relevant audit qualifications, including those in relation to the Opening Balance, on this basis will be removed for the year ending 31 December 2020.

Audit qualifications	Rectifications
Given these circumstances, there were no practicable audit procedures that the auditor could perform to satisfy themselves that the information and documents presented to them for the purpose of the audit are complete and accurate in all material respects, nor to quantify the extent of adjustments that might be necessary in respect of the Group's and Company's financial information. As a result, in performing the audit on the consolidated financial statements of the Group for the three years ended 31 December 2018, there were no practicable audit procedures that the auditor could perform to satisfy themselves whether the balances of assets, liabilities, contingent liabilities, commitments and reserves as at 1 January 2016, 2017 and 2018 and the corresponding figures for the three years ended 31 December 2018 were fairly stated.	
(2) Non-compliance with IFRSs and Omission of Disclosures	
As the consolidated financial statements of the Group have been prepared by the Provisional Liquidators based on incomplete books and records, the Provisional Liquidators believe it is almost impossible and not practicable to ascertain the correct amounts. Consequently, the Provisional Liquidators were unable to confirm whether the consolidated financial statements comply with International Financial Reporting Standards ("**IFRSs**"), or that the disclosure requirements of the Companies Ordinance and the Listing Rules have been complied with. Given these circumstances, there were no practicable audit procedures that the auditor could perform to quantify the extent of adjustments that might be necessary in respect of the Group's consolidated financial statements.	Upon completion of the Proposed Restructuring, consolidated financial statements of the Enlarged Group will be prepared in accordance with IFRSs and in compliance with the disclosure requirements of the Companies Ordinances and the Listing Rules. It is anticipated that all relevant audit qualifications, including those in relation to the Opening Balance, on this basis will be removed for the year ending 31 December 2020.

Audit qualifications	**Rectifications**
(3) Investments in Unconsolidated Subsidiaries and Deconsolidation of Subsidiaries	
Due to incomplete books and records, the Provisional Liquidators have not been able to access the books and records of all subsidiaries of the Company (collectively referred to as "**Unconsolidated Subsidiaries**"). Due to the lack of complete books and records of the 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 IFRS 10 "Consolidated Financial Statements". Therefore, it is almost impossible, and not practical, to consolidate the financial statements of the Unconsolidated Subsidiaries into the Group's consolidated financial statements since 25 February 2015, the date of the appointment of the Provisional Liquidators. No sufficient evidence has been provided to satisfy the auditor as to whether the Company had control of these Unconsolidated Subsidiaries since 25 February 2015 and throughout the three years ended 31 December 2018. Accordingly, the auditor do not have 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. The exclusion of the financial position and results of the Unconsolidated Subsidiaries from the consolidated financial statements is a departure from the requirements of IFRS 10 "Consolidated Financial Statements".	Due to the circumstances leading to the audit qualifications numbered 1 and 2 above, the balances of the Group's investment in subsidiaries as at 31 December 2016, 2017 and 2018 could not be ascertained and also led to the qualified opinions (on this basis) being made in the consolidated financial statements for the three years ended 31 December 2018. Upon completion of the Proposed Restructuring, those Unconsolidated Subsidiaries will be removed from the Group and shall all be transferred to the Scheme Company or the Scheme Administrators pursuant to the terms of the Creditors Schemes, as agreed to by the Scheme Creditors, for the benefit of the Creditors. Since the matters giving rise to the audit qualifications numbered 1 and 2 will be addressed fully, it is anticipated that all relevant audit qualifications, including those in relation to the Opening Balance, will be removed for the year ending 31 December 2020.

Audit qualifications	Rectifications
Due to the lack of complete books and records of the Unconsolidated Subsidiaries, the auditor was also unable to obtain sufficient appropriate audit evidence and explanations to determine whether the carrying values of the investments in the Unconsolidated Subsidiaries were free from material misstatement. Any adjustments that might have been found to be necessary would have a consequential significant effect on the Group's and the Company's net liabilities as at 31 December 2016, 2017 and 2018 and the Group's results for the years then ended.	
(4) Material Uncertainty related to Going Concern Basis	
The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. The auditor considers that the disclosures are adequate. However, in view of the uncertainty relating to the completion of the restructuring, the auditor disclaims their opinion on the basis of the material uncertainty relating to the going concern basis of preparation of these consolidated financial statements.	Upon completion of the Proposed Restructuring, all liabilities of the Company would be discharged under the Creditors Schemes. The Enlarged Group will maintain a positive net assets position (as indicated in the unaudited pro forma consolidated statement of financial position). The Company, after due and careful enquiry, is of the opinion, based on available information to date which includes the incomplete books and records of the Company, that following the completion of the Proposed Restructuring, after taking into account the financial resources available to the Enlarged Group, including internally generated funds, the available banking facilities and proceeds from the Public Offer and the Company's Placing (including the Preferential Offer), the Enlarged Group has 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. It is anticipated that all audit qualifications on this basis will be removed for the year ending 31 December 2020.

As illustrated above, the assets and liabilities leading to the audit qualifications will no longer form part of the Group after completion of the Proposed Restructuring, hence, all audit qualifications in prior years will not relate to the assets and liabilities of the Enlarged Group.

Following the completion of the Creditors Schemes, all the claims of the Creditors will be settled and discharged and the Company will be free of any material liabilities in each case as a matter of Hong Kong law and the Cayman Islands law. The asset position of the Company will be strengthened substantially following the Public Offer and the Company's Placing (including the Preferential Offer). This will also turn the Group's net liability position into a net asset position after the completion of the Proposed Restructuring.

Crowe (HK) CPA Limited, the auditors of the Company, has agreed the aforesaid description in relation to the rectification of the audit qualifications. Having considered the above, upon the Completion, and barring any unforeseen circumstances, the Company anticipates that all relevant audit qualification, including those in relation to the Opening Balances of the Company's financial results as at 1 January 2020, will be removed for the year ending 31 December 2020.

INFORMATION OF THE GROUP

The Company's principal activity is investment holding. The Group principally engages in the processing and sale of powder thenardite, specialty thenardite and medical thenardite and in the manufacturing and sale of PPS (Polyphenylene sulfide) products.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the BVI, and will become the holding company of the Target Group immediately upon completion of the Reorganisation in preparation for the Acquisition. Please refer to the section headed "History and background of the Target Group" of this circular for details 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 with headquarter in Singapore and production plant in Johor Bahru, Malaysia. Please refer to the section headed "Business of the Target Group" in this circular for further details on the business of the Target Group.

Financial information of the Target Group

For each of the three years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2019, the audited combined revenue of the Target Group was approximately, S$24.9 million, S$19.6 million, S$21.5 million and S$5.7 million respectively. The audited combined net asset value of the Target Group (including net asset value attributable to non-controlling interests) as at 31 May 2019 was approximately S$16.2 million.

Please refer to the sections headed "Financial Information of the Target Group" in this circular and "Accountant's Report of the Target Group" as set out in Appendix I to this circular for further information of the Target Group.

INFORMATION OF THE INVESTORS

Mr. Widjaja, Ms. Lim and Ms. Limarto are the proposed executive Directors immediately following the completion of the Acquisition. Please refer to the section headed "Proposed appointment of Directors and senior management" for details of biographical information of Mr. Widjaja, Ms. Lim and Ms. Limarto.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months before the Latest Practicable Date.

RISKS ASSOCIATED WITH THE ACQUISITION AND THE ENLARGED GROUP

The risks relating to the Acquisition, the business of the Enlarged Group, the business, legal and regulatory environment for construction materials in Singapore and the general economic, legal and political climate in Singapore are set out in the section headed "Risk Factors" in this circular.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition constitutes:

(a) a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules as one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition; and

(b) a reverse takeover of the Company under Rule 14.06(6)(b) of the Listing Rules on the basis that the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and the Investors gaining control (as defined in the Takeovers Code) of the Company.

The Acquisition will therefore be 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. Such new listing application is required to comply with all the requirements under the Listing Rules, in particular the requirements under Chapters 8 and 9 of the Listing Rules.

Exceptional circumstances for Rule 7.27B

Pursuant to Rule 7.27B, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. The Public Offer and the Company's Placing (including the Preferential Offer) will result in a theoretical dilution effect of 74.64%, which is over the 25% threshold as specified under Rule 7.27B. However, the Company considers there are exceptional circumstances for the Company based on the following reasons:

(a) Rescue proposal of the Company

Trading in the Shares on the Stock Exchange has been suspended since 25 March 2014, and the Company was placed in the third delisting stage pursuant to the Practice Note 17 of the Listing Rules on 24 March 2016. By its letter to the Company on even date, the Stock Exchange set out the Resumption Conditions, and the Company had to submit a viable resumption proposal to fulfil each of the aforementioned Resumption Conditions before the expiry of the third delisting stage (i.e. 7 October 2016).

Following the entering into of the Restructuring Framework Agreement on 23 September 2016, the Company submitted the Resumption Proposal to the Stock Exchange on even date, which is only two weeks before the expiry of the third delisting stage, in view to rescue the Company in averting a delisting of the Company's Shares. The Resumption Proposal was subsequently approved by the Listing Committee on 24 October 2016.

If the transactions proposed in the Resumption Proposal and the Proposed Restructuring including but not limited to, the Share Offer, fail to proceed for any reason, the Stock Exchange will proceed with cancelling the Company's listing on the Stock Exchange.

(b) Adverse financial position of the Company

Since the commencement of the provisional liquidation, the Group has minimal, or even no operation. No revenue had been generated by the Group and continued losses were recorded for the three years ended 31 December 2018 and the six months ended 30 June 2019. As disclosed in Appendix II to the circular, the Company recognised a substantial deconsolidation loss of approximately RMB21.4 billion for the year ended 31 December 2015 due to the deconsolidation of the Unconsolidated Subsidiaries, and the net liabilities of the Group reached RMB7.5 billion as at 30 June 2019. As disclosed in the paragraph headed "The Creditors Schemes" in this letter, the Company has an estimated total amount of claims of approximately US$1,161 million as at the Latest Practicable Date. Given the above, the Group is currently insolvent and in financial difficulties, with very limited prospect of recovery. Therefore, the Share Offer, which forms part of the rescue proposal, is essential to be conducted for the resumption of trading of the Company's shares.

(c) Interest of Existing Shareholders

The Share Offer forms an integral part of the Proposed Restructuring as it provides funds to discharge Company's liabilities under the Creditors Schemes. In addition, the Preferential Offer under the Company's Placing also allows the existing Shareholders to reduce the dilution effect on their shareholding under the Proposed Restructuring.

Having considered the fairness of the transactions, the Share Offer Price and the Consideration Price are identical, and hence the existing Shareholders will be given an opportunity to invest in the Enlarged Group on the same price per New Share as the Investors.

Given that the trading of the Shares on the Stock Exchange has been suspended for since 25 March 2014, there would be practicable difficulties in raising funds via the Share Offer without a substantial discount.

It should also be noted that if the Share Offer fails to proceed, the Creditors Schemes will not be funded and in such case, the residual value of the Company, after repayment of its liabilities, to be realised by the Shareholders upon liquidation of the Company would be very minimal.

The Company considers the Share Offer to be essential in the rescue proposal of the Company. Despite exceeding the 25% theoretical value dilution threshold, the Company is of the view that the Share Offer is in the interest of the Company and its Shareholders as a whole.

In light of the above, there are practical difficulties to issue the Public Offer Shares and the Company's Placing Shares without a substantial discount. Further, the Proposed Restructuring, *inter alia*, the Share Offer, will discharge all claims and liabilities against the Company and will facilitate the resumption of the Company when completed. Hence, the Company considers, and the Stock Exchange is satisfied, that there are exceptional circumstances for the Company to undertake the Share Offer resulting in a theoretical dilution effect of over 25%.

The Public Offer and the Company's Placing (including the Preferential Offer) will be subject to the approval by the Independent Shareholders at the EGM by way of poll.

As the passing of the ordinary resolution in relation to the Capital Reorganisation at the EGM is one of the conditions precedent to completion of the Share Offer and the Acquisition, Shareholders who are required to abstain from voting on the Proposed Restructuring and/or the Whitewash Waiver and the transactions contemplated thereunder are also required to abstain from voting on the resolution to approve the Capital Reorganisation at the EGM.

The completion of the Share Offer and the Acquisition, which form part of the Proposed Restructuring will be inter-conditional to each other.

Save as disclosed above, to the best of the Provisional Liquidators' knowledge, information and belief, and having made all reasonable enquiries, none of the other Shareholders and its associates is required to abstain from voting on any resolutions to be proposed at the EGM.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Consideration Shares, the Company's Placing Shares (including the Reserved Shares) and the Public Offer Shares.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Whitewash Waiver

As at the Latest Practicable Date, 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. Upon Completion, the Concert Group will, in aggregate, hold approximately 65% 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 Whitewash 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 resolution(s) relating to Whitewash Waiver. Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, the Whitewash Waiver and the underlying transactions of the Proposed Restructuring shall be approved by at least 75% and more than 50% respectively of the independent votes that are cast by the Whitewash Independent Shareholders, either in person or by proxy at the EGM. If the Whitewash Waiver is granted by the Executive and approved by the Whitewash 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 of the Consideration Shares. 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 Whitewash 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 it resulting from the Acquisition will exceed 50% of the voting rights of the Company. The Investors may further increase its holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

As at the date of this circular, the Company does not believe that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition does not comply with other applicable rules and regulations.

CONSENT TO EXCLUDE ALL DIRECTORS FROM THE RESPONSIBILITY STATEMENT

Pursuant to Rule 9.3 of the Takeovers Codes, all documents issued by the Company in relation to the Proposed Restructuring should state that all Directors jointly and severally accept full responsibility for the accuracy of information contained in the document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the document have been arrived at after due and careful consideration and there are no other facts not contained in the document, the omission of which would make any statement in the document misleading.

On 25 February 2015, the Company was placed into Provisional Liquidation. The Provisional Liquidators have been duly appointed to manage and to take responsibility for the affairs and the assets of the Company. The Order of the Grand Court dated 26 May 2015 suspended all of the Directors' powers in relation to the Company, save for certain residual powers. Given the Order of the Grand Court dated 26 May 2015 and the Directors' inability to participate in matters relating to the Proposed Restructuring, the Company has applied to the Executive, and the Executive has granted consent pursuant to Rule 9.4 of the Takeovers Code to exclude all Directors from the responsibility statement given in all documents issued or to be issued by the Company in relation to the Proposed Restructuring.

EGM

A notice of the EGM to be held at 2:00 p.m. on Monday, 23 December 2019 at Room 1804, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong is set out on pages EGM-1 to EGM-7 of this circular for the purpose of considering and, if thought fit, approving the change of the Company's name, the Capital Reorganisation, the Acquisition, the Creditors Schemes, the Whitewash Waiver, the Share Offer, the Restructuring Framework Agreement, the proposed appointment of the proposed Directors and the Articles Adoption. Voting on the resolutions at the EGM will be taken by poll.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

GENERAL

It should be noted that the transactions contemplated are subject to a number of conditions, which may or may not be fulfilled. In addition, the approval of the New Listing Application and the Whitewash Waiver may or may not be granted. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

RECOMMENDATIONS

The Company is currently insolvent, with very limited prospect of recovery for Shareholders. The Company's listing status has been actively marketed and this Proposed Restructuring represents the best offer received. Accordingly, the Provisional Liquidators consider that the terms of (i) the Capital Reorganisation; (ii) the Acquisition; (iii) the Creditors Schemes; (iv) the Whitewash Waiver; (v) the Share Offer; (vi) the Restructuring Framework Agreement; (vii) the proposed appointment of proposed Directors; and (viii) the Articles Adoption are fair and reasonable, and in the interests of the Company, the Creditors and the Shareholders as a whole. The Provisional Liquidators accordingly recommend (i) the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Capital Reorganisation, the Acquisition, the Creditors Schemes, the Restructuring Framework Agreement and the Share Offer; (ii) the Whitewash Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Whitewash Waiver; and (iii) the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the proposed appointment of proposed Directors and the Articles Adoption.

Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise the Shareholders in this regard. The text of the letter from the Independent Financial Adviser, containing its advice to the Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 77 to 109 of this circular.

FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular, which contain further information on the Target Group and other information required to be disclosed under the Takeovers Code and the Listing Rules.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Dealing in the shares of the Company on the Main Board of the Stock Exchange has been suspended since 25 March 2014 and will remain suspended until further notice.

The publication of this circular does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the resumption of trading in Shares. The Company will keep the public informed of the latest developments by making further announcements as and when appropriate.

For and on behalf of
China Lumena New Materials Corp.
(In Provisional Liquidation)
Man Chun So
Yat Kit Jong
Simon Conway
Joint Provisional Liquidators
Acting as agents without personal liability

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Shareholders prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Shareholders in respect of the Restructuring Framework Agreement, the Whitewash Waiver and the transactions contemplated thereunder.

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

29 November 2019

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

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*	*S$'000*
				(unaudited)	
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.

This circular contains forward-looking statements that state the intentions, beliefs, expectations or predictions of the Group, the Target Group and the Enlarged Group for the future that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this circular. These forward-looking statements include all statements in this circular that are not historical facts, including, without limitation, statements relating to:

(a) the Enlarged Group's operations, development plans and business prospects;

(b) the future developments, trends and conditions in the industry in which the Target Group operates;

(c) the Enlarged Group's strategies, plans, objectives and goals and its ability to implement such strategies and achieve its plans, objectives and goals;

(d) the Enlarged Group's future capital needs and capital expenditure plans;

(e) the amount and nature of, and potential for, future development of the Enlarged Group's business;

(f) the regulatory environment relating to, and the general industry outlook for the industry in which the Target Group operates;

(g) the Target Group's continual review of its strategy regarding its business;

(h) the competitive market for precast concrete wall panels and the actions and developments of the Target Group's competitors in Singapore, Malaysia and Southeast Asia; and

(i) the general political and economic environment in Singapore, Malaysia and Southeast Asia.

When used in this circular, the words "aim", "anticipate", "believe", "consider", "continue", "could", "estimate", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" and similar expressions, as they relate to the Group, the Target Group and/or the Enlarged Group, are intended to identify forward-looking statements.

However, all statements in this circular other than statements of historical facts are forward-looking statements. Such forward-looking statements reflect the views of the management of the Group, the Target Group and/or the Enlarged Group (as the case may be) as at the date of this circular with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this circular. Although the Company and the proposed Directors believe that the expectations reflected in such forward-looking statements are reasonable, actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of important factors, without limitation, including:

- the Enlarged Group's operations and business prospects, operating strategies and plan of operation and expansion;

- the Enlarged Group's capital expenditure plans;
- the Enlarged Group's ability to effectively manage its planned expansion and realise its future plans and strategies;
- the Enlarged Group's amount and nature of, potential for and future development of its business;
- the regulatory environment of the Enlarged Group's industry in general and restrictions that may affect the industry in which it operates;
- the Enlarged Group's ability to effectively manage its operational costs;
- the general industry outlook, competition for the Enlarged Group's business activities and the future development and performance of the Singapore, Malaysia and Southeast Asia precast concrete wall panels market;
- macroeconomic measures taken by the Singapore, Malaysia and Southeast Asia governments to manage economic growth and general economic trends in Singapore, Malaysia and Southeast Asia;
- general political and economic conditions in Singapore, Malaysia, Southeast Asia, Hong Kong and overseas; and
- other statements in this circular that are not historical facts.

Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, the results of operations and financial condition of the Group, the Target Group and/or the Enlarged Group may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward looking statements. Moreover, the forward-looking statements should not be regarded as representations by the Company that its plans and objectives will be achieved or realised.

The forward-looking statements in this circular reflect the views of the management of the Group, the Target Group and/or the Enlarged Group (as the case may be) as at the date of this circular and are subject to change in light of future developments. Subject to the requirements of the Listing Rules and the Takeovers Code, the Company does not intend to update or otherwise revise the forward looking statements in this circular, whether as a result of new information, future events or otherwise.

You should carefully consider all of the information in this circular including the risk factors described below. The business, financial condition or results of operations of the Enlarged Group could be materially and adversely affected by any of these risk factors. In addition to the risk factors described below, other risks and uncertainties not presently known to the Enlarged Group, or not expressed or implied below, or that the Enlarged Group currently deems immaterial, may also adversely affect the business, operating results and financial condition of the Enlarged Group in a material respect.

RISKS RELATING TO THE ACQUISITION AND THE SHARE OFFER

Completion of the Proposed Restructuring, including but not limited to the Acquisition and the Share Offer is subject to the fulfilment of the conditions precedent and there is no assurance that they can be fulfilled and/or the Acquisition and the Share Offer will be completed as contemplated

Certain conditions precedent to completion of Proposed Restructuring, including but not limited to, the Acquisition and the Share Offer as set out in the paragraphs headed "– Conditions precedent to the Restructuring Framework Agreement" and "The Share Offer – Conditions precedent to the Share Offer" in the section headed "Letter from the Provisional Liquidators" in this circular involve the decisions of third parties, including, among others, approvals by the Independent Shareholders at the EGM, the Creditors Schemes becoming effective, the Executive granting the Whitewash Waiver, the Grand Court granting an order confirming the Capital Reorganisation and approval by the Listing Committee for the listing of and permission to deal in all of the new Shares allotted and issued pursuant to the Acquisition and the Share Offer. As fulfilment of such conditions precedent is not within the control of the parties involved in the Acquisition and the Share Offer, there is no assurance that the Acquisition and the Share Offer will be completed in a timely manner as contemplated, or at all.

If there is insufficient public interest in the Share Offer, the Share will not proceed and will lapse accordingly

The Share Offer is conditional upon, among others, (i) there are not less than 300 Accepted Offer Applications in respect of the Public Offer from members of the public in Hong Kong (for the avoidance of doubt, excluding the applications made by subscribers procured by the Public Offer Underwriter(s) or its sub-underwriter(s) for the purpose of fulfilling the Public Offer Underwriter(s)' underwriting commitment as set out in the Public Offer Underwriting Agreement); (ii) not less than 70,048,000 Public Offer Shares (being 50% of the number of the Public Offer Shares initially offered for subscription under the Public Offer) will be allotted and issued to the New Public Shareholders or his/her/its nominee(s) upon Completion; and (iii) the number of the SO Shares to be allotted and issued to the three largest New Public Shareholders upon Completion will not exceed 70,048,000 Public Offer Shares (being 50% of the number of the Public Offer Shares initially offered for subscription under the Public Offer). In other words, if there is insufficient public interest in the Share Offer whereby any of the aforementioned conditions precedent is not satisfied, the Share Offer will lapse. Please refer to the section headed "Letter from the Provisional Liquidators – 3. The Share Offer" in this Circular for further details. As the demand for Public Offer Shares is not within the control of the parties involved in the Share Offer, there is no assurance that the Share Offer will be completed in the manner as contemplated, or at all.

The shareholding percentage of the existing Shareholders in the Company will be substantially diluted immediately following the completion of the Acquisition and the Share Offer

Under the Acquisition, the Company will issue an aggregate of 2,241,543,744 Consideration Shares to the Investors pursuant to the terms of the Restructuring Framework Agreement. Under the Public Offer, the Company will issue an aggregate of 224,156,000 New Shares and 196,133,452 New Shares under the Public Offer and the Company's Placing (including the Preferential Offer), respectively. As a result, the shareholding percentages of the existing Shareholders in the Company would be substantially diluted. Any value enhancement of the Shares as a result of the Acquisition and the Share Offer may not necessarily be reflected in their market price and may not offset the dilution effect to the existing Shareholders.

The interests of the Investors may differ from the interests of the other Shareholders and existing Shareholders will experience further dilution if the Company issues additional new Shares in the future

In order to expand the business of the Company, the Company may consider offering and issuing additional new Shares in the future. Shareholders may experience further dilution in the net tangible asset value per Share of their new Shares if the Company issues additional new Shares in the future at a price which is lower than the net tangible asset value per Share.

Immediately following completion of the Acquisition and the Share Offer, the Investors will have substantial influence over the Company and their interests may not be aligned with the interests of the other Shareholders. With reference to the paragraph headed "Changes in Shareholding Structure" in the section headed "Letter from the Provisional Liquidators" in this circular, it is the Investors' intention to maintain more than 50% of the enlarged issued share capital of the Company upon the Resumption. The interests of the Investors may differ from the interests of the other Shareholders. The Investors will have substantial influence over the Enlarged Group's business, including matters relating to its management and policies and decisions regarding mergers, expansion plans, consolidations and the sale of all or substantially all of the Enlarged Group's assets, election of directors and other significant corporate actions. It is possible that the Investors may exercise their substantial influence over the Enlarged Group and cause it to enter into acquisitions or take, or fail to take, other actions or make decisions which conflict with the best interests of the other Shareholders.

The growth prospects of the Enlarged Group depend on continuous and successful operation and growth of the Target Group and the failure of which would adversely affect the operations, financial performance and prospects of the Enlarged Group

The Target Group will become the main operating subsidiaries of the Company upon completion of the Acquisition. Upon the Creditors Schemes becoming effective, the Company will transfer the existing assets and indebtedness (including the Scheme Subsidiaries) to the Scheme Company or the Scheme Administrators pursuant to the terms of the Creditors Schemes for the benefit of the Scheme Creditors. For more details, please refer to the section headed "Letter from the Provisional Liquidators" in this circular. Accordingly, upon completion of the transfer of the existing assets and indebtedness (including the Scheme Subsidiaries) to the Scheme Company or the Scheme Administrators and the Acquisition, the results of operations, financial condition and business prospects of the Enlarged Group will depend solely on those of the Target Group and may be materially and adversely impacted if the Target Group is not able to maintain the continual and successful operation and growth of its business.

RISKS RELATING TO THE BUSINESS OF THE TARGET GROUP

The Target Group heavily relies on the construction industry in Singapore and it may not contribute to the Target Group's results in the manner as it anticipated

During the Track Record Period, the Target Group's revenue was mainly derived in Singapore, which constituted approximately 97.4%, 87.1%, 60.6% and 88.9% of its total revenue for the year ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, respectively. It is expected that the Target Group will continue to focus primarily on the Singapore market and its turnover will continue to be generated mainly from the Singapore market in the near future. In particular, the Target Group is dependent on the construction industry in Singapore.

Accordingly, the Target Group's operating results and financial position will be substantially subject to Singapore's overall economic conditions and the pace of property development and infrastructure construction in Singapore, as well as the changes in the domestic demand for building and construction materials driven by downturn in the Singapore construction industry. On the other hand, the Singapore Government's policy, for example the intensification or relaxation of cooling measures applicable to the domestic residential property market, will also affect the price levels as well as the demand for residential properties. There is no assurance that the domestic demand for the Target Group's products will continue to grow and as a result of changes in Singapore's economic climate or property market, the Target Group's sales volumes may be reduced and its financial condition, performance, results of operations and prospects may be adversely affected.

Failure to maintain the qualifications, permits or licences required for the Target Group's business could adversely affect the Target Group's business

The Target Group requires certain qualifications, permits and licences for its operation. The Target Group is a specialist builder under precast concrete work registered with BCA and is licenced to design, manufacture and supply precast concrete work in Singapore. The Target Group is also registered with CIDB as an IBS manufacturer for the precast concrete hollow panel and is licenced to manufacture green precast wall panels in Malaysia. Please refer to the paragraph headed "Qualifications, Licences and Certifications" in the section headed "Business of the Target Group" in this circular for further details.

The Target Group must comply with the relevant licencing requirements in order to maintain or to renew such qualifications and licences. The criteria of such licencing requirement include the Target Group's operating conditions, production capability, management and compliance record, in particular, compliance by Joe Green Pte. with rules and regulations of the BCA and the Building Control (Licensing of Builders) Regulations 2008 on the Licencing of specialist builders and compliance by JOE Green Precast with the rules and regulations of the Malaysian Department of Environment and other governmental departments and agencies of Malaysia, timely notification of the relevant governmental authority of any change of shareholdings and compliance of certain requirements on training of local staff. If the Target Group fails to comply with any of the relevant requirements, it may not be able to renew or maintain its qualifications and licences due to suspension or revocation and in such cases its operations would be significantly disrupted or even suspended which could adversely affect the Target Group's financial condition, performance, results of operations and prospects.

Inability to obtain foreign labour could affect the Target Group's operations and financial performance

The building and construction material industry in Malaysia and Singapore heavily relies on skilled, semi-skilled and unskilled foreign labour force as the local construction labour is limited and more costly. Apart from the 3 automated production lines, the Target Group also operates 3 manual production yards in its production plant in Johor Bahru, Malaysia. Approximately 78.6% of the labour working in the Target Group's production plant as at the Latest Practicable Date are foreign labour. As at the Latest Practicable Date, the Target Group has utilised all its quota for foreign workers. Hence if the Target Group intends to employ more foreign workers, additional quota has to be applied for.

The Malaysian Employment (Restriction) Act 1968 prohibits the employment of a non-citizen in Malaysia unless such person possesses a valid employment permit. The employment of such foreign labour is subject to the approval of the Malaysian Ministry of Home Affairs, which imposes conditions, amongst other things, on the number, the positions, the duration of employment and the sources or country of origin of the foreign workers. Application is also required to be made for Visit Pass (Temporary Employment) to the Foreign Workers Division, Immigration Department of Malaysia.

The supply of foreign labour in Singapore is subject to the policies and regulations imposed by the MOM where the availability of permissible foreign workers is subject to the applicable policies and regulations of MOM from time to time. The employment of foreign workers is also subject to the payment of levies imposed by the MOM.

Any shortage in the supply of foreign workers or increase in relevant foreign worker levy or any change in the relevant regulations and policies limiting the number of permissible foreign workers or foreign workers' countries of origin, will adversely affect the Target Group's operations, in particular its manual production yards, and its financial performance.

The Target Group may not be able to secure new projects and failure to do so could materially affect its financial performance

During the Track Record Period, the Target Group has supplied its precast 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 green concrete wall panel system were used in 199 on-going building construction projects.

The Target Group enters into contracts with its customers on a project basis. Depending on the nature of buildings involved, the duration of projects typically range between 12 and 36 months. The Target Group generally has to go through a quotation process to secure new contracts with its customers and it is not guaranteed that the Target Group will continue to secure new contracts from its customers after the completion of their existing projects. In the event the Target Group is unable to secure new contracts of similar or larger value or similar number of projects on a continual basis or fails to maintain good relationships with its existing customers, its revenue will be adversely affected.

The Target Group's financial operating results may fluctuate along with the fluctuations of the selling price of its products

During the Track Record Period and up to the Latest Practicable Date, the Target Group derived its revenue mainly from manufacture and sale of precast concrete wall panel system and related accessories and building materials. The Target Group uses a cost plus approach and the selling prices of the Target Group's precast concrete wall panel system are mainly based on market acceptance and assessment of market value of the Target Group's products, as well as other factors such as (i) the costs of raw materials, labour and transportation costs; (ii) specifications of customised wall panels and order volume; (iii) type of projects and customers' creditability; and (iv) selling prices of other building materials including similar products by its competitors.

Generally, the Target Group's customers may source precast concrete wall panels from other suppliers as substitutes if their prices are more competitive. As such, the Target Group will have to maintain the price of its wall panel products at competitive prices or its revenue may decrease which in turn affects its financial condition, performance, results of operations and prospects.

The Target Group relies on a few suppliers for sourcing hardcore waste materials

RCA, one of the major raw materials used in the Target Group's concrete wall panel production process, is produced from, among others, in-house crushing of hardcore waste materials. During the Track Record Period, the Target Group sourced hardcore waste materials from three suppliers, including Tong Seng Fabricators Sdn Bhd. ("**Tong Seng**"), an Independent Third Party and a private company incorporated in Malaysia in 2009 situated in Johor Bahru, which is the Target Group's main supplier of hardcore waste materials. To the best knowledge of the proposed Directors, Tong Seng and/or its affiliate collect hardcore waste materials for recycle from various sources in Malaysia. There is no long-term agreement between the Target Group and its hardcore waste materials suppliers. The future relationship between the Target Group and its hardcore waste materials suppliers and the willingness and capability of its suppliers to supply hardcore waste materials to the Target Group will be critical to the Target Group's business and operations. If the Target Group's existing suppliers are unable to supply the requisite amount of hardcore waste materials within the requested timeframe, the Target Group's production may be affected and its business, results of operations and financial condition could also be adversely affected.

The Target Group's business, financial condition and results may be affected by price fluctuations and shortages of supply of raw materials or electricity

The Target Group's production requires large quantities of raw materials, including but not limited to recycled hardcore waste materials, quarry dust, cement and sand, at reasonable price, and power supply. Any increase in the price of raw materials, transportation costs and utilities will in turn increase the Target Group's costs of sales and shortage or interruption in the supply of electricity could disrupt the Target Group's operations. If the price of raw materials, transportation costs and power supply increase more rapidly than the selling prices of the Target Group's products and/or the Target Group may not be able to source a sufficient supply of raw material at reasonable level of quality or cost, the Target Group's financial condition and performance would be adversely affected.

For the three years ended 31 December 2018 and the five months ended 31 May 2019, the total cost of raw materials consumed represented approximately 60.9%, 58.4%, 50.5% and 37.7% of the Target Group's total cost of sales, respectively. The supply of raw materials and the fluctuation of their prices are subject to many factors, including development of the global economy and government policies, which are beyond the Target Group's control. There is no assurance that the Target Group can secure adequate supplies of raw materials at commercially viable prices to meet the Target Group's production requirements and the Target Group may not be able to manage such fluctuations in raw material prices by transferring all the incremental costs to the Target Group's customers.

During the Track Record Period and as at the Latest Practicable Date, no long term contract has been entered into between the Target Group and its suppliers where the Target Group will continue to conduct business with such suppliers on the basis of actual purchase orders placed by the Target Group from time to time. Besides, during the Track Record Period, purchases from the Target Group's five largest suppliers represented approximately 55.1%, 41.6%, 37.5% and 50.3% of the Target Group's total cost of sales, respectively. If the Target Group's major suppliers significantly fail to satisfy the Target Group's demands or even cease to do business with the Target Group, the Target Group may have difficulty establishing new supply relationships with similar or favourable terms and if and the Target Group is unable to secure alternative sources from other suppliers on a timely basis, the Target Group's financial condition, performance, results of operations and prospects could be adversely affected.

The incentives enjoying by the Target Group's operating subsidiaries in Malaysia and Singapore may not be renewable or may subject to change in the future

The Target Group's operating subsidiaries in Malaysia and Singapore have enjoyed certain tax benefits or incentives during the Track Record Period. In December 2016, the Target Group has applied to the MIDA for automation capital allowance in respect of newly acquired machinery, pursuant to which the Target Group shall be entitled to an allowance of 200% on the first RM2 million expenditure incurred with 5 years of assessment from 2015 to 2020. In May 2017, the aforementioned application has been approved. The Target Group's operating subsidiaries in Singapore enjoyed various tax reliefs from the Inland Revenue Authority of Singapore which comprised (i) 75% tax exemption on the first S$10,000 of normal chargeable income; and a further 50% tax exemption on the next S$290,000 of normal chargeable income; (ii) the Productivity and Innovation Credit (PIC) Scheme which allowed 400% tax deductions/allowances or 60% cash payout for investments made in any of six qualifying activities from years of assessment 2011 to 2018; and (iii) the corporate income tax rebate which allowed (a) 50% corporate income tax rebate capped at S$20,000 for the year of assessment 2016, (b) 50% corporate income tax rebate capped at S$25,000 for the year of assessment 2017, (c) 40% corporate income tax rebate capped at S$15,000 for the year of assessment 2018, and (d) 20% corporate income tax rebate capped at S$10,000 for the year of assessment 2019. For the three years ended 31 December 2018 and the five months ended 31 May 2019, tax effect on tax incentive amounted to approximately S$231,000, S$975,000, S$11,000 and S$3,000, respectively while tax effect on tax rebates amounted to approximately S$42,000, S$30,000, S$20,000 and nil, respectively for the corresponding periods. Please refer to the section headed "Financial information of the Target Group – Principal Components of Results of Operations – Income tax" and Note 10 to the Accountants' Report on the Target Group in Appendix I to this circular for further information.

The proposed Directors are unable to forecast any future changes to the tax laws, incentive policy or regulations in Malaysia and Singapore and there is possibility that there will be changes to the above incentive policy granted to the Target Group. In the event that the allowance enjoyed by the Target Group expires, the Target Group will not be able to enjoy the favourable concession on taxable income or allowance and, at later stage, may be subject to higher taxable income in respect of their operations in Malaysia and Singapore and in such case, the Target Group's tax payments will be increased and hence will in turn affect its financial condition, performance, results of operations and prospects.

Failure to maintain an effective quality control system may have a material adverse effect on the Target Group's business

The quality of the Target Group's products is critical to the success of its business. It depends significantly on the effectiveness of the Target Group's quality control systems, which in turn, depends on a number of factors, including whether the quality control policies and guidelines is followed and executed by the frontline technicians and workers. Furthermore, any changes in the relevant industry technical standards or governmental safety requirements will affect the Target Group's sales. Any significant failure or deterioration of the Target Group's quality control systems could have a material adverse effect on the Target Group's reputation, business prospects and results of operations.

The Target Group's business operations may be adversely affected by its net current liability position

The Target Group recorded net current liabilities of approximately S$25.6 million, S$0.8 million, S$14.8 million, S$14.7 million, S$16.7 million and S$15.8 million as at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, respectively. The majority of its net current liabilities was mainly attributable to the bank borrowings owed by the Target Group of the amounts of approximately S$31.4 million, S$7.0 million, S$26.0 million, S$25.5 million, S$25.5 million as at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, respectively, as detailed in the section headed "Financial Information of the Target Group – Indebtedness – Bank Borrowings" in this circular. There can be no assurance that the Target Group will be able to record positive net current assets in the future, and its business operations and its ability to raise funding may be materially and adversely affected by its net current liabilities. There can be no assurance that the Target Group will maintain sufficient working capital, revenues or raise necessary funding to pay off its current liabilities and meet its capital commitments. In such circumstances, the Target Group's business, financial position and prospects may be materially and adversely affected.

The Target Group recorded a net operating cash outflow for the five months ended 31 May 2019 and may face financial difficulties in the future if it fails to maintain effective cash flow management

The Target Group has net cash outflow from operating activities of approximately S$85,000 for the five months ended 31 May 2019 which was mainly attributable to operating profit before working capital changes of approximately S$0.6 million, adjusted for net working capital outflow of approximately S$0.6 million and taxation paid of approximately S$0.1 million. The net working capital outflow was primarily attributable to an increase in inventories of approximately S$0.6 million and a decrease in trade and other payables of approximately S$0.4 million for the five months ended 31 May 2019. Please refer to the section headed "Financial Information of the Target Group – Liquidity, Financial Resources and Capital Structure – Cash generated from/(used in) operating activities" in this circular for further details.

The Target Group cannot guarantee that prospective business activities of the Target Group and/or other matter beyond its control (such as market competition and changes to the macroeconomic environment) will not adversely affect its operating cash flow and lead to net operating cash outflows in the future.

If the Target Group faces a net operating cash outflow in the future, (i) the Target Group may not have sufficient working capital to cover its operating costs and it may have to fund its operating costs by obtaining further bank borrowings. There is however no assurance that the Target Group will succeed in obtaining bank borrowings at terms favourable to it and it may incur significant finance costs for any such bank borrowings; and (ii) the Target Group's liquidity may be adversely affected and we may not be able to meet the payment obligations, such as the Target Group's trade payables. This may materially and adversely affect the Target Group's business, financial position and results of operations.

The Target Group did not recognise any revenue arising from the franchise arrangements and the Target Group may not be able to realise the benefits envisioned for its franchise arrangements

The Target Group commenced its franchise arrangements in Indonesia and entered into the First Franchise Agreement with Franchisee A on 1 November 2017. Given Franchisee A's delay in setting up the JOE Green production plant in Indonesia, the parties agreed to temporarily suspend the exclusivity element in the First Franchise Arrangement between 25 October 2018 and 30 June 2019 so that the Target Group could take up orders from customers in Indonesia directly. Subsequently, the First Franchise Arrangement was terminated on 30 June 2019. 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. Under the Second Franchise Arrangement, Franchisee B has the right to set up its own production plant for the manufacturing and sales of standardised and customised green precast concrete wall panel system and sale of related accessories using the Target Group's operation methods, knowhow, registered patents and the trademark "JOE". In return, the Target Group would charge Franchisee B certain fees including but not limited to, licensing fee, design fee, development fee and service fee, etc. Please refer to the section headed "Business of the Target Group – Franchise Arrangements" in this circular for further details. In addition, on 1 August 2019, the Target Group entered into the MOU (3rd Franchise) with Proposed Franchisee C whereby the parties (a) expressed their intention to explore possible modes of future cooperation and to promote the use and sale of the Target Group's products in Indonesia; and (b) agreed to negotiate in good faith the terms and conditions of the Proposed Franchise Arrangement which is expected to commence on or before 1 August 2020. During the Track Record Period, the Target Group did not recognise any revenue arising from the franchise arrangements.

Prior to November 2017, the Target Group only manufactured products in its own production plant and sold its products directly to customers in Singapore and Malaysia. The Target Group has no prior experience in franchise arrangements in Indonesia. As such, it is difficult to foresee the problems that the Target Group may encounter in franchise arrangements. The Target Group may also face new challenges and difficulties in expanding its business in new geographical market due to its lack of familiarity with the franchise arrangements, the new geographical market and the operational risks and challenges associated therewith. There is no assurance that the franchise arrangements will be sustainable or the expected benefits therefrom can be achieved at all in the future. In the event that the Target Group is unable to successfully operate its franchise arrangements and address the risks, difficulties and challenges associated therewith, its business, financial position, results of operations and prospects could be materially and adversely affected.

The Target Group's ability to monitor the performance and the quality of service provided by its franchisees is limited

As at the Latest Practicable Date, the Target Group entered into the Second Franchise Agreement with Franchisee B in relation to the Second Franchise Arrangement and the MOU (3rd Franchise) with Proposed Franchisee C in relation to the Proposed Franchise Arrangement which is expected to commence on or before 1 August 2020. It is contemplated that apart from the designated territory and the performance targets which are yet to be determined, the terms and conditions for the Proposed Franchise Arrangement will be substantially the same as the Second Franchise Arrangement which will contain various terms and conditions enabling the Target Group to monitor the activities and operations of the franchisee. Please refer to the section headed "Business of the Target Group – Franchise Arrangements" in this circular for further details. However, it is difficult for the Target Group to monitor the day-to-day operations of its franchisees to ensure compliance with the relevant franchise agreements and the Target Group's policies, guidelines and requirements. There is no assurance that the Target Group's franchisees will comply with the Target Group's requirements and the relevant laws and regulations, which may result in severe penalties or shut-down imposed by governmental authorities, or that the Target Group will be able to identify and correct all cases of noncompliance by its franchisees in a timely manner, if at all. Failure by the franchisees to adhere to the Target Group's policies or the Target Group's failure to identify and correct all cases of noncompliance by its franchisees in a timely manner, may have an adverse impact on the Target Group's brand images and reputation, and may adversely affect the Target Group's business, results of operations, financial position and prospects.

The Target Group is subject to credit risk in collecting the trade receivables due from its customers

The Target Group typically allows credit term from 30 days to 60 days from its customers, depending on the negotiation. For the three years ended 31 December 2018 and the five months ended 31 May 2019, the trade receivable turnover days were approximately 71 days, 88 days, 98 days and 177 days, respectively. Furthermore, during the Track Record Period, amounts due from the Target Group's largest debtor accounted for approximately 16%, 34%, 62% and 50%

of the Target Group's total trade receivables, respectively and the total amount due from the five largest debtors accounted for approximately 38%, 60%, 74% and 63% of the Target Group's total trade receivables, respectively. Although the Target Group has a delegated team for determining the credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts, there is no assurance that no default will arise from the Target Group's customers in the future. If the Target Group's largest debtor or any of its top debtors fails to fulfill its obligations, the Target Group's financial condition and results of operations could be materially and adversely affected.

The Target Group was in breach of certain covenants contained in credit facilities. Breach of the loan covenants in the future may lead to lending banks declaring an event of default and accelerating the repayment obligations, which may materially and adversely affect the Target Group's business, results of operations, liquidity and financial position

For the year ended 31 December 2016, the Target Group was in breach of (a) a covenant contained in the credit facilities granted by the United Overseas Bank requiring the JOE Green Pte. to maintain a ratio of earnings before interest, tax, depreciation and amortisation over all debit obligations to be not less than 2 times at all times (the "**Ratio Covenant**"); and (b) a covenant contained in a credit facility granted by RHB Islamic Bank Berhad which contains a restrictive undertaking that requires JOE Green Precast to obtain the approval in writing of RHB Islamic Bank Berhad for any payments of dividends. As such, the aforementioned facilities were classified as current liabilities as at 31 December 2016. On 20 September 2017, JOE Green Pte. obtained a revised banking facilities letter from United Overseas Bank that the Ratio Covenant shall no longer apply to JOE Green Pte. and on 9 March 2017, JOE Green Precast obtained a written consent from RHB Islamic Bank Berhad in relation to its declaration of interim dividends on 31 March 2016 and hence, subsequently, such banking facilities were re-classified as non-current liabilities as at 31 December 2017, 31 December 2018, 31 May 2019 and 30 September 2019.

The Target Group's banking facilities contain certain covenants. There is no assurance that the Target Group will not breach any covenants under its loan agreements in the future, or that lending banks will not declare an event of default, not accelerate the repayment obligations or enforce other remedies against it. If the Target Group is required to make early repayment, its liquidity position may be materially and adversely affected. Furthermore, if the Target Group fails to renew or obtain bank borrowings due to the failure to fulfill the financial covenants, its business, results of operations, liquidity and financial position may also be materially and adversely affected in the future.

Gains or losses arising from changes in the fair value of the Target Group's investment properties are likely to fluctuate from time to time, and gains may decrease significantly and losses may rise significantly in the future

The Target Group is required to reassess the fair value of its investment properties at every balance sheet date for which it issues its financial statements. Under the International Financial Reporting Standards (the "**IFRS**"), gains or losses arising from changes in the fair value of the Target Group's investment properties are included in its combined statements of profit or loss and other comprehensive income for the period in which they arise. The fair value of the Target Group's investment properties was based on valuation of these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions and the use of significant unobservable inputs. The valuation of the Target Group's investment properties is also subject to uncertainties in accounting estimates due to the application of significant unobservable inputs (Level 3 fair value measurements). The change of such unobservable inputs or related accounting estimation will affect the valuation of the Target Group's investment properties. The fair value of the Target Group's investment properties may also fluctuate from time to time as a result of the fluctuation of the market prices and the Target Group's results of operations may be materially affected by the fluctuation of fair value gains or losses. Any decrease in the fair value of the Target Group's investment properties would adversely affect the Target Group's results of operations. In addition, fair value gains or losses do not give rise to any change in the Target Group's cash position unless the Target Group disposes of the relevant investment properties. Therefore, the Target Group may experience constraints on its liquidity even though its results of operations improve.

The Target Group is exposed to fluctuation in currency exchange rate

The Target Group's earnings are predominantly denominated in Singapore dollars as the Target Group's revenue was mainly generated from the Singapore market during the Track Record Period whereas the Target Group's purchases of raw materials are principally denominated in Ringgit. These liabilities and earnings are accordingly exposed to fluctuations in exchange rates between those currencies while currency exchange rate fluctuation is impossible to predict with any degree of certainty and can be volatile in the future. The Target Group has no currency hedging in place at present, however this position may change and is subject to ongoing review in respect of the Target Group.

The following table sets forth a sensitivity analysis illustrating the impact on the Target Group's gross and net profit of hypothetical fluctuations in exchange rate between S$ and RM during the Track Record Period. The proposed Directors considered reasonable to adopt 5% and 10% as the hypothetical fluctuation rates for the purpose of this sensitivity analysis, after considered the average fluctuation of the exchange rate during the Track Record Period:

Appreciation/(depreciation) of exchange rate of RM against S$	-10%	-5%	+5%	+10%
Increase/(decrease) in gross profit	*S$'000*	*S$'000*	*S$'000*	*S$'000*
Year ended 31 December 2016	800	400	(400)	(800)
Year ended 31 December 2017	755	378	(378)	(755)
Year ended 31 December 2018	675	337	(337)	(675)
Five months ended 31 May 2019	222	111	(111)	(222)
Increase/(decrease) in net profit				
Year ended 31 December 2016	1,192	596	(596)	(1,192)
Year ended 31 December 2017	1,044	522	(522)	(1,044)
Year ended 31 December 2018	1,167	583	(583)	(1,167)
(Increase)/decrease in net loss				
Five months ended 31 May 2019	409	204	(204)	(409)

For the purposes of presenting the combined financial statements, the assets and liabilities of the Target Group's foreign operation is translated into the presentation currency of the Target Group (that is, SGD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve. In 2016, 2018 and the five months ended 31 May 2019, the Target Group recorded exchange loss on translation of financial statements of foreign operations under other comprehensive loss or income with amount of approximately S$167,000, S$61,000 and S$100,000 respectively, while in 2017, the Target Group recorded exchange gain on translation of financial statements of foreign operations with amount of approximately S$350,000. As such, fluctuation in currency exchange rate may materially and adversely affect the Target Group's financial condition and performance.

Reliance on third party transportation companies to deliver finished products to the Target Group's customers

Since the Target Group does not maintain its own transportation team as it is not cost effective and given there are ample choices of transportation companies in the market available as and when necessary, delivery of products to the customers' construction sites were undertaken transportation companies operated by Independent Third Parties. If there are material increases in transportation costs and if the Target Group is not able to transfer such costs fully to its customers, the Target Group's financial condition and performance may be adversely affected.

Any material disruption in the Target Group's operations beyond the Target Group's control could adversely affect the Target Group's business, financial condition and results of operations

The Target Group manufactures all of the products in its existing production plant located in Johor Bahru, Malaysia. In February 2017, the Target Group has completed its acquisition of a parcel of land near its existing production plant, which will be further integrated with the Target Group's existing production plant with an aim to increase the production capacity to approximately 1.8 million sq.m. per annum. In June 2019, the Target Group issued a letter of award to a contractor for the construction of the production plant and it is expected that the construction of the production plant will be completed by the second quarter of 2020.

The Target Group's operations are subject to uncertainties and contingencies beyond its control that could result in material disruptions and adversely affect its revenues and profit, including accidents, failures of the major machinery and equipment, or other operational problems, strikes or other labour difficulties and disruptions of public infrastructure such as roads or pipelines, let alone earthquake, fire, drought, flood and/or any other natural disaster. In such cases, the Target Group may need to incur substantial additional expenses to repair or replace the damaged production equipment or machinery, or even relocate the production plant to an alternative location.

The Target Group's production also requires a stable supply of electricity and power interruptions may lead to disruption of the Target Group's operations, its production cycle, its order, inventory and distribution management. There is no assurance that the Target Group's contingency measures will be sufficient to deal with any disruptions that may happen in the future. Any interruption in, or prolonged suspension of any part of production at, or any damage to or destruction of, any of the production plant arising from operational breakdowns, unexpected or catastrophic events or otherwise may prevent the Target Group from supplying products to its customers, which in turn may adversely affect the Target Group's business and operations.

The Target Group maintains insurance coverage for its production plant, however it cannot assure that such insurance will adequately compensate the Target Group for any loss arising from damage to its facilities or disruptions to operations. Any such losses could materially and adversely affect the business, financial condition and results of operations of the Target Group.

Any inability to protect the Target Group's brand or claims that the Target Group infringes the intellectual property rights of others may have a material adverse effect on the Target Group

The Target Group's products are sold under the trademark "JOE", a registered trademark in Singapore owned by the Target Group. The Target Group also relies on product, industry, manufacturing and market "know-how" that cannot be registered and may not be subject to any confidentiality and non-disclosure clauses or agreements. There is no assurance that any of the

Target Group's registered or unregistered intellectual property rights, or claims to such rights, will now or in the future successfully protect the intellectual property underlying the Target Group's products, or that the Target Group's registered or unregistered rights will not subsequently be successfully opposed or otherwise challenged. To the extent that the Target Group's innovations and products are not protected by relevant intellectual property rights and to the extent that the technologies allow, third parties may be able to copy the Target Group's products or use the Target Group's know-how.

On the other hand, if any of the Target Group's products are found to infringe the patents or other intellectual property rights of others, the Target Group's manufacture and sale of such products could be significantly restricted or prohibited and it may be required to pay substantial damages. Any inability to protect the Target Group's intellectual property rights and any misappropriation of the intellectual property of others may have a material adverse effect on the Target Group's business, financial condition, results of operations and prospects.

The implementation of the Target Group's business strategies may be affected by government regulations and policies

The Target Group's operations are subject to regulations and policies by the Singapore, Malaysia and Indonesia governments. These regulations and policies affect many aspects of the Target Group's operations, including industry-specific fees, custom duties, business qualifications, advancement of bank loans and environmental and safety standards. On the other hand, certain government's policies may not be favourable to the construction industry or property market of the region, for example the cooling measures applicable to the Singapore domestic residential property market. As a result, the Target Group may face significant constraints on its ability to implement its business strategies, develop or expand its business operations and hence, affecting its performance. The Target Group's business could be materially and adversely affected by future changes in regulations and policies applicable to the industry.

Any inability to successfully implement the Target Group's future plans may adversely affect the Target Group

The Target Group has acquired a parcel of land near its existing production plant in Johor Bahru, Malaysia which will be further integrated with the Target Group's existing production plant, as detailed in the paragraph headed "Business Objectives, Strategies and Future Plans" in the section headed "Business of the Target Group" in this circular. Such plans may require substantial amount of capital investment. If the Target Group is unable to secure such capital requirement or implement its expansion strategies, its future plans may not be able to carry out as scheduled or within budget. Also, the Target Group may not accurately assess the value, strengths and weaknesses of the expansion plan. The Target Group cannot assure that the expanded part of its production plant will operate efficiently and will help achieve its intended purposes and provide the expected investment returns.

RISKS RELATING TO THE INDUSTRY

Any adverse change in, or failure of, the regional property market or change in Singapore Government's green building policy or infrastructure spending could materially affect the Target Group

Precast concrete products, like many other building materials, are dependent on the demand for construction activities. The performance of the construction industry depends significantly on the demand in the property market condition and government initiatives and infrastructure spending which may be materially affected by general economic and global financial market conditions. The property market is always exposed to risks such as fluctuation in demands for real estate properties, fluctuation in interest rates and implementation of Singapore property market cooling measures.

The Singapore Government's green building movement and the launch of Green Building Masterplans have aided the Target Group's business development in the past few years and the business model of the Target Group is well aligned with the Singapore Government's policies. However, there is no assurance that the Singapore Government's current policies and initiatives may be effective in the future.

According to Frost & Sullivan, the value of progress payment certified for building works in Singapore recorded a decline from approximately S$27.8 billion in 2013 to approximately S$19.1 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. Adverse economic climate and short term downturns, changes to budgets or the continuation or introduction of cooling measures on property market by the Singapore Government may reduce the number of construction projects or slow down existing construction activities, which could negatively impact the demand for the Target Group's product and hence affecting the Target Group's financial condition, performance, results of operations and prospects.

Any change in environmental and workplace safety regulatory framework may affect the Target Group's business

The Target Group's operations are subject to a variety of increasingly stringent Malaysia environmental laws and regulations, including but not limited to the Environmental Quality Act 1974 and other applicable laws and regulations of Malaysia and the stringent standards imposed by these environmental laws and regulations.

Further, the operations of the Target Group's production plant is subject to laws and regulations of Malaysia relating to workplace safety and workers' health, for example the OSHA, as detailed in Appendix V "Regulatory Overview" to this circular. However, given the nature of the industry, the Target Group is exposed to occurrence of accidents and potential liabilities relating to workplace safety and health. Such risks are typical to the construction or other manufacturing industries.

There is no assurance that the Target Group will at all times be in full compliance with all of such regulatory in relation to environmental or workplace safety and health requirements that apply to its operations. Any failure, or any claim that the Target Group has failed, to comply with these applicable laws and regulations or the occurrence of any unanticipated environmental contamination could cause delays in its production and capacity expansion and affect the Target Group's public image, either of which could harm its business. The Target Group, its employees and/or its directors may also subject to statutory penalties which may be significant, such as fines imposed by the relevant authorities or the Target Group may have to modify, suspend or discontinue its operations or modify its production plant and machineries which will incur capital expenditure.

Further, environmental laws and regulations applicable to the Target Group are also subject to amendments from time to time and may become more stringent in the future. The Target Group may have to make available additional capital for possible expenditures for environmental compliance, which may adversely affect the Target Group's financial condition and results of operations.

The Target Group faces competitive landscape of the industry and failure to compete effectively in the industry could adversely affect the its business

According to the Frost and Sullivan Report, the Target Group is currently the leading supplier of precast hollow-core concrete wall panel in Singapore. However there is no assurance that the Target Group will be able to maintain its current leading market position or increase its market share given the competitive nature of the industry. The Target Group primarily competes with other three major market players in Singapore. Any increase in number of competitors or any other alternative products in the market may result in pressure on the Target Group's profit margin and business prospects. The Target Group's competitors may adopt aggressive pricing policies or may also foresee market developments more accurately than the Target Group, or even improve their technologies, designs or performance characteristics of their products or possess the ability to manufacture similar products at a lower price.

If the Target Group cannot adapt effectively to market conditions, sustain the downward pricing pressure, develop strategies and stay competitive in the industry, the Target Group's products may not be attractive to customers and could lead to loss of market share or compel the Target Group to reduce the price of its products. The Target Group's financial condition, performance, results of operations and prospects may then be materially and adversely affected.

The Target Group may be subject to liability in connection with industrial accidents at its production plant

Given that the Target Group's production involves the operation of tools, equipment and machinery, industrial accidents resulting in employee injuries or even deaths may occur as manufacturing sites are inherently dangerous workplaces. The Target Group's own safety guidelines and procedures may not be able to completely reduce the occurrence of such incidents. There is no assurance that industrial accidents at the Target Group's production plant will not occur in the future for whatsoever unexpected reasons. In such case, the Target Group may be liable for personal injury or death, monetary losses beyond the coverage of the Target Group's insurance, fines or penalties or other legal liability as well as subject to interruptions to its operations or imposition of safety measures as a result of such accident and therefore adversely impacting the Target Group. Also, the Target Group's safety record can impact the Target Group's reputation and prospects.

Moreover, the Target Group may not be able to maintain its insurance or expand its insurance coverage at reasonable rates. If any claims exceed the Target Group's insurance coverage or is not adequately covered by the existing insurance maintained by the Target Group, there could be a material adverse effect on the Target Group's financial position.

The emergence of new construction techniques and alternative building materials may have an adverse effect on the Target Group

The development of new construction techniques and materials could affect demand for the Target Group's products. Demand for the Target Group's products is subject to competition from a number of alternatives. The Target Group's precast concrete wall panels compete with other materials such as dry wall partition. The Singapore Government may provide incentives to support such alternative products which compete with the Target Group's products and which may in turn reduce demand for the Target Group's precast concrete wall panel system. Also, new construction techniques and building materials developed in the future may impact demand for the Target Group's products as new technology, manufacturing processes and construction knowledge develop as well as the construction method available to the architect and developers. Any of such factors that reduce the demand for the Target Group's products may have material adverse effect on the Target Group's revenue and results of operations.

The sale of the Target Group's products is affected by fluctuations in the construction industry

The Target Group's products are used for building construction activities, particularly in Singapore. If the level of housing and building construction activities in the markets declines, the demand for products may decrease, thereby materially and adversely affecting business, financial condition and results of operations of the Target Group.

RISKS RELATING TO THE COUNTRIES IN WHICH THE TARGET GROUP OPERATES

Political, economic and legal developments, as well as any changes in government policies, could materially and adversely affect the Target Group's business and operating results

All of the Target Group's productions take place in Malaysia while the Target Group's revenue was mainly derived in Singapore. Furthermore, Indonesia was the Target Group's second largest market for the years ended 31 December 2017 and 2018. Accordingly, the Target Group's operating results, financial position and the prospects of the industry will be significantly subject to the political, economic and regulatory front in the countries in which it operates. Amongst the political, economic and regulatory factors are changes in inflation rates, interest rates and foreign exchange rates, war, terrorism activities, riots, expropriations, changes in political leadership and unfavourable changes in government policies and regulations.

The Target Group's performance is dependent on the economies in the countries in which it operates and so further weakening of the Singapore economy may adversely affect its results of operations. There is no assurance that adverse political, economic and regulatory changes, which are beyond the Target Group's control, will not materially affect the Target Group's businesses. For instance, the Indonesian presidential election during April and May 2019 had posed uncertainty and negative impacts to the construction industry in Indonesia. Specifically, the Target Group's business and operating results could be materially and adversely affected by changes in Singapore, Malaysia or Indonesia government regulations with respect to restrictions on production, price controls, export controls, taxation, environmental or work safety and health.

The Target Group's ability to receive dividends and other payments from its subsidiaries in Malaysia may be restricted

Two of the main operating subsidiaries are incorporated in Malaysia, namely JOE Green MKT Malaysia and JOE Green Precast. There are currently no restrictions in Malaysia on repatriation of capital, divestment proceeds, profits, dividends, rental, fees and interest by non-residents of Malaysia although such repatriation is subject to the applicable reporting requirements and withholding tax ranged from 10% to 15% which may be payable on rental, fees and interests received by non-residents in Malaysia.

There is no assurance as to whether additional restrictions on currency conversion and remittances abroad will be imposed or the existing regulations or requirements as well as withholding tax rates will not be changed to make repatriate profits outside Malaysia more stringent. In the event of a tightening or unfavourable change in the regulations or requirements relating to the repatriation of profits outside Malaysia, such repatriation of profits to the Target Group will be affected and will in turn affect the Target Group's dividend payments.

Epidemic diseases in Asia may adversely affect the Target Group's operations

In late 2003 and 2004, several countries in Asia, including Singapore and Malaysia suffered from outbreaks of communicable diseases such as SARS and avian influenza, which adversely affected the economies in Asia. In August 2016, localised community spread of Zika Virus Infection took place in Singapore. Further community transmission in Singapore cannot be ruled out given its nature and as such vector control remains the mainstay in reducing the spread of Zika in Singapore.

The outbreak of any contagious disease such as SARS, MERS, Ebola or Zika in Singapore, Malaysia or elsewhere in Asia could have a negative impact on the region's economy and could restrict the level of economic activity generally which could in turn negatively affect the growth of new construction activities in general and reduce demand for the Target Group's products and its operating results.

RISKS RELATING TO THIS CIRCULAR

Statistics contained in this circular were derived from various official sources and may not be fully reliable

The statistical and other information contained in the "Letter from the Provisional Liquidators" and the sections headed "Information about the Proposed Restructuring", "Industry Overview", "History and Background of the Target Group", "Business of the Target Group" and "Financial Information of the Target Group" in this circular which relate to Singapore, Malaysia, Asia and the Target Group are derived from various official sources as referred to in this circular. However, the quality or reliability of such official or governmental publications cannot be guaranteed.

While reasonable care has been taken to ensure that the facts and statistics presented are accurately reproduced and extracted from such official government publications, they have not been prepared or independently verified by the Target Group or any of its respective affiliates or advisers and, therefore, the Target Group makes no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this circular may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Furthermore, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions.

In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such official facts or official statistics.

In preparation for the New Listing Application, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that the Enlarged Group must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since the business operations of the Target Group are principally located in Singapore and Malaysia, the Enlarged Group will not, upon Completion or in the foreseeable future, have sufficient management presence in Hong Kong. Currently, four out of the five proposed executive Directors reside in Singapore or Malaysia. Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules.

Notwithstanding that upon Completion, the Company will not have at least two executive Directors who are ordinarily residents in Hong Kong, the following will continually allow the Company to maintain regular communications with the Stock Exchange for the purpose of Rule 8.12 of the Listing Rules:

(a) the Company will designate Mr. Widjaja, the proposed chairman and a proposed executive Director, and Mr. Fung Nam Shan, the proposed company secretary of the Company, as the two authorised representatives of the Company pursuant to Rule 3.05 of the Listing Rules, who will act as the Company's principal communication channel with the Stock Exchange. Mr. Fung Nam Shan is ordinarily resident in Hong Kong and will continue to act as the principal communication channel with the Stock Exchange on behalf of the Company after Completion and will be readily contactable by telephone, fax and email and if required, will be able to meet with the Stock Exchange to discuss any matter in relation to the Company;

(b) the Company will inform the Stock Exchange promptly in respect of any changes in the Company's authorised representatives;

(c) each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or email. Each of the authorised representatives is authorised by the Board to communicate on behalf of the Company with the Stock Exchange;

(d) each of the authorised representatives has all necessary means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. To enhance the communication with the Stock Exchange, the authorised representatives, the Directors and the Company will take the following steps: (i) each Director will provide his/her respective office phone number(s), mobile phone number(s), residential phone number(s), office facsimile number(s) (if available) and email address(es) (if available) to the authorised representatives; (ii) in the event that a Director expects to travel or be out of office, he/she will endeavour to provide the phone number of the place of his/her accommodation to the authorised representatives or maintain an open line of communication via his/her mobile phone; and (iii) all Directors and authorised representatives will provide their office phone numbers, mobile phone numbers, residential phone number(s), office facsimile numbers (if available) and email addresses (if available) to the Stock Exchange;

(e) if the circumstances require, meetings of the Board can be summoned and held in such manner as permitted under the Articles to discuss and address any issue with which the Stock Exchange is concerned in a timely manner, and meetings between the Stock Exchange and the Directors will be arranged through the authorised representatives;

(f) the Directors (including the independent non-executive Directors) who do not ordinarily reside in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and come to Hong Kong and meet with the Stock Exchange within a reasonable period of time upon prior notice from the Stock Exchange, when required;

(g) the Company has also, in compliance with Rule 3A.19 of the Listing Rules, appointed Kingsway Capital Limited as its compliance adviser who will, among other things, in addition to the two authorised representatives of the Company, act as the Company's additional channel of communication with the Stock Exchange for the period commencing from the date of Resumption and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the date of Resumption. The compliance adviser will have full access at all times to the authorised representatives of the Company and the Directors; and

(h) the Company will also retain legal advisors to advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Resumption.

WAIVER IN RELATION TO RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6 OF THE LISTING RULES

Pursuant to Rule 10.04 of the Listing Rules, a person who is an existing Shareholder may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his own or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled. Pursuant to Rules 10.03(1) and (2) of the Listing Rules, one of the conditions is that no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, unless with the prior consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

The Share Offer comprises the Preferential Offer to the Qualifying Lumena Shareholders of 140,096,484 Reserved Shares (representing approximately 71.4%, 22.7% and 16.7% of the SO Shares available under the Company's Placing, the Placing and the Share Offer, respectively (assuming no reallocation between the Public Offer and the Placing)) as Preferential Entitlement at the Share Offer Price, which gives an entitlement to the Qualifying Lumena Shareholder(s) (being existing Shareholders) to apply for the Reserved Shares on an assured basis to be determined on the basis of their respective shareholdings in the Company.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 and paragraph 5(2) of Appendix 6 of the Listing Rules for allowing the Qualifying Lumena Shareholders to participate in the Preferential Offer subject to the following conditions:

(i) none of the existing Shareholders would be in the position to exert influence over the Company to obtain actual or perceived preferential treatment in the allocation process in the Preferential Offer;

(ii) the allocation will be handled by the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, based on the level of the valid applications received for the Reserved Shares;

(iii) the minimum public float requirement under Rule 8.08(1) of the Listing Rules will be met after completion of the Share Offer;

(iv) each of the existing Shareholders is not a core connected person, and each of the existing Shareholders and its close associate upon Completion will not become a core connected person as a result of the Reserved Shares allocation;

(v) each of the existing Shareholders does not have power to appoint Directors or any other special rights; and

(vi) each of the existing Shareholders is interested in less than 5% of the Company's voting rights before resumption of trading in the Shares on the Stock Exchange.

Save as the Preferential Offer, the Qualifying Lumena Shareholders will not participate or indicate any interest in the Share Offer and the allocation of the Reserved Shares will be on a pro rata basis amongst all the Qualifying Lumena Shareholders and no preferential treatment will be given to any of them. Details of the allocation of the Share Offer will be disclosed in the allotment results announcement.

This section contains certain information and statistics derived from official government publications and industry sources as well as a report the Company commissioned from Frost & Sullivan, an Independent Third Party. The Company believes that the Frost and Sullivan Report is an appropriate source of information that has been extracted for inclusion in this section and partially the section headed "Business of the Target Group" in this circular and the Company has taken reasonable care in extracting and reproducing such information.

The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from the above sources has not been independently verified by the Company, the Target Group, the Sole Sponsor, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the New Listing Application (except for Frost & Sullivan) and no representation is given as to its accuracy.

SOURCE OF INFORMATION

In connection with the New Listing Application, the Target Group has engaged Frost & Sullivan, an Independent Third Party, to conduct a study of the precast concrete wall panel market in Singapore. Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Singapore market since 2000. Frost & Sullivan has 19 offices in Asia and direct access to the most knowledgeable experts and market participants in the precast concrete wall panel market.

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost and Sullivan Report included the following:

- Analyse the market to identify past problems faced by industry participants competing in the market, the key challenges they confront now and the opportunities that may arise.

- Conduct primary research obtained from various sources including data obtained directly from industry participants and secondary research.

- Design the data collection process and implement the secondary research phase; sources may include relevant Front & Sullivan syndicated publications, trade journals, government statistics, on-line database/internet searches, Frost & Sullivan's in-house data and library, relevant annual reports and industry publications.

- Calculate market forecasts and market sizes by deriving each company's revenue and market share from the defined market.

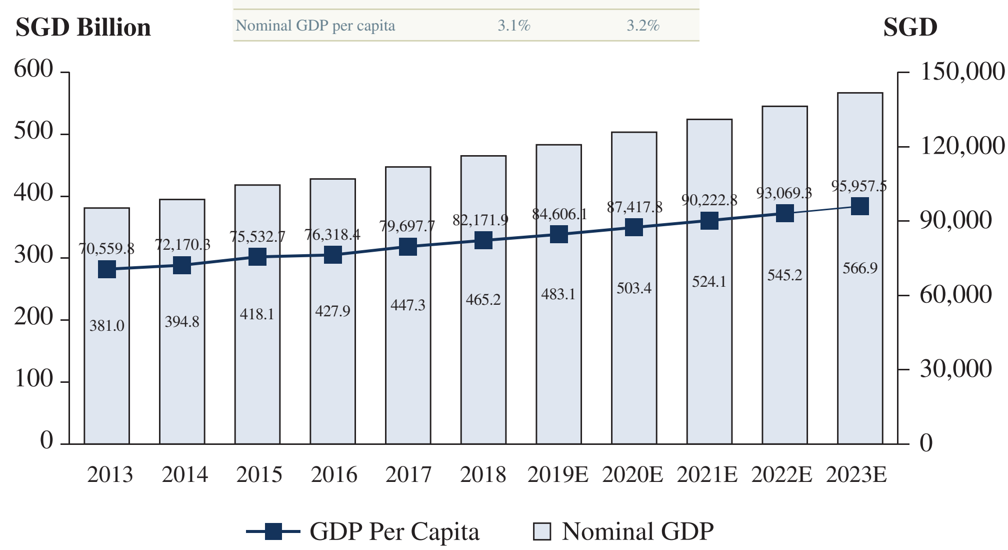
Frost & Sullivan considers the source of information as reliable because (i) it is the general market practice to adopt official data and publications from Singapore government and government agencies; and (ii) the information obtained from interviews is for reference only and the findings in the Frost and Sullivan Report are not based on the results of these interviews. Frost & Sullivan has proven track records in providing market research studies to government departments/agencies and private clients in the regions where the Frost and Sullivan Report covers. In compiling and preparing the Frost and Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the economy of the Singapore is assumed to maintain steady growth across the forecast period; (ii) the social, economic and political environment of Singapore is likely to remain stable in the forecast period, which ensures the stable and healthy development of the wire and cable market; and (iii) there is no war or large scale disaster during the forecast period. The proposed Directors confirm that, after taking reasonable care, there has been no adverse change in the market information, since the date of the Frost and Sullivan Report.

The Target Group agreed to pay Frost & Sullivan a fee of HK$780,000 for the preparation of the Frost and Sullivan Report, all of which was paid as at the Latest Practicable Date.

MACRO ENVIRONMENT OF SINGAPORE

Nominal GDP and GDP per Capita

CAGR	2013-2018	2019E-2023E
Nominal GDP	4.1%	4.1%
Nominal GDP per capita	3.1%	3.2%



Source: International Monetary Fund, Frost & Sullivan

Between 2013 and 2018, Nominal GDP and GDP per capita were increasing steadily. Nominal GDP increased from SGD381.0 billion in 2013 to SGD465.2 billion in 2018 at a CAGR of 4.1%. It is anticipated that nominal GDP will reach SGD566.9 billion by the end of 2023. On the other hand, GDP per capita increased from SGD70,559.8 in 2013 to SGD82,171.9 in 2018 and it is expected to reach SGD95,957.5 by the end of 2023.

Population and number of residential units

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 stock level of residential unit in Singapore is on a growing trend, attributable to higher demand from population growth. The number of residential units, including public flats managed by Housing and Development Board ("**HDB**") and private residential properties in Singapore, had increased steadily from about 1.2 million units in 2013 to about 1.4 million units in 2018, representing a CAGR of 3.0%. The Ministry of National Development of Singapore had set out the target to supply around 700,000 new units by 2030 to accommodate population and cope with growing demand for new residential units. Accordingly, the number of HDB flats and private residential units is expected to increase at a CAGR of 2.1% and 3.6% respectively during 2019 to 2023.

As a result, positive growth in residential development is expected to favour the development of precast concrete wall panel market in Singapore.

The chart below illustrates the number of residential units (by type) in Singapore from 2013 to 2023:

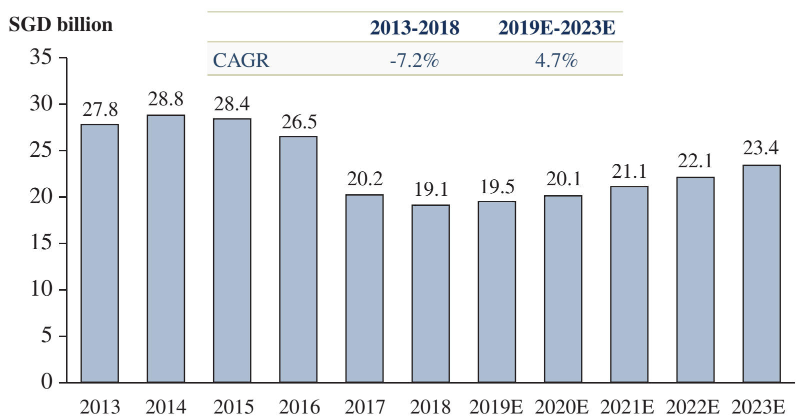
CAGR	2013-2018	2019E-2023E
Total	3.0%	2.5%
HDB Flats	2.2%	2.1%
Private residential properties	5.4%	3.6%

Source: Singapore Department of Statistics, Frost & Sullivan

Overview of the construction industry and green building

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.

The chart below illustrates the output value of construction industry (progress payments in building works) of Singapore from 2013 to 2023:



Source: Singapore Building and Construction Authority, Frost & Sullivan

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 significant growth from around 732 in 2010 to over 3,400 in 2018 with a total gross floor area of over 100 million m^2, according to BCA. As of April 2019, nearly 40% of building projects' Gross Floor Areas in Singapore have met the green buildings standards.

OVERVIEW OF THE PRECAST CONCRETE WALL PANEL INDUSTRY

Green Buildings and green building materials

Green building is defined as the practice of (1) increasing efficiency with which buildings use resources including energy, water and materials, and (2) reducing building impacts on human health and the environment, through better siting, design, construction, operation, maintenance, and removal throughout the complete lifecycle.

Green building materials usually composed of renewable and recycled ingredients. The environmental impact of lifecycle (e.g. extraction, processing, manufacturing, installation) for these materials and ingredients involved is also a key factor for assessment of green building materials. There are a variety of potential ingredients and substances as part of a formula in manufacture of green building materials. Common source of green building materials include glass, plastics, metals, concrete, brick and wood. Some green building materials may compose of more than one substances during manufacturing process. Precast concrete wall panel, for those 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.

Green building materials market segmentation

In general, green building materials market can be broken down into three segments: upstream, midstream and downstream segments. The upstream segment consists of raw materials, equipment and machinery manufacturers who supply the necessary products/tools for the manufacture of green building materials. Green building materials manufacturers, such as the Target Group, in the midstream segment buy raw materials and equipment from these upstream suppliers to produce green building materials for end users such as builders, contractors, architects and engineers, who are appointed by developers to carry out construction works. In many occasions, green building materials manufacturers also collect and reuse waste from the demolished buildings by transforming them into buildable green building materials.

Precast concrete wall panels as green building materials

According to Frost & Sullivan, precast concrete wall panels and dry partition are the most preferred options of prefabrication method of construction in Singapore, with the highest Buildable Design Scores when compared with other systems. Common form of precast concrete wall panels includes:

Type of Precast Concrete Wall Panel	Description	Average Price* as of 2018 *(SGD)*
Hollow-core Panel	• Hollow-core form of concrete panels is designed with high strength and weight lower than solid panel. Other properties include high resistance to moisture, fire as well as sound insulation. Hollow-core also allows the incorporation of reinforcing materials such as steel bars, and even water pipes, electrical wires to run through them. Due to relatively lower volume of concrete used, hollow-core panel is generally cheaper than other types of solid wall panels. • Hollow-core form is primarily used for public and private residential projects in Singapore due to lightweight and lower price.	15-18
AAC Panel	• AAC panel has relatively lower strength, resistance to moisture and sound insulation than solid and hollow-core panels. Meanwhile, the requirement of labour for installation is also higher than other forms of precast concrete panel. • AAC panel is mainly used in construction of commercial and industrial buildings.	28

Type of Precast Concrete Wall Panel	Description	Average Price* as of 2018 *(SGD)*
Lightweight Solid Panel	• Lightweight solid panel has a high strength. However, due to the high volume of concrete used and steel reinforcement required, the price is higher than the hollow-core form. • Lightweight solid panel is mainly used in construction of commercial and industrial buildings.	32

Note: *Average price is estimated based on concrete panel with thickness of 100mm

Source: Frost & Sullivan

Precast concrete wall panels market in Singapore, Malaysia and Indonesia

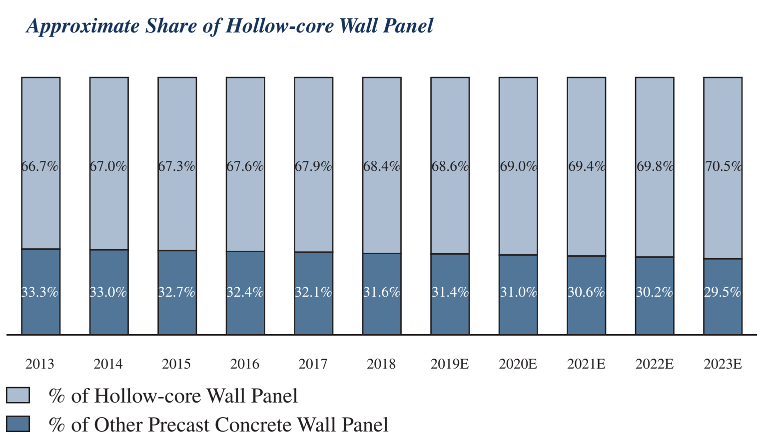
Market size of precast concrete wall panel in Singapore

With the introduction of supportive policy to green building construction, the application of precast concrete wall panels has seen significant growth over the past few years. Hence, the market size of precast concrete wall panels by value has increased from SGD37.4 million in 2013 to SGD49.2 million in 2018, representing a CAGR of 5.6%. The share of precast hollow-core wall panel has increased from 66.7% in 2013 to 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 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[1] in coming HDB projects, 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% from 2019 to 2023, reaching SGD67.2 million by 2023. In particular, the share of precast hollow-core wall panel is also expected to increase to 70.5% by 2023.

According to Building and Construction Authority, although the total progress payments certified by public sector hiked from SGD5,654.2 million for the first five months in 2018 to SGD6,211.3 million for the first five months in 2019, representing 9.8% of growth, and, during the same period, the progress payment certified by private sector increased with moderate pace at 1.2%, it is believed 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.

The chart below illustrates the market size of precast concrete wall panels by sales value in Singapore from 2013 to 2023:



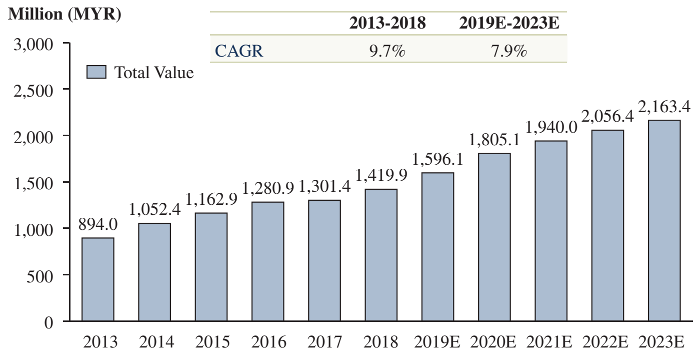
Note 1: FerroLite is a kind of internal partition wall developed and patented by HDB in 2007, which is made from ferrocement, a material that uses 20% less sand than traditional cement.

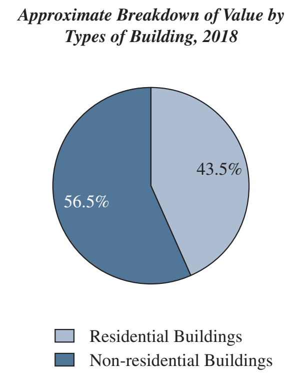
Source: Frost & Sullivan

Market Size of Precast Concrete Wall Panel in Malaysia

Market size of precast concrete wall panels in terms of value has been increasing in Malaysia from MYR894.0 million in 2013 to MYR1,419.9 million in 2018, representing a CAGR of 9.7%. With strong promotion and adoption of Industrialized Building System (IBS) construction in the country, market size of precast concrete wall panels is expected to grow at a CAGR of 7.9% during 2019 to 2023, reaching MYR2,163.4 million in 2023.

The application of precast concrete wall panels is slightly higher in non-residential buildings (approximately 56.5%) compared with that of residential buildings (approximately 44.5%).





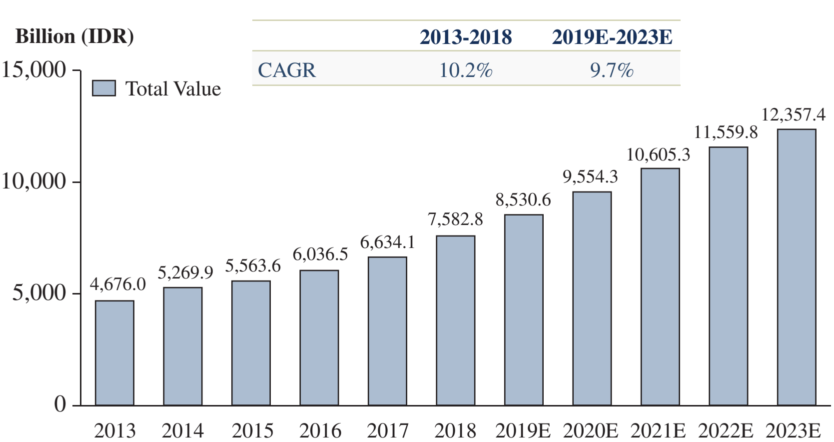
Note: The market size is the domestic sales in Malaysia.

Source: Frost & Sullivan

Market size of precast concrete wall panel in Indonesia

According to Frost & Sullivan, Indonesia is on the rising trend of green building construction since the establishment of Indonesia Green Building Council and also the Greenship rating system. In particular, the Bank Negara Indonesia had launched program to facilitate soft loans to small and micro business owners to increase productivity. Environment and Forestry Ministry also provide soft loans for investment in green building development. Tax allowance and incentives are also offered for development of green building and business areas that contribute to environmental preservation. The market size of precast concrete wall panels by value in Indonesia had demonstrated a significant growth from IDR4,676.0 billion in 2013 to IDR7,582.8 billion in 2018, representing a CAGR of 10.2%.

The usage of precast concrete wall panels is expected to surge in forecast period with the market size growing at a CAGR of 9.7%, reaching IDR12,357.4 billion in 2023. The growth is mainly attributable to continuous demand for building, higher adoption rate of precast technology with higher contribution in green building construction. Meanwhile, the government is promoting the precast concrete as part of initiatives to drive green building construction.



Note: The market size is the domestic sales in Indonesia.

Source: Frost & Sullivan

According to Frost & Sullivan, it is expected that the future of the precast hollow-core concrete wall panel market will be influenced by:

(i) *Advancement of Product and Product Innovation* – With the high customer requirement (e.g. design and structural requirement), prefabrication technology and related precast concrete products are evolving in terms of structure, installation, design and appearance. For example, decorative precast concrete wall panels with textures mimicking rock, stones can be achieved through latest casting techniques. Furthermore, ongoing research and development on formula of concrete aggregates is expected to bring structural benefits to existing product such as lighter in weight for transportation, higher tensile strength. Some concrete panels with footing system has been developed to speed up installation.

(ii) *Rising Trend of Various Green Building Certification System* – As one of the key method of assessment of green building, different certification schemes and rating systems for green building construction are launched, including Leadership in Energy and Environmental Design (LEED) which is an internationally recognised rating system. Some Southeast Asia countries have established country specific green building rating system, namely Green Building Index in Malaysia and GREENSHIP in Indonesia. According to BCA, Green Mark from Singapore has expanded to 15 countries with more than 70 cities, involving more than 250 projects, as at July 2014, which further highlights the uptrend of green building certification.

(iii) *Increasing Application of Raw Materials from Recycling* – The concept of sustainability has been introduced and drive the usage of green building materials including precast concrete wall panels with recycled content incorporated. Currently, some precast concrete wall panels manufacturers in Singapore offered eco-friendly products made of 30% to 50% of recycled aggregates. Application of various recycled raw materials is on an uptrend in manufacturing precast concrete products. Granite dust, carbon powder, wood, brick, cement, rubber generated from demolition or industrial processes are considered as potential raw materials in future subject to findings in research and development.

Price Trend of Precast Concrete Wall Panels

The chart below illustrates the price trend of customised and standardised precast concrete wall panels in Singapore, as quoted from Frost and Sullivan Report.

	Unit	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	CAGR (2013-2018)	CAGR (2019E-2023E)
Customised	SGD/m^2	20.1	20.3	19.4	19.7	18.6	17.9	17.8	17.9	18.3	18.8	19.2	-2.3%	2.0%
Standardised	SGD/m^2	18	18.3	17.9	17.6	16.1	15.0	14.5	14.3	14.5	14.8	15.1	-3.6%	1.1%

Source: Frost & Sullivan

According to Frost & Sullivan, the overall price of precast concrete wall panels, including customised and standardised wall panels, has recorded a decline from 2013 to 2018, which was mainly attributable to the decrease in material cost and higher availability in the market. The standardised concrete wall panel has registered a negative growth to a larger extent at a CAGR of -3.6% during the historical period as compared with customised one which decline at a CAGR of -2.3% due to the fact that standardised wall panels are more commonly available in market at a relatively competitive price, while customised panels requires additional effort on R&D as well as manufacturing and thus the mark-up and selling price is comparatively higher.

Due to recovery of the construction market in Singapore, prices of precast wall panel including both customised and standardised panels are expected to increase at a CAGR of 2.0% and 1.1% in the next five years from 2019 to 2023.

Market Outlook of Customised and Standard Precast Concrete Wall Panel Systems

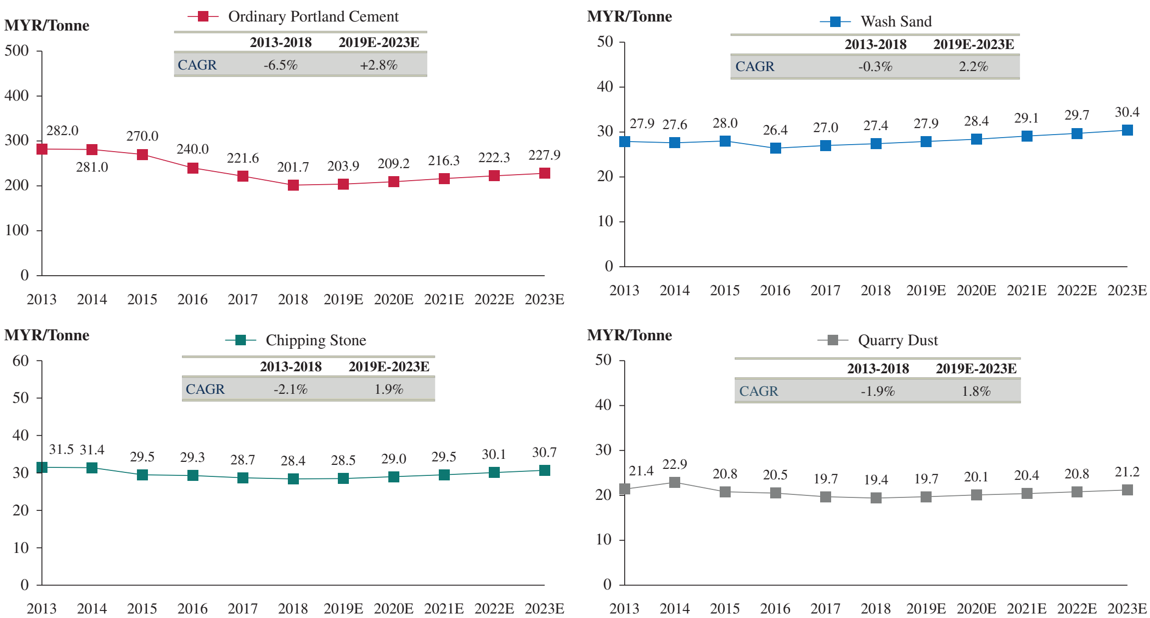
According to Frost & Sullivan, compared to standard precast concrete wall panels, customised precast concrete wall panel systems is expected to demonstrate a higher penetration in Singapore market due to key attributes of customised length, strength, thickness, number of hollow cores and reinforcement with or without wires that fulfill different building and design requirements. On the other hand, standard precast concrete wall panel systems are more applied for buildings without complex design requirement at a relatively lower price compared with the customised ones.

As building design is also taken into account the grading for award of relevant green building certification, the rising number of green building may drive the use of customised panels which are tailored made to meet the construction requirement and achieve overall structural and functional requirement of buildings in the aspects of ventilation, fire resistance and sound insulation, which are more suitable for commercial buildings, industrial and institutional buildings.

Price Trends of Raw Materials

The production of precast concrete wall panels mainly involves the use of ordinary Portland cement (OPC), wash sand, chipping stone and quarry dust, which account for the majority of the production cost. From 2013 to 2018, the prices of OPC, wash sand, chipping stone and quarry dust witnessed a continued fall in prices. It is anticipated that the prices will start to recover from 2019 to 2023 due to the recovery of the construction market in Singapore and increasing demand for these raw materials.

The following graphs illustrate the price trend of the main raw materials for precast concrete wall panels from 2013 to 2023 in Malaysia.



Source: Singapore Building and Construction Authority, Frost & Sullivan

COMPETITIVE ANALYSIS

Market drivers, threats and entry barrier

According to Frost & Sullivan, market drivers, threats and entry barrier of the precast concrete hollow-core wall panels market in Singapore and Malaysia includes:

A. 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. In 2011, the requirement is further enhanced to cover constructability and builders are encouraged to adopt a more productive construction technologies and reduce reliance of on-site labour in order to meet the minimum constructability 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. Currently, majority of renovation projects for public buildings are at least Green Mark certified. 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. For example, The 11th Malaysia Plan sets out various scheduled key infrastructure and construction projects between 2016 to 2020, indicating the continuous development in the country and also the new building construction. In Singapore, the West Region has been a key developing area as highlighted in the Master Plan 2014 by Urban Redevelopment Authority (URA), including the mixed-use Jurong Lake District which can supply approximately 500,000 m^2 and 250,000 m^2 for office and retail uses respectively. As a result, 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. For example, in 2012, HDB has partnered with a world leading corporation, Panasonic, to start a testing energy management solutions in HDB housing developments. Meanwhile, existing old building will likely to undergo the renovation process and incorporate sustainable features such as design, structure and raw materials. 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 Urban Redevelopment Authority (URA), 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. JTC Corporation, a state owned developer in Singapore, also suggested that the supply of industrial space in Singapore is estimated to reach 2.4 million square metres in 2017, which was higher than the average supply of approximately 1.8 million square metres in the past 3 years. 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 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 wall panels in Singapore.

- *Belt and Road Initiatives* – 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 participate 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.

B. Threats

- *Higher Purchasing Cost and Alternatives for Green Building Materials* – To meet the requirement of achieving energy efficiency and building sustainability, construction of green building usually applied on specially designed, recycled materials such as concrete wall panels, metals and some precast products are more expensive than the conventional raw materials such as concrete mix which are usually prepared in an on-site environment. Although the application of green building materials may bring long term benefits on cost saving and energy efficiency and the availability of incentives schemes, the high purchasing cost for green building materials is considered as a concern for builders with tight budget for construction projects. On the other hand, multiple green building materials may be applied for similar purpose. For example, hollow-core panels may face the competition from AAC panels, lightweight panels and even other building materials especially when there are new alternatives available in future.

- *Established Non-Green Buildings in Community* – Singapore has been undergoing a rapid development in construction and housing supply during the past few years. According to Urban Redevelopment Authority (URA) of Singapore, the cumulative number of private residential units completions had reached approximately 100,000 between 1996 to 2005 before the BCA Green Mark Scheme was implemented. The green initiatives has supported the new construction for green building but the limitation to renovate and transform existing non-green buildings to green one through demolition and new construction is one of the obstacles to the use of precast concrete hollow-core wall panels as the panels are mainly used for new building construction.

- *Political risks in Indonesia* – The presidential election in Indonesia during April and May 2019 has led to many new projects in Indonesia being put on hold. The violence broke out in May 2019, at the end of a protest held by supporters of the losing presidential candidate Prabowo Subianto, who has said he will challenge the election results in the Constitutional Court, citing electoral fraud. 6 people have been killed and 200 injured during mass rallies in Jakarta. The street demonstrations and actions have triggered further concerns among businesspeople. According to Badan Koordinasi Penanaman Modal (Indonesia Investment Coordinating Board), the foreign direct investment (FDI) realized in the sector of construction in first half of 2019 was USD32.59 million while the FDI realized in the sector of construction first half of 2018 was USD62.04 million. The FDI realized in the sector of construction dropped dramatically by 47.5% in first half of 2019 compared to first half of 2018. It is obvious that the protests in Indonesia for the presidential election have the negative effects to the construction industry in Indonesia, especially to the projects launched by foreign investors. The protests in Indonesia for the presidential election ended in the late of May 2019. Thus, it is expected that the market will pick up in the second half of 2019.

C. Entry barrier

According to Frost & Sullivan, the entry barrier to market of precast concrete hollow-core wall panels is relatively high. Below sets out the major entry barrier to the market:

- *Technical Knowledge and Requirement* – As a key product for green building construction in Singapore, manufacture of precast concrete hollow-core wall panels requires substantial technical knowledge on structural, chemical engineering. With the rising level of awareness towards green construction and safety level, client of precast concrete hollow-core wall panels market in Singapore including developers, contractors generally have preference on suppliers with professional recognition and knowledge in the field in order to ensure product quality. Meanwhile, salesperson with relevant qualification may facilitate the business development process as the key client is generally with strong technical experience. Hence, knowledge and technical background becomes the major entry barrier to new market entrants.

- *Significant Initial Capital Requirement* – Significant investment is required to start-up the business in manufacture of precast concrete hollow-core wall panels. Manufacture of precast concrete hollow-core wall panel is considered as capital intensive due to hiring of a number of workers, purchase of specially designed machineries, set up of production facilities, operation and transportation cost as well as investment in product development. Moreover, sufficient capital reserve is a key to maintain the business for new market participants during the early stage of operation as substantial cash flow is required for granting of credit terms of 30-90 days to clients. Therefore capital requirement serves as a hindrance to new market players.

- *Customer Preference and Track Record* – To ensure the quality and safety of building, the client of building construction usually have preference on existing precast concrete hollow-core wall panels suppliers based on previous successful accomplishment of development projects. Meanwhile, market players are required to register in HDB prior to supply precast concrete hollow-core wall panels to contractors undertaking the development projects in public sector. Product quality as well as track records are key considering factors for HDB to select qualified suppliers. As a result, proven track record is considered as another entry barrier to new market participants especially in HDB projects.

Competitive landscape and trend in Singapore

The table below sets forth the profiles of leading market players, including the Target Group, in the precast concrete hollow-core wall panel market of Singapore, according to Frost and Sullivan Report:

Company	Years of Establishment	Market Positioning	Main Products	Geographical Coverage	Location of Production Plant	Key Clients
Target Group	2006	Manufacturer & Supplier	• Precast concrete wall panels (hollow-core) • Joint bonding adhesive • Accessories	• Singapore • Malaysia	Johor Bahru, Malaysia	• HDB • Private housing • Industrial and Commercial
Green Cast Pte Ltd.	2011	Manufacturer & Supplier	• Precast concrete wall panel (hollow-core)	Singapore	Johor Bahru, Malaysia	• HDB • Private housing
NeWall Tech Pte Ltd.	2010	Manufacturer & Supplier	• Precast concrete wall panel (hollow-core)	Singapore	Johor Bahru, Malaysia	• Private housing
Welmate Pte Ltd.	1989	Distributor & Contractor	• Wall panel (hollow-core) and cladding systems	Singapore	Johor Bahru, Malaysia	• HDB • Private housing

Source: Frost & Sullivan

The table below sets forth the top four providers of precast concrete hollow-core wall panels in Singapore in 2018 with their respective market shares by revenue, generated from both domestic and export sales as estimated by Frost & Sullivan:

Rank	Market Player	Estimated Revenue *(SGD million)*	Market Share *(%)*
1	Target Group	21.3	63.2%
2	Welmate Pte Ltd.	3.2	9.5%
3	Green Cast Pte Ltd.	2.2	6.5%
4	NeWall Tech Pte Ltd.	1.8	5.3%
	Top Four Subtotal	28.5	84.5%
	Others	5.2	15.5%
	Total	33.7	100.0%

Source: Frost & Sullivan

The precast concrete hollow-core wall panels market in Singapore was concentrated with approximately 84.5% of aggregated market share from top four market players in 2018. JOE Green 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 followed by Welmate (9.5%), Green Cast (6.5%) and NeWall (5.3%).

In the overall precast concrete wall panel market in Singapore, Joe Green was the largest supplier with a market share of 43.3% in terms of revenue generated from both domestic and export sales in 2018, followed by Welmate (6.5%), Green Cast (4.5%) and NeWall (3.7%).

It is expected that:

- *More competitors will emerge in the Singapore and Malaysia markets* – Due to strong government support and subsidies on taxation to the local manufacturers, the precast concrete hollow-core wall panel market will see more new entrants to share the profit. As a result, this will increase the level of fragmentation of the market.

- *Market players will be looking for ways to cut their production cost* – Encouraged by the government, firms have been working on bettering the energy efficiency of precast concrete hollow-core wall panels to reduce their production cost. Hence, in the future, more recycled raw materials might be used in the concrete aggregates, which would become the industry norm for the precast concrete hollow-core wall panels market.

- *The industry will be competing in reducing the weight and improving the strength of precast concrete panel.* – It is expected that better products may be come alive in the market, possibly with the use of enhanced aggregates, hoping to facilitate transportation but the same time increasing the strength of the panels, which would also help cutting logistics cost.

Competitive landscape and trend in Malaysia

According to Frost & Sullivan, Malaysia building construction has been on a trend of adopting precast technology in building constructions since the launch of Green Building Index. Johor and Selangor are key manufacturing locations for precast manufacturers. Some of the major players had set up more than one production plant in the country.

As estimated by Frost & Sullivan, in terms of sales revenue, the aggregated market share of top three market players in precast concrete wall panels market in Malaysia was estimated to be 21.9%, representing an approximate value of MYR310.7 million in 2018. According to Frost & Sullivan, Hume Concrete Sdn Bhd was the leading player in precast concrete wall panels market in Malaysia with an estimated market share of 9.7%, followed by SPC Industries Sdn Bhd (7.2%) and Eastern Pretech (Malaysia) Sdn Bhd (4.9%).

Note: Hume Concrete Sdn Bhd is a manufacturer and supplier of precast concrete products including both standard and customised products for infrastructure, IBS projects.

SPC Industries Sdn Bhd is a manufacturer and supplier of precast concrete products for building and construction projects including infrastructure and IBS projects.

Eastern Pretech (Malaysia) Sdn Bhd is a manufacturer and supplier of precast concrete products and systems for building, infrastructure and prefabricated bathroom units.

It is expected that:

(i) *Increasing Adoption of IBS in both Public and Private Sectors* – According to Malaysian Investment Development Authority ("**MIDA**"), 70% of target public projects with value of MYR10 million and above achieved IBS score of 70 while only 15% of target private projects scored 50 in IBS score, as of October 2018. Construction Industry Development Board ("**CIDB**") has put a great effort to promote the IBS application in building construction, mainly through training and incentives program. In addition, it has been reported that the Malaysia government has set a target of 100% adoption rate of IBS in construction projects in 2018. The rising adoption of IBS will contribute to higher usage of precast materials including precast concrete panels.

(ii) *Incentives Schemes to Promote IBS* – There are several incentive schemes available to promote penetration of IBS in building construction. For example, CIDB offers exemption of construction levy of 0.125% for housing projects with a minimum IBS score of 50, covering the aspects of structural components, wall systems and other simplified solution for construction. Accelerated Capital Allowance (ACA) and IBS Promotion Fund are also offered by LHDN and SME Bank respectively to support the purchase of fixed assets including equipment for manufacturing of IBS components.

(iii) *Enlarging Pool of Participants in IBS Component Manufacturing* – According to MIDA, there were approximately 100 companies approved with manufacturing license for IBS and 210 IBS manufacturers registered with CIDB under the Assessment of IBS Status (AIS) for certification of components, companies and installers, as in December 2015. As part of expansion of IBS construction in the country, CIDB is dedicated to add 100 new IBS manufacturers by 2020. The increasing output of IBS component indicates higher usage for relevant materials including precast concrete.

Competitive landscape and trend in Indonesia

According to Frost & Sullivan, the industrial standards including building and green building standards of Singapore are widely accepted in Indonesia. Java Island is playing a dominant role in both economic and political perspective in Indonesia, and more than 65% of population in Indonesia reside in the area. Thus, a great number of market players and their production plants sit the area due to the close proximity.

As estimated by Frost & Sullivan, in terms of sales revenue, the aggregated market share of top three market players in precast concrete wall panels market in Indonesia was approximately 20.1% for FY2018. According to Frost & Sullivan, PT. Modern Panel Indonesia was the leading player in precast concrete wall panels market in Indonesia with an estimated market share of 10.3%, followed by PT. Beton Elemenindo Perkasa (6.2%) and PT. Duta Sarana Perkasa (3.6%).

It is expected that:

(i) *Rising awareness of green building projects* – The '30:30 Commitment' policy has been signed by Jakarta's administration office in an effort to reduce energy and water consumption in 2016 as well as to reduce carbon emissions of up to 30% by 2030. The office has been working hand-in-hand with Jakarta Governor Regulation No.38/2012 on the development of Green Buildings in the country. There are more than 300 building managers, with a total land area of over 20 million square meters, who have confirmed their willingness in response to the regulation. The increasing number of green building projects will generate a huge demand for precast concrete wall panel in the future.

(ii) *Increasing budget of infrastructure construction* – Improving national infrastructure is a key mission of the government's development agenda in Indonesia. In the 2018 budget, the allocation for infrastructure spending was increased by 5.6% to USD29 billion, which accounted for 18.6% of total government budget in Indonesia. In 2014, the expenditure on infrastructure was only 9.5% of the total budget. In the future, the government budget on infrastructure is expected to increase in order to pick up the development pace. Thus, the demand for precast concrete wall panel will increase simultaneously.

(iii) *Specific building designs to reduce the potential impacts of seismic forces* – Located in seismic belt, Indonesia is highly vulnerable to natural hazards, including earthquakes, tsunamis, and volcanic activity. Thus, the building designers and engineers in Indonesia have to take multi-approach towards design that reduces the potential impacts of seismic forces. The precast concrete wall panels are lighter than traditional brick masonry walls, thus reduce the damages brought from earthquakes and tsunamis. Additionally, the installation cost for precast concrete wall panels are much lower and less on-site labor is required. Thus, it is expected that precast concrete wall panels will become popular in Indonesia.

Competitive strengths

The Target Group is one of the registered suppliers for precast hollow-core concrete panels under HDB in Singapore. This is highly advantageous for the Target Group to stand out from the crowd by supplying precast concrete hollow-core wall panels to new HDB projects in future. Further, the Target Group has gained a high reputation in the industry as it has supplied precast concrete hollow-core wall panels to over 500 development projects in Singapore and Malaysia during the Track Record Period.

In terms of products, 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. Apart from standard precast concrete hollow-core wall panels, the Target Group is capable of supplying customised products with height up to approximately 6.5 metres. Furthermore, the Target Group can provide technical support based on client requirement.

For details of the Target Group's competitive strengths, please refer to "Business of the Target Group – Competitive Strengths" in this circular.

BUSINESS DEVELOPMENT OF THE TARGET GROUP

The history of the Target Group's precast concrete materials manufacturing business can be traced back to September 2006 when JOE Green Pte. (formerly known as Acacio Concept Singapore Pte. Ltd.) was incorporated by Mr. Widjaja and Ms. Lim (the spouse of Mr. Widjaja) in Singapore using their personal funds. Upon incorporation, JOE Green Pte. began to engage in the business of manufacturing and sale of precast concrete materials in Singapore.

Being confident of the prospects of the precast concrete materials industry in Malaysia, Mr. Widjaja and Ms. Lim decided to expand the Target Group's operation by incorporating JOE Green Precast in Malaysia in September 2010 using their personal funds. Upon incorporation, JOE Green Precast commenced engaging in the sale of precast concrete materials in Malaysia. The Target Group subsequently relocated its production base from Tuas, Singapore to Johor Bahru, Malaysia in 2012 with a view of expanding its operations and lowering its production costs.

With over 13 years of experience, the Target Group has developed into an established manufacturer, specialising in the production and sale of green precast concrete wall panel systems and related accessories and building materials for construction uses in Singapore and Malaysia. According to the Frost and Sullivan Report, the Target Group was the largest precast hollow-core concrete wall panel provider (by revenue) in Singapore in 2018. With its high quality and environmentally-friendly products, the Target Group received various awards from recognised authorities and organisations, and was accredited with ISO 14001:2004, ISO 9001:2008 and OHSAS 18001:2007 certifications for its manufacturing processes.

Business Milestones

The following table summarises various major milestones of the Target Group's business development:

2006	• JOE Green Pte. was incorporated in Singapore as a limited liability company and engaged in the manufacturing and sale of precast concrete materials in Singapore
	• Commencement of the factory operations in Tuas, Singapore
2011	• The manufacturing process of the Target Group was first accredited by QA International with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007
2012	• Relocation of factory operations to Johor Bahru, Malaysia
2014	• Approved and included in the HDB's list of material suppliers

2016	•	Received certification from SGBC with rating of excellent (3 ticks) on the Target Group's green precast wall panels
	•	Registered with CIDB as an IBS manufacturer for precast concrete hollow panel
	•	Concrete wall panels of the Target Group were certified by SGBC as a Singapore Green Label product with the rating of excellent (3 Ticks) under Precast Heading
2017	•	Expanded geographical reach to Indonesia through franchise arrangements
2018	•	Concrete wall panels of the Target Group were certified by SGBC as a Singapore Green Label product with the rating of leader (4 Ticks) under Lightweight Concrete Heading

CORPORATE DEVELOPMENT

The table below sets out the principal business activities of the principal operating subsidiaries of the Target Group during the Track Record Period and up to the Latest Practicable Date:

Name of principal Target Group Company	**Principal business activities**
JOE Green Pte.	Sale of green precast wall panel systems and related accessories and building materials in Singapore
JOE Green Precast	Manufacturing and sale of green precast wall panel systems and related accessories and building materials in Malaysia
JOE Green MKT Singapore	Sale of green precast wall panel systems and related accessories and building materials in Singapore
JOE Green MKT Malaysia	Sale of green precast wall panel systems and related accessories and building materials in Malaysia
Linktopz Entertainment	Investment holding

Members of the Target Group

JOE Green Pte.

JOE Green Pte., formerly known as Acacio Concept Singapore Pte. Ltd., principally engages in the sale of green precast wall panel systems and related accessories and building materials in Singapore. It was incorporated as a limited liability company on 19 September 2006 in Singapore with an issued and paid-up share capital of S$200,000 divided into 200,000 shares of S$1.0 each. On incorporation, 180,000 shares and 20,000 shares, representing 90% and 10% of the then issued share capital of JOE Green Pte, were allotted and issued to Ms. Lim and Mr. Widjaja, respectively.

On 7 May 2010, 2,000,000 shares in JOE Green Pte. were allotted and issued to Mr. Widjaja at the subscription price of S$1.0 per share, which was settled in full by capitalising certain director's loans owed by JOE Green Pte. to Mr. Widjaja. Upon such issue and allotment, JOE Green Pte. was owned as to approximately 91.8% and 8.2% by Mr. Widjaja and Ms. Lim, respectively.

On 27 November 2013, 1,092,000 shares in JOE Green Pte. were allotted and issued to Mr. Widjaja at the subscription price of S$1.0 per share, which was settled in full by capitalising certain director's loans owed by JOE Green Pte. to Mr. Widjaja. Upon such issue and allotment, JOE Green Pte. was owned as to approximately 94.5% and 5.5% by Mr. Widjaja and Ms. Lim, respectively.

JOE Green Precast

JOE Green Precast principally engages in the manufacturing and sale of green precast wall panel systems and related accessories and building materials in Malaysia. It was incorporated as a limited liability company on 6 September 2010 in Malaysia. On incorporation, JOE Green Precast had an authorised share capital of RM100,000, divided into 100,000 shares at a value of RM1.00 per share, of which 55 shares and 45 shares, representing 55% and 45% of the then entire issued share capital of JOE Green Precast, were allotted and issued to Mr. Widjaja and Ms. Lim respectively.

On 25 July 2011, the authorised share capital of JOE Green Precast was increased to RM5,000,000. On the same day, 999,945 shares and 999,955 shares in JOE Green Precast were allotted and issued to Mr. Widjaja and Ms. Lim at the subscription prices of RM1.00 per share and RM1.00 per share, respectively, which were settled in full by capitalising certain shareholders' loans owed by JOE Green Precast to Mr. Widjaja and Ms. Lim. After such allotments and issues, the then entire issued share capital of JOE Green Precast was owned as to 50% and 50% by Mr. Widjaja and Ms. Lim, respectively.

On 5 January 2013, the authorised share capital of JOE Green Precast was further increased to RM10,000,000. On 18 February 2013, 2,500,000 shares and 2,500,000 shares in JOE Green Precast were allotted and issued to Mr. Widjaja and Ms. Lim at the subscription prices of RM1.00 per share and RM1.00 per share, respectively, which were settled in full by capitalising certain shareholders' loans owed by JOE Green Precast to Mr. Widjaja and Ms. Lim. After such allotments and issues, the entire issued share capital of JOE Green Precast remained owned as to 50% and 50% by Mr. Widjaja and Ms. Lim, respectively.

JOE Green MKT Singapore

JOE Green MKT Singapore, formerly known as Forever Tafcom International Pte. Ltd., principally engages in the sale of green precast wall panel systems and related accessories and building materials in Singapore. It was incorporated as a limited liability company on 28 May 1994 in Singapore. On incorporation, 70 shares, 15 shares and 15 shares, representing 70%, 15% and 15% of the then entire issued share capital of JOE Green MKT Singapore, were allotted and issued to Mr. Widjaja, Mr. A and Mr. B respectively.

There were certain share transfers undertaken amongst Mr. Widjaja and the former shareholders (including, without limitation, Mr. A and Mr. B) of JOE Green MKT Singapore and by 28 March 2000, JOE Green MKT Singapore was owned as to 99% by Mr. Widjaja and 1% by Mr. C, respectively.

On 11 May 2000, 99,891 shares and nine shares in JOE Green MKT Singapore were allotted and issued to Mr. Widjaja and Mr. C, respectively. Upon such allotments and issues, JOE Green MKT Singapore was owned as to approximately 99.99% and 0.01% by Mr. Widjaja and Mr. C, respectively.

On 18 April 2001, Mr. C transferred all his shares in JOE Green MKT Singapore to Ms. Lim at nil consideration. Upon such transfer, JOE Green MKT Singapore was owned as to 99.99% and 0.01% by Mr. Widjaja and Ms. Lim, respectively.

On 28 February 2008, as a family arrangement between the spouses, 10 shares in JOE Green MKT Singapore were transferred from Ms. Lim to Mr. Widjaja at nil consideration. Upon such transfer, JOE Green MKT Singapore became wholly-owned by Mr. Widjaja.

Each of Mr. A, Mr. B, Mr. C and the other former shareholders of JOE Green MKT Singapore (save for Ms. Lim who is a proposed executive Director and a Controlling Shareholder) is an Independent Third Party.

Since its incorporation and up to 2006, JOE Green MKT Singapore principally engaged in the trading of computer hardware and accessories. It then suspended its computer hardware and accessories trading business between 2007 and 2014. JOE Green MKT Singapore subsequently resumed business operation in 2015 and commenced engaging in the principal business of sale of green precast wall panel systems and related accessories in Singapore since then.

JOE Green MKT Malaysia

JOE Green MKT Malaysia principally engages in the sale of green precast wall panel systems and related accessories and building materials in Malaysia. It was incorporated as a limited liability company on 7 June 2013 in Malaysia. On incorporation, JOE Green MKT Malaysia had an authorised share capital of RM500,000 divided into 500,000 shares of RM1.00 each, of which 450,000 shares and 50,000 shares were allotted and issued to Ms. Lim and Ms. Limarto (sister of Ms. Lim and sister-in-law of Mr. Widjaja), respectively. Upon such allotments and issues, JOE Green MKT Malaysia was owned as to 90% and 10% by Ms. Lim and Ms. Limarto, respectively.

Linktopz Entertainment

Linktopz Entertainment is an investment holding company. It was incorporated as a limited liability company on 15 October 2014 in Hong Kong and had not commenced any substantial business activities since its incorporation. On incorporation, one share, representing the then entire issued share capital of Linktopz Entertainment, was issued and allotted to Mr. Lau Ching Kei, a proposed executive Director immediately following Completion. On 29 August 2016, one share and one share in Linktopz Entertainment were allotted and issued to Mr. Widjaja and Ms. Lim, respectively. Upon such allotments and issues, the entire issued share capital of Linktopz Entertainment was owned as to approximately 33.3%, 33.3% and 33.3% by Mr. Widjaja, Ms. Lim and Mr. Lau Ching Kei, respectively.

ACTING IN CONCERT ARRANGEMENT OF CONTROLLING SHAREHOLDERS

Each of Mr. Widjaja, Ms. Lim and Ms. Limarto, the Controlling Shareholders, over the course of the Target Group's business history, has been acting in concert with each other in exercising and implementing the management and operation of each of the Target Group Companies, with Mr. Widjaja being the leader of such concert group. Since the Target Group Companies were a group of private entities in the past, these arrangements were not formalised in writing and Mr. Widjaja, Ms. Lim (spouse of Mr. Widjaja and sister of Ms. Limarto) and Ms. Limarto (sister of Ms. Lim and sister-in-law of Mr. Widjaja) agreed on these arrangements based on the close and long-term personal and business relationships as family members and business partners. In preparation for the Listing, Mr. Widjaja, Ms. Lim and Ms. Limarto executed the Deed of AIC Confirmation on 22 November 2019, details of which are set out in the section headed "Relationship with Controlling Shareholders – Controlling Shareholders – Acting in concert arrangements" in this circular.

REORGANISATION

In preparation for the Listing, the Target Group has carried out the Reorganisation which involved the following steps:

(I) Incorporation of the Target Company

The Target Company was incorporated with limited liability on 24 March 2017 in the BVI. The Target Company is authorised to issue a maximum of 50,000 ordinary shares with no par value. On 24 March 2017, one Target Share, one Target Share and one Target Share were allotted and issued to Mr. Widjaja, Ms. Lim and Ms. Limarto, respectively.

Upon completion of such allotments and issues, the Target Company was owned as to approximately 33.3%, 33.3% and 33.3% by Mr. Widjaja, Ms. Lim and Ms. Limarto, respectively.

(II) Incorporation of JOE Green Pacific, JOE Green Prominent, JOE Green Summit, JOE Green Gratia

JOE Green Pacific was incorporated with limited liability on 24 March 2017 in the BVI. JOE Green Pacific is authorised to issue a maximum of 50,000 ordinary shares with no par value. On the same day, one share, representing the entire issued share capital of JOE Green Pacific, was issued and allotted to Linktopz Entertainment.

JOE Green Prominent was incorporated with limited liability on 24 March 2017 in the BVI. JOE Green Prominent is authorised to issue a maximum of 50,000 ordinary shares with no par value. On the same day, one share, representing the entire issued share capital of JOE Green Prominent, was issued and allotted to Linktopz Entertainment.

JOE Green Summit was incorporated with limited liability on 24 March 2017 in the BVI. JOE Green Summit is authorised to issue a maximum of 50,000 ordinary shares with no par value. On the same day, one share, representing the entire issued share capital of JOE Green Summit, was issued and allotted to Linktopz Entertainment.

JOE Green Gratia was incorporated with limited liability on 24 March 2017 in the BVI. JOE Green Gratia is authorised to issue a maximum of 50,000 ordinary shares with no par value. On the same day, one share, representing the entire issued share capital of JOE Green Gratia, was issued and allotted to Linktopz Entertainment.

(III) Acquisition of Linktopz Entertainment

On 27 March 2017, the Target Company acquired one share, one share and one share in Linktopz Entertainment from Mr. Widjaja, Ms. Lim and Mr. Lau Ching Kei for a nominal cash consideration of HK$1.0, HK$1.0 and HK$1.0 (determined on the basis that Linktopz Entertainment, together with its newly incorporated subsidiaries as referred to in step (II) above, have not been engaged in any substantial business activities since their respective incorporations), respectively.

Upon completion of such acquisition, Linktopz Entertainment became a direct wholly-owned subsidiary of the Target Company and Mr. Lau Ching Kei ceased to have any shareholding interest in any of the Target Group Companies.

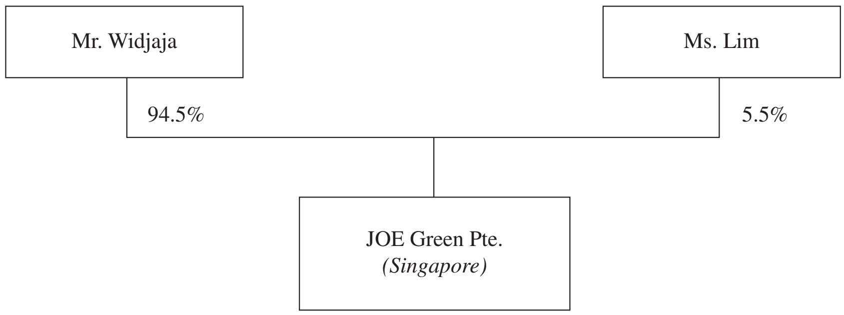
(IV) Acquisition of certain Target Group Companies by the Target Company by way of share swap

On 22 November 2019, through a share swap agreement, the Target Company acquired the entire equity interest in each of JOE Green Pte., JOE Green Precast, JOE Green MKT Singapore and JOE Green MKT Malaysia through JOE Green Pacific, JOE Green Prominent, JOE Green Summit and JOE Green Gratia from Mr. Widjaja, Ms. Lim and Ms. Limarto, respectively, in consideration of and in exchange for (i) the allotment of 48 Target Shares to Mr. Widjaja credited as fully-paid; (ii) the allotment of 47 Target Shares to Ms. Lim credited as fully-paid; and (iii) the allotment of two Target Shares to Ms. Limarto credited as fully-paid.

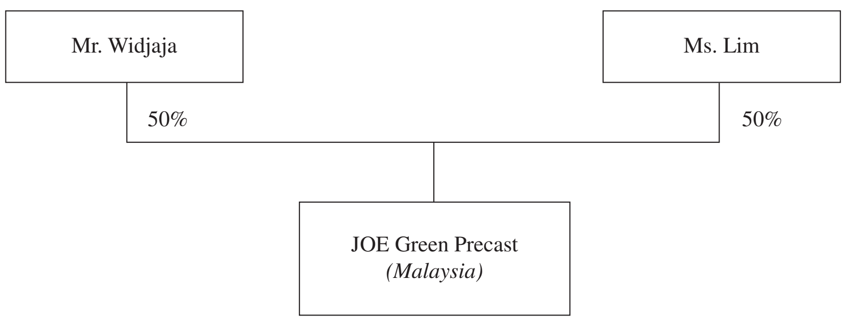
GROUP STRUCTURE

The following charts set forth the shareholding and corporate structure of the Target Group immediately before the Reorganisation:

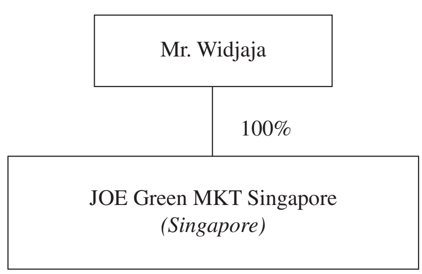
(i) JOE Green Pte.



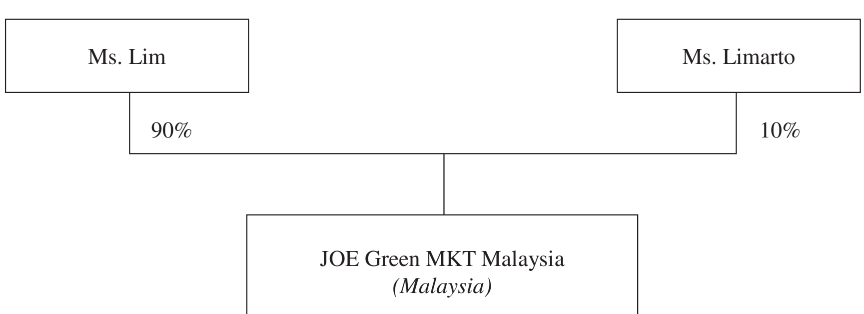
(ii) JOE Green Precast



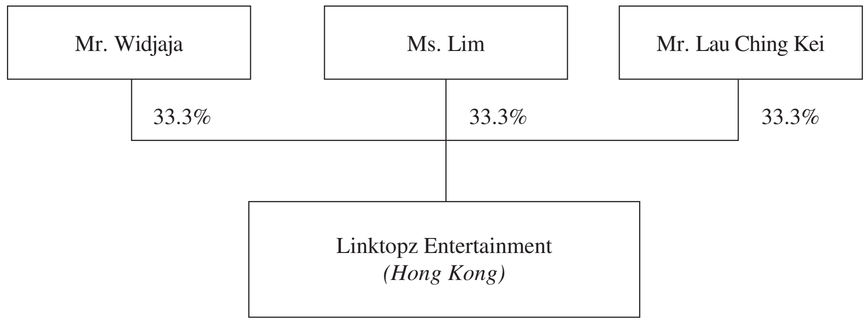
(iii) JOE Green MKT Singapore



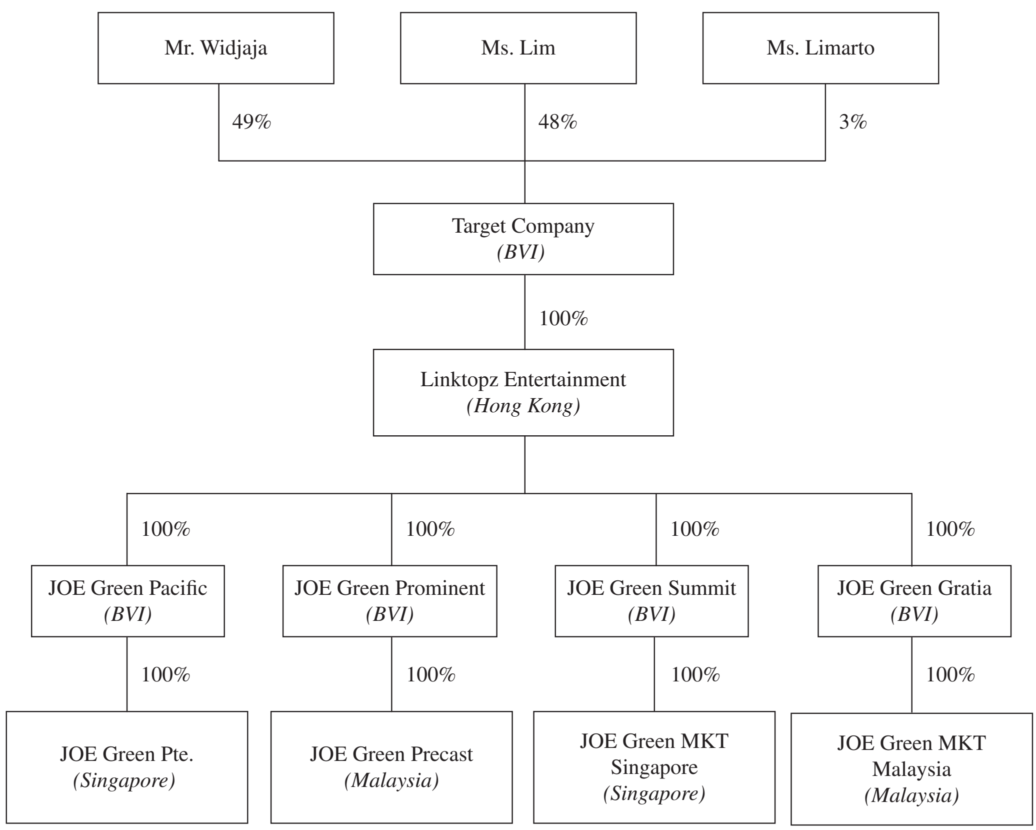
(iv) JOE Green MKT Malaysia



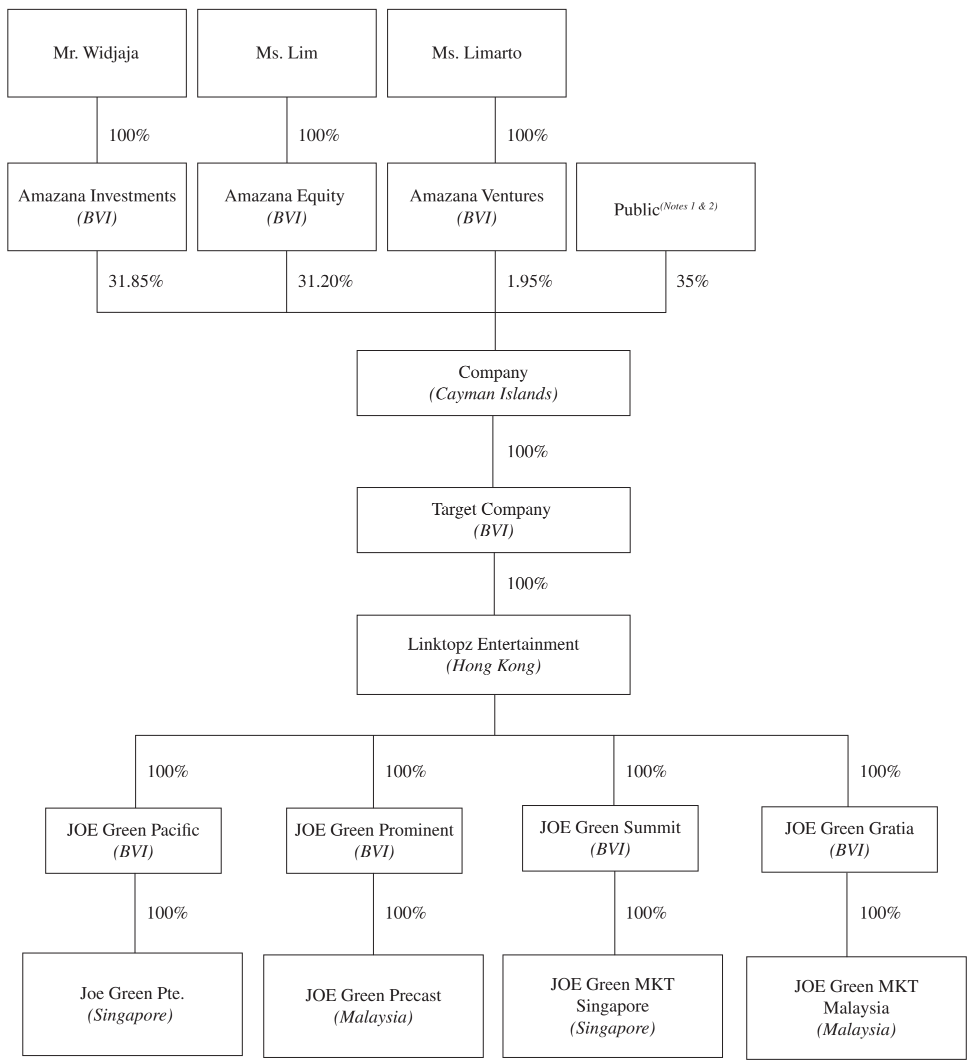
(v) Linktopz Entertainment



The following chart sets forth the shareholding and corporate structure of the Target Group immediately upon completion of the Reorganisation in preparation for the Acquisition:



The following chart sets forth the shareholding and corporate structure of the Target Group after the Proposed Restructuring and restoration of the public float (assuming (i) all the existing Shareholders taking up in full their respective Preferential Entitlements to the Reserved Shares under the Preferential Offer; and (ii) each of the Investors selling the New Shares beneficially owned by each of them pro rata to their respective shareholding interest in the Company for the purpose of restoring the public float):



Notes:

(1) Upon Completion, it is expected that not less than 980,675,388 New Shares, representing approximately 35.0% of the enlarged issued share capital of the Company immediately after completion of the Capital Reorganisation, the Share Offer and the Acquisition, will be held in the hands of the public.

(2) Including (i) Mr. Suo Lang Duo Ji, the Existing Substantial Shareholder of the Company, who will own approximately 3.35% of the enlarged issued share capital of the Company upon Completion; (ii) other existing public Shareholders of the Company, who will own approximately 6.65% of the enlarged issued share capital of the Company upon Completion; (iii) the other new public shareholders of the Company's Placing (who are Independent Third Parties and not existing Shareholders), who will own approximately 2.0% of the enlarged issued share capital of the Company upon Completion; (iv) the other new public shareholders of the Company under the Public Offer, who will own approximately 8.0% of the enlarged issued share capital of the Company upon Completion; and (v) placees (who are Independent Third Parties and not existing Shareholders) to be procured under the Investors' Placing who will own approximately 15% of the enlarged issued share capital of the Company upon Completion.

OVERVIEW

The Target Group's overview

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 headquarters in Singapore and production plant in Johor Bahru, Malaysia. According to the Frost and Sullivan Report, the Target Group is the leading precast hollow-core concrete wall panel provider in Singapore in terms of revenue and has covered approximately 63.2% of the market share (in terms of revenue generated from both domestic and export sales) in Singapore in 2018.

Precast concrete wall panel is considered as one of the building materials for green buildings. Green building materials usually composed of renewable, sustainable and recycled ingredients. The Target Group's green light-weight precast concrete wall panels are primarily manufactured from recycled materials including RCA and quarry dust, other materials including cement and sand with minimum waste generated and have become an essential construction material for green buildings. Apart from its wall panel system, the Target Group also sells wall panel related accessories which are used in conjunction with the Target Group's precast wall panel systems at their installation and application. The Target Group also sells lightweight expanded clay aggregate manufactured by its supplier to its customers.

As at the Latest Practicable Date, the Target Group has 3 automated production lines and 3 manual production yards in its production plant in Johor Bahru, Malaysia, and together with its headquarters in Singapore, has 127 staff and workers.

The Target Group's green precast concrete wall panels are certified by SGBC, a certification body for green building-related products and services in Singapore to support BCA's Green Mark scheme, as a Singapore Green Label product with rating of excellent (3 ticks), as well as awarded the Singapore Green Label for "Eco-Friendly Building Material" by the Singapore Green Labelling Scheme Secretariat since 2014. Also, the Target Group has been on the HDB's list of material suppliers since 2014. The Target Group's production process was accredited with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certifications.

With a view to expand the geographical reach of the Target Group's products in a cost-effective manner, the Target Group commenced the First Franchise Arrangement in Indonesia and entered into the First Franchise Agreement with Franchisee A (the Target Group's largest customer for the year ended 31 December 2017 and 2018) on 1 November 2017. The First Franchise Arrangement is for a term of two years which is subject to renew by the relevant parties. Given Franchisee A's delay in setting up the JOE Green production plant in Indonesia, the parties agreed to temporarily suspend the exclusivity element in the First Franchise Arrangement between 25 October 2018 and 30 June 2019 so that the Target Group could take up orders from customers in Indonesia directly. Subsequently, the First Franchise Arrangement was terminated on 30 June 2019. 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 the designated territory. Under the Second Franchise Arrangement, Franchisee B has the right to set up its own production plant for the manufacturing and sales of standardised and customised green precast concrete wall panel system and sale of related accessories using the Target Group's operation methods, knowhow, registered patents and the trademark " ". In addition, on 1 August 2019, the Target Group entered into the MOU (3rd Franchise) with Proposed Franchisee C whereby the parties (a) expressed their intention to explore possible modes of future cooperation and to promote the use and sale of the Target Group's products in Indonesia; and (b) agreed to negotiate in good faith the terms and conditions of the Proposed Franchise Arrangement which is expected to commence on or before 1 August 2020. During the Track Record Period, the Target Group did not recognise any revenue arising from the franchise arrangements.

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. Since 2017, the Target Group has begun to extend its geographical reach to markets outside Singapore and Malaysia. In order to introduce the Target Group's products and their application to new customers in new markets, upon customer's request, the Target Group provides its customers with drawings and/or designs to demonstrate the installation of concrete precast wall panels and recognised a design fee representing approximately 0.8%, 1.0% and 2.3% of the Target Group's total revenue for the year ended 31 December 2017 and 2018 and the five months ended 31 May 2019, respectively.

For the three years ended 31 December 2018 and the five months ended 31 May 2019 approximately 97.4%, 87.1%, 60.6% and 88.9% of the Target Group's total revenue was generated from Singapore, respectively, and approximately 2.6%, 2.6%, 8.5% and 11.1% was generated from Malaysia, respectively. In addition, approximately 10.3%, 25.6% and nil of the Target Group's total revenue was generated from Indonesia for the year ended 31 December 2017 and 2018 and the five months ended 31 May 2019, respectively and approximately 5.3% of the Target Group's total revenue was generated from Cambodia for the year ended 31 December 2018.

The Target Group's total revenue for the three years ended 31 December 2018 and the five months ended 31 May 2019 was approximately S$24.8 million, S$19.6 million, S$21.5 million and S$5.7 million, respectively. The Target Group's net profit for the three years ended 31 December 2018 was approximately S$6.8 million, S$2.3 million and S$3.2 million, respectively; while the Target Group recorded a net loss of approximately S$0.4 million for the five months ended 31 May 2019. On the other hand, the Target Group recorded transaction expenses which are the expenses relating to the Acquisition and the Share Offer, and are substantially non-recurring in nature of approximately S$1.3 million, S$2.0 million, S$0.9 million and S$0.6 million for the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively. Without taking into account the transaction expenses, the Target Group would record profit for the year/period of approximately S$8.1 million, S$4.3 million, S$4.1 million and S$0.2 million for the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively. Please refer to the section headed "Financial Information of the Target Group – Results of Operations – Non-IFRS measures" in this circular for further details.

To improve the Target Group's financial performance going forward, the Target Group will continue to (a) enhance its leading position in the Singapore market by attracting its potential customers to use the Target Group's precast wall panel systems instead of AAC panels; (b) penetrate into the Malaysia and Southeast Asia markets where it is expected that market demand for precast wall panels will increase with the increased adoption of precast wall panels in line with the rising trend of green building construction; (c) expand its sales network to new markets upon completion of its expansion plan by the second quarter of 2020; and (d) adopt a prudent financial management policy to control its operating costs. Please refer to the paragraph headed "Business Objectives, Strategies and Future Plans" below for further details.

The Target Group recorded accumulated losses as at 1 January 2014, which were primarily attributable to losses incurred prior to the relocation of the Target Group's manufacturing operation from Singapore to Malaysia in 2012.

Prior to the relocation, the financial performance of the Target Group was affected (and limited) by its then existing scale of operation in Singapore, which to the best knowledge of the proposed Directors, only has a maximum annual production capacity of approximately 624,000 m^2 and an actual production volume of 500,000 m^2 for the year ended 31 December 2011. With limited scale of operation at that time, the Target Group was unable to generate sufficient sales to cover its then operating costs, thus recording losses from its operations.

Recognising the limitations associated with the lack of production scale, the Investors decided to relocate the Target Group's manufacturing operation to Malaysia in 2012, following which continuous investments/expenses were required to fine-tune and expand the then new manufacturing plant in Malaysia, thus affecting the financial performance of the Target Group in 2013.

Notwithstanding the initial losses incurred, with the completion of installation of additional production lines, the Target Group's operating scale has expanded after the relocation. The Target Group's annual production capacity increased from approximately 0.9 million m^2 in 2014 to approximately 1.7 million m^2 in 2018. Furthermore, with the continuous capital investment, the Target Group's first automated production line commenced production in September 2013 with three manual production yards commenced production in 2014 and two more automated production lines commenced production in 2016 and 2017, respectively, which in turn, improved the production capacity and operating efficiency. Hence, the Target Group's actual production volume also increased from approximately 0.7 million m^2 in 2014 to approximately 1.1 million m^2, 1.2 million m^2, 1.0 million m^2 and 1.1 million m^2 in 2015, 2016, 2017 and 2018, respectively.

The increase in production capacity and operating efficiency enabled the Target Group to take up more projects and larger orders with its growing track record. Coupled with the receiving of further qualifications and certifications during the Track Record Period, such as the Material Supplier (HDB Approved) qualification in July 2014 and the Excellence Rating (3 Ticks) Certificate under Precast Heading in March 2016, the Target Group was able to generate significantly improved sales from 2014 onwards, and the Target Group's eventually becomes the leading precast hollow-core concrete wall panel provider in Singapore in terms of revenue.

Such growth in revenue, coupled with the decrease in the monthly costs of labour from approximately S$1,000 (unaudited) in 2011 to approximately S$761 in 2018 and further to approximately S$668 for the five months ended 31 May 2019, also translated to the improvement in financial performance of the Target Group when comparing with that prior to 1 January 2014.

COMPETITIVE STRENGTHS

The proposed Directors believe that the Target Group's competitive strengths set out below have driven growth in its business and financial performance.

Leading green precast hollow-core concrete wall panel system provider in Singapore with an established track record

According to the Frost and Sullivan Report, the Target Group is the leading precast hollow-core concrete wall panel provider in Singapore in 2018 in terms of revenue and it has approximately 63.2% of the market share (in terms of revenue generated from both domestic and export sales) in Singapore in 2018.

During the Track Record Period, the Target Group has supplied its precast concrete wall panel system to various main contractors and sub-contractors 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.

The Target Group's track record in its technological leadership and expertise in the industry is also reflected from its accreditations and awards as set out in the paragraph headed "Qualifications, Licences and Certifications" below. 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), after passing SGBC's all-round assessment on, among other things, the products' quality, strength, content and carbon footprint, as well as being able to demonstrate its track record and production process had met the required standards in respect of production volume, waste and environmental management and quality control. In April 2018, the Target Group received certification from SGBC with rating of leader (4 ticks) under the lightweight concrete heading. The Target Group's precast concrete wall panel system was also awarded the Singapore Green Label for "Eco-Friendly Building Material" by the Singapore Green Labelling Scheme Secretariat since 2014. 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's production process was accredited with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certifications, which certified the Target Group's contribution to sustainable development and environmental preservation.

Well positioned to capture the growth opportunities in green buildings in Singapore and Malaysia

The Target Group is engaged in manufacturing of green precast concrete wall panels, a type of concrete manufactured from recycled waste and sustainable materials and one of the essential construction materials for green buildings. Green buildings are buildings constructed using processes that are resource-efficient with environment-friendly features. The Target Group's history can be traced back to 2006 and can be considered as a market pioneer after the Singapore Government first rolled out its green building movement in 2005. Approximately 97.4%, 87.1%, 60.6% and 88.9% of the Target Group's revenue was generated from the Singapore market for the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively.

The Singapore Government has demonstrated great commitment by rolling out a comprehensive suite of green initiatives and policies, among which development of green buildings is one of the top on the agenda. Since 2005, the Singapore Government has begun the green building movement and has launched three Green Building Masterplans in 2005, 2009 and 2014 respectively, with an aim to have at least 80% of the buildings in Singapore to be green by 2030. Since the launch of the first Green Building Masterplan, the number of green buildings in Singapore has grown from 17 to more than 2,100 in 2014, which covered approximately 62 million square metres of gross floor area and equivalent to approximately 25% of the total built-up areas in Singapore.

According to the Third Green Building Masterplan issued by BCA in 2014, it is the Singapore Government's intention to rationalise and tighten the standards to mandate a structured approach towards adoption of green materials for building projects. BCA has adopted the BCA Green Mark Scheme, a green building rating system to evaluate a building for its environmental impact and performance. By using the Target Group's green precast concrete wall panel system, property developers' construction projects can score higher points under both the BCA's Buildability Score and the BCA Green Mark appraisal system than using traditional building materials such as bricks and blocks. According to BCA, the number of Green Mark building project has seen significant growth from around 732 in 2010 to over 3,400 in 2018 with a total gross floor area of over 100 million m^2. According to Frost & Sullivan, as of April 2019, nearly 40% of building projects' Gross Floor Areas in Singapore have met the green buildings standards.

According to the Frost and Sullivan Report, with the Singapore Government's green policy and increasing focus on sustainable development, increasing number of property developers, consultants and construction companies design and build their buildings with sustainability, the environmental and safety and health concepts. This encourages the use and promote the sales of green building materials and encourages manufacturers to innovate greener building materials. Also, the application of precast concrete panels in Singapore had seen a significant growth these years.

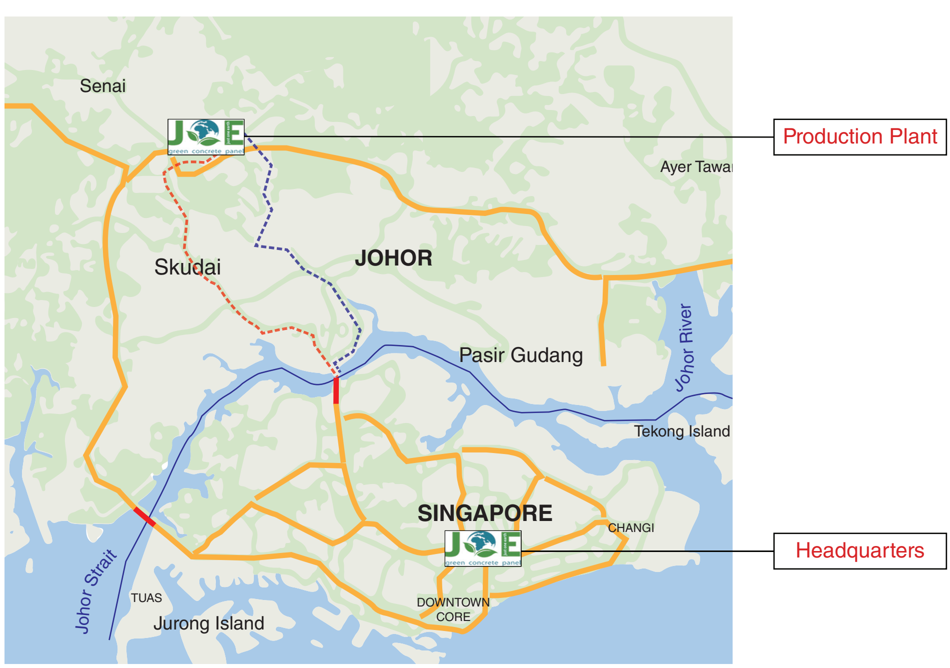
On the other hand, there was also increasing adoption of IBS in both public and private sectors in Malaysia. According to the MIDA, 70% of target public projects with value of RM10 million and above achieved IBS score of 70 while only 15% of target private projects scored 50 in IBS score, as at October 2018. CIDB has put a great effort to promote the IBS application in building construction, mainly through training and incentives programme, resulting in higher usage of precast materials including precast concrete panels. The Green Building Index, a rating system to assess the environmental design and performance of buildings in Malaysia, was also developed with an aim to promote green buildings in Malaysia. Accelerated Capital Allowance (ACA) and IBS Promotion Fund are also offered by LHDN and SME Bank respectively to support the purchase of fixed assets including equipment for manufacturing of IBS. This encourages the use of green building materials to improve energy efficiency.

The proposed Directors believe that the Target Group is well positioned to capture the growth opportunities in the green building markets in Singapore and Malaysia as the business model of the Target Group perfectly aligned with the governments' policies as the Target Group's green precast concrete wall panel system are sustainable green building materials and require little or no maintenance and recyclable at the end of their use. The Target Group will hence be benefited from the immense business opportunities brought about by such green building movement in both Singapore and Malaysia with the unwavering governmental supports.

Benefited from the Singapore/Malaysia cross-border advantages and convenient transportation network

For the three years ended 31 December 2018 and the five months ended 31 May 2019, approximately 97.4%, 87.1%, 60.6% and 88.9% of the Target Group's revenue was generated from the Singapore market, respectively, while the Target Group's production plant is located at Johor Bahru, Malaysia, which is just 30 km from the Malaysia-Singapore border. The Target Group's customers and suppliers can conveniently access to Target Group's production plant by road.

The map below illustrates the approximate location of Singapore, where the Target Group's headquarters is located and most of the Target Group's revenue are generated, and the Target Group's production plant in Johor Bahru, Malaysia.



Johor Bahru is the chief gateway between Malaysia and Singapore. The transportation network in Johor Bahru was further expanded over the past few years with the Iskandar Coastal Highway, the Eastern Dispersal Link and the Senai-Pasir Gudang-Desaru Highway has significantly reduced journey times to and from Johor Bahru and Singapore. The Target Group shifted its manufacturing operation to Malaysia from Singapore in 2012. The Target Group takes the advantage of Malaysia's comparatively lower costs of labour, utilities and land values but also makes itself easily to access the Singapore market which generally the Target Group's wall panel can be sold at a higher price hence to enjoy a higher profit margin.

Further, the Target Group was entitled to various tax reliefs and incentive in Singapore and Malaysia, including but not limited to the Productivity and Innovation Credit (PIC) Scheme in Singapore and incentive offered by MIDA in Malaysia during the Track Record Period, details of which are set out in the section headed "Financial Information of the Target Group – Principal Components of Results of Operations – Income Tax" in this circular.

Well-established long-term relationship with customers, suppliers and authorities

Through the provision of consistently high quality products and after sales services, the Target Group has established a strong and diversified customer base with over 300 customers during the Track Record Period 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. As a market leader of the precast hollow-core concrete wall panel industry, the Target Group is well-known to the construction industry market players including property developers, architects and consultants, main contractors and sub-contractors in Singapore, some of whom the Target Group have had a business relationship with for up to 10 years. The Target Group has developed an extensive procurement network by leveraging on its experience in the industry and building long-term business relationship with suppliers. The Target Group has worked with its key suppliers of principal raw materials for more than three years. In addition, the Target Group works closely with the authorities in Singapore and Malaysia. In Singapore, the Target Group was invited by SGBC to participate in various industry branding and marketing events and activities and consultation programme, as well as to demonstrate its products to various authorities including BCA. In Malaysia, the Target Group was invited by CIDB to participate in the publication of handbook and to organise various training programmes and workshops in relation to the installation of IBS and the establishment of the relevant national occupational skill standard.

The capability to customise products to fit customers' specific needs and requirements

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, including but not limited to the length, number and diameter of hollow cores, as well as technical solutions to address its customers' specific needs and requirements. The Target Group is 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. The customised wall panels are ready to form walls in accordance with the consultant's designs, hence saving customers' time and labour spent at the construction sites and enhancing installation and operational efficiency. Generally both commercial and industrial buildings are designed with higher ceiling and height hence require more long customised wall panels to be used as vertical walls.

The proposed Directors believe that the Target Group's capabilities in customisation shall provide greater flexibility in terms of the construction works' design and shall enhance the efficiency of construction and the same have contributed to the Target Group's reputation and track record.

Technological innovation and research and development capabilities

The Target Group has been dedicated to the research and development of green and recycled materials for buildings and constructions since its incorporation. The Target Group places significant emphasis on research and development to keep pace with the technological developments in the building and construction material industry as well as to defend its competitive position. With a minimum of 30% recycled material in its content, the Target Group's concrete wall panels were certified by SGBC as a Singapore Green Label product with the rating of excellent (3 Ticks) under Precast Heading and the rating of leader (4 Ticks) under Lightweight Concrete Heading and were accredited as a Singapore Green Label product as an "Eco-Friendly Building Material".

The Target Group has established its research and development team with an aim to enhance its ability to offer innovative and effective solutions to meet evolving market demands. The Target Group's research and development department comprised of 7 and 2 technical staff based in Malaysia and in Singapore respectively as at the Latest Practicable Date. Four of the technicians focus on research and development projects and a majority of them hold qualifications at college degree or above. Through its continuous research and development efforts, as at the Latest Practicable Date, the Target Group had 2 registered designs in Singapore and was applying for the registration of 2 patents in Singapore, Malaysia, Indonesia, the PRC and the United States of America. The Target Group is also cooperating with an European institution to develop light-weight aggregate materials to be used in its production as well as to develop possible new concrete wall products. To achieve the aforementioned aim, the Target Group has incurred approximately S$137,000, S$184,000, S$142,000 and S$79,000 for the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively, and it is expected that the Target Group will allocate no less than S$100,000 for the remaining seven months ending 31 December 2019.

The Target Group's green precast concrete wall panel system has proven to be lighter in weight, create less waste and more efficient to install, but at the same time offers better or similar level of strength and robustness as compared to traditional construction materials. The Target Group's precast concrete wall panel scores 0.85 for the Labour Saving Index, which is a component for calculating the buildable design score of the wall system under the Code of Practice on Buildability issued by BCA. The brick wall scores as low as zero for the Labour Saving Index, and attracts demerit points in calculating the overall buildable design score of the wall system. The proposed Directors believe that the technologies the Target Group possesses enable it to differentiate its products from competitors' products in terms of performance and operation and cost efficiency and hence stand ahead of its competitors in the market.

Well-designed processing flow with an experienced and cost effective workforce

The Target Group has strived for continuous optimisation in its 3 automated production lines and 3 manual production yards and has continuously fine-tuning its manufacturing and processing flow of its production plant to maximise the utilisation and effectiveness of machineries and labour force. The result of the Target Group's contribution and dedication was proven by its certification of ISO 9001:2008 for its improvement in its production plant's efficiency of manufacturing as well as the quality and safety of its concrete wall panels.

The Target Group also believes in investing in its people. Apart from its effort in attracting and retaining capable personnel, particularly experienced technicians familiar with the production processes, the Target Group has also established a comprehensive training programme to keep the workforce properly skilled.

Dedicated and experienced management team

The senior management team of the Target Group has extensive management and operational experience in the business of property development, construction and building materials. The Target Group's experienced management team under the leadership of its founder and a proposed executive Director, Mr. Widjaja, who has led the Target Group through rapid growth and expansion since its establishment in 2006. Mr. Widjaja has over 20 years of experience in distribution and international trading with companies in Southeast Asia and has established a number of companies in the field of manufacturing, distribution and construction development. Ms. Lim and Ms. Limarto, both proposed executive Directors, have joined the Target Group for over 10 years and 6 years respectively. Mr. Ng Eng Hong, a proposed executive Director and the technical director, has over 20 years of experience in the construction industry and had worked with a regional property developer in Singapore. Mr. Wong Tang Thomas, a proposed chief risk officer has around 19 years of experience in the banking industry with a focus in risk management and control. Please refer to the section headed "Directors and Senior Management of the Enlarged Group" in this circular for details of the Target Group's directors and senior management team.

BUSINESS OBJECTIVES, STRATEGIES AND FUTURE PLANS

The Target Group intends to continue strengthening its leading market position in Singapore with enhanced production facilities in Malaysia, as well as expanding its business in Malaysia and other countries in Southeast Asia by implementing the following strategies:

Enhance leading position in existing Singapore market and to penetrate into the Malaysia and Southeast Asia markets

Being the market leader in the hollow-core concrete wall panel industry with significant presence in Singapore, the Target Group can leverage on its position and experience to capitalise on the immense business opportunities arising from the development of green buildings in the region. The outlook of green building and construction material industry in the region remains strong, on the back of government initiatives and policies in promoting and accelerating the pace of developing green cities.

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, in particular increase its market share in Malaysia with a primary focus on the Johor Bahru, Kuala Lumpur and Indonesia markets.

According to the Frost and Sullivan Report, from 2013 to 2018, the GDP per capita of Malaysia has been growing steadily. The nominal GDP of Malaysia has increased from RM1,018.6 billion in 2013 to RM1,423.8 billion in 2018, representing a CAGR of 6.9%. Malaysia had demonstrated a steady growth in population from 30.2 million in 2013 to 32.5 million in 2018 and it is forecasted that population will continue to grow, leading to a growing domestic demand in various industries. The total value of construction work done in Malaysia has recorded a significant growth from 2013 to 2018, representing a CAGR of 9.9%, while construction work done for civil engineering revealed the highest growth which indicating the strong demand for precast concrete panel in Malaysia.

Likewise, according to the Frost and Sullivan Report, Indonesia is on the rising trend of green building construction since the establishment of Indonesia Green Building Council and also the Greenship rating system. Certain tax allowance and incentives are offered for the development of green building and business areas that contribute to environmental preservation. The Indonesia market of precast concrete wall panels by value grew significantly from IDR4,676.0 billion in 2013 to IDR7,582.8 billion in 2018, representing a CAGR of 10.2%. Frost & Sullivan forecasts that the Indonesia market will grow at a CAGR of 9.7%, reaching IDR12,357.4 billion in 2023.

The proposed Directors expect to conduct more business in other regional markets in Southeast Asia (excluding Singapore), such as the Malaysia and Indonesia markets in the next 12 months.

The Target Group will gradually increase the production capabilities, strengthen its sales network and enhance its presence in Malaysia in the future to meet the demand driven by the growth in Malaysia and Indonesia markets. Also, the Target Group will continue to focus on manufacturing and sales of high quality products which cater for customers' specific requirements and needs to differentiate itself from competitors, and strive to enhance its pre-sales service, logistics and after-sales services.

Expand the production capacity to cope with the growth in Malaysia and other Southeast Asia markets

The annual production capacity of the Target Group's production plant for the year ended 31 December 2018 is approximately 1.7 million sq.m. and its average utilisation rate during the Track Record Period ranged from approximately 61.8% to 87.6%. To meet the growing demand arising from both the existing and new markets in particular the expected growth in revenue generated from the Malaysia and other Southeast Asia markets in the next 12 months, the Target Group will seek to increase its production capacity. The Target Group has acquired a parcel of land near its existing production plant in Johor Bahru, Malaysia in February 2017 for which the Target Group intends to integrate with the existing production plant by relocating the RCA crushing equipment and machinery to the new parcel of land, while 2 new production yards with new machineries and equipment are intended to be added to the existing production plant with an aim to increase the maximum annual capacity to approximately 1.8 million sq.m. It is expected that the expansion plan will be completed by the second quarter of 2020 with an estimated budget of RM15 million (equivalent to approximately S$4.9 million translated at the exchange rate of S$1:RM3.04), which will be funded from the Target Group's internal funding, bank borrowings and, if necessary, potential future fund raising activities. To fund the expansion plan, the Target Group obtained a S$5.7 million 15-year term loan from a bank in Singapore which carries an interest rate of 1.1% per annum above the lending bank's cost of funds for interest period of one month. As at the Latest Practicable Date, approximately S$1.4 million of the term loan has been drawn down. Please refer to the section headed "Financial Information of the Target Group – Events After the Reporting Period" in this circular for further details.

Expand the geographical reach via franchising arrangements

In 2017, the Target Group has extended its reach to the Indonesia market by selling standardised and customised precast wall panels as well as wall panel system accessories to a customer for one of its projects in Indonesia. Revenue generated from the Indonesia market accounted for approximately 10.3%, 25.6% and nil of the Target Group's total revenue for the year ended 31 December 2017 and 2018 and the five months ended 31 May 2019, respectively. Although the Target Group did not generate any revenue from the Indonesia market for the five months ended 31 May 2019 as there were no on-going projects in Indonesia during that period, the Target Group has secured 2 new residential building construction projects and was in negotiation with potential customers for 9 building construction projects, of which 6 are commercial, 2 are residential and 1 is institutional, for the Indonesia market as at the Latest Practicable Date.

With a view to expand the geographical reach of the Target Group's products, the Target Group commenced its franchise arrangements in Indonesia on 1 November 2017. The proposed Directors are of the view that via the franchise arrangements, the Target Group would be able to benefit from the local knowledge and experience, network and financial resources of the franchisees to enable the Target Group to expand its geographical coverage in a cost-effective manner. In particular, one of the Target Group's strategies is to expand into the Indonesia and Southeast Asia markets. Given (i) the enormous geographical coverage of Indonesia which has a total land area of approximately 1,905,000 km^2 and extends about 5,120 km from east to west and 1,760 km from north to south; and (ii) the limited geographic coverage of each production plant, which is generally expected to serve its immediate neighbouring areas (within a radius of 100 km) unless the production plant is located in the proximity of well-developed ports, not only would it be impossible for the Target Group to service customers located farther away from its existing production plant, the pace of the Target Group's development would also be substantially constrained if it only relies on its own resources and effort to promote its brand and serve new customers in a market with such a vast geographical coverage. Therefore, the Target Group considers expansion into new markets via the franchise arrangements would enable the Target Group to rapidly scale up its market presence without over-leveraging its capital for building up new production plants and investing in new equipment. The First Franchise Arrangement was entered into on 1 November 2017 and for a term of two years which was subject to renew by the relevant parties. Given Franchisee A's delay in setting up the JOE Green production plant in Indonesia, the parties agreed to temporarily suspend the exclusivity element in the First Franchise Arrangement between 25 October 2018 and 30 June 2019 so that the Target Group could take up orders from customers in Indonesia directly. Subsequently, the First Franchise Arrangement was terminated on 30 June 2019.

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.

The Second Franchise Arrangement is for an initial term of two years which is subject to renewal for another two years by the relevant parties. Under the Second Franchise Arrangement, the Target Group granted Franchisee B an exclusive right to develop the Target Group's business in Jakarta, Indonesia. Under the Second Franchise Arrangement, Franchisee B has the right to set up its own production plant for the manufacturing and sales of standardised and customised green precast concrete wall panel system and sale of related accessories using the Target Group's operation methods, knowhow, registered patents and the trademark "JOE".

It is also contemplated under the Second Franchise Arrangement that the Target Group will charge Franchisee B (i) a non-refundable licensing fee payable in 12 equal monthly instalments commencing from the first date of the next calendar month after the execution of the franchise agreement for the exclusive rights to develop and operate the Target Group's business in the designated territory; (ii) a production plant design fee payable in 12 equal monthly instalments commencing from the first date of the next calendar month after a designated staff is assigned by the Target Group to act as the main contact between the Target Group and the franchisee; (iii) a development fee payable before the commencement of operations of the JOE Green production plant; (iv) a monthly service fee in a sum equivalent to 2% of the monthly gross turnover of the JOE Green business operated by the franchisee plus VAT thereon; and (v) certain other miscellaneous fees and costs.

Franchisee B has commenced production under the Second Franchise Arrangement in November 2019.

In addition, on 1 August 2019, the Target Group entered into the MOU (3rd Franchise) with Proposed Franchisee C whereby the parties (a) expressed their intention to explore possible modes of future cooperation and to promote the use and sale of the Target Group's products in Indonesia; and (b) agreed to negotiate in good faith the terms and conditions of the Proposed Franchise Arrangement which is expected to commence on or before 1 August 2020. It is currently contemplated that apart from the designated territory and the performance targets which are yet to be determined, the terms and conditions for the Proposed Franchise Arrangement will be substantially the same as the Second Franchise Arrangement.

Continue to strengthen sales and market strategies and to diversify customer base

As mentioned above, the Target Group aims to expand its business and presence to other regional markets following its successful experience in Singapore.

The Target Group intends to strengthen its sales network by building on the closer relationship with property developers, consultants and its key existing customers including main contractors and sub-contractors which have presence in both Singapore and Malaysia, as well as expanding and developing new customer base in the regional market, in particular focusing primarily on the Johor Bahru and Kuala Lumpur markets. To do so, the Target Group collaborated with CIDB and other market players for various training programmes and workshops in relation to the installation of IBS and participated in the establishment of the relevant national occupational skill standard and preparation of the relevant handbook. The proposed Directors believe that the said cooperation with CIDB and other market players in the region will significantly enhance the presence of the Target Group in Malaysia.

In addition, the Target Group also puts much emphasis on sales and marketing strategies, such as company website, product brochures and industry conventions seminars and marketing events. The Target Group will continue to invest in its in-house marketing team by recruiting additional sales personnel who will be based in Johor Bahru and providing professional training courses to the Target Group's customers or potential customers.

The Target Group will also consider forming strategic alliances with property developers in the region to gain access to new markets for its products as well as to work closely with the government authority, organisations, consultants, academia and representatives from the building industry with an aim to promote green and sustainable buildings in the region.

Product innovation and enhancement for offering a wider range of wall panels related accessories to customers

The Target Group anticipates its customers' needs and has recently introduced new wall panel related accessories including Acryshield, Crackshield and Flexshield. The Target Group is also in the course of exploring opportunities to cooperate with overseas institutions to further enhance the Target Group's wall panel system as well as developing new wall panel related accessories, materials and equipment. The Target Group will endeavour to include more wall panel related accessories, including new tools, additives and chemicals that can enhance the performance of the wall panel system or can enhance the efficiency of the installation of the wall panels, in its portfolio to capture more business opportunities.

The Target Group is exploring on the possibility of using new raw materials or new formula, for example, using lightweight recycled aggregate and a lower content of cement in its formula and hence to make its products lighter and greener, which will in turn reduce the cost of production and the cost of transportation. The Target Group will look at selective additions to further expand the Target Group's range of products to serve a larger variety of customers. In this connection, the Target Group has incurred approximately S$137,000, S$184,000, S$142,000 and S$79,000 for the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively, and is expected to allocate no less than S$100,000 in the remaining seven months ending 31 December 2019 as expenses, including but not limited to the relevant staff costs, professional fees, test laboratory fees associated and investment in laboratory equipment.

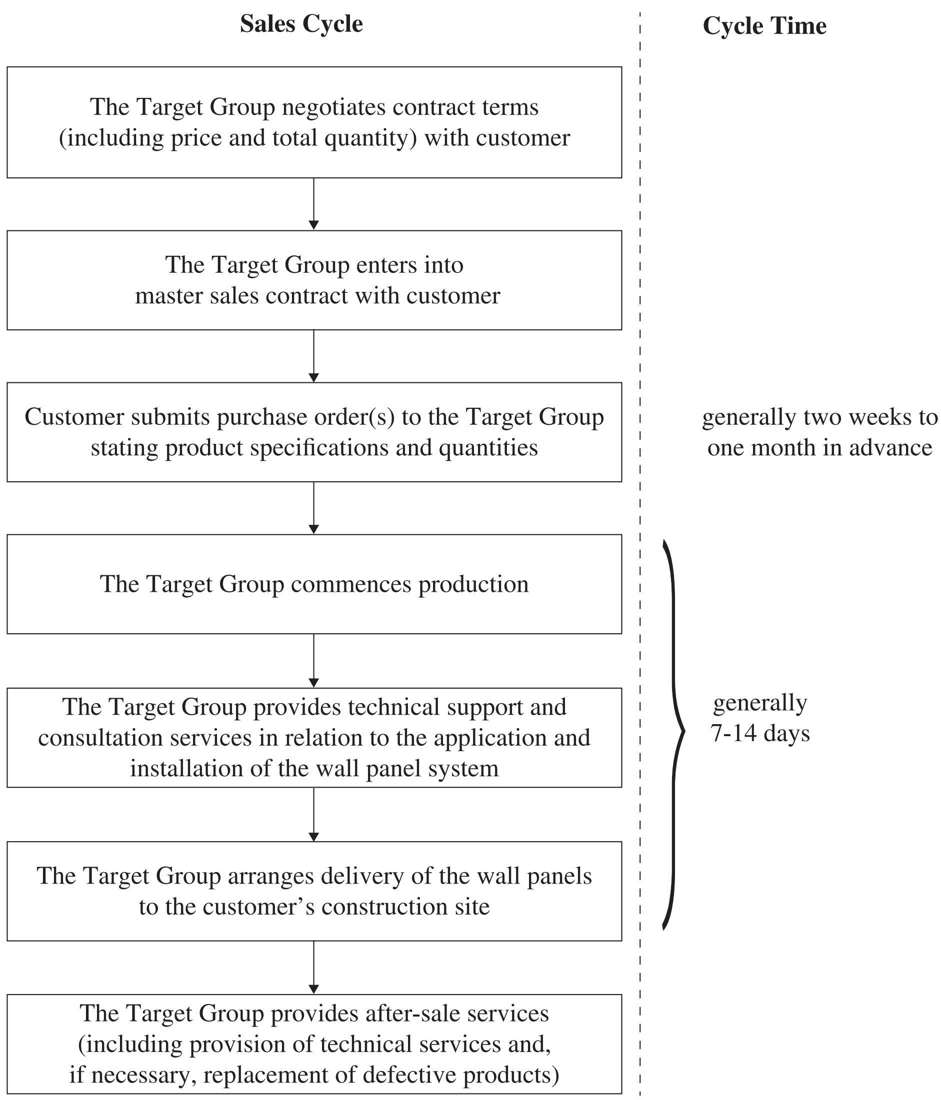
Further enhance operational efficiency and reduce production costs

In order to ensure long-term competitiveness, the Target Group has implemented a number of measures to improve its operational efficiency and cost-control, such as investing in research and development to optimise the production processes, upgrading machineries and equipment and increase production automation at the Target Group's production process, with an aim to reduce cost of production and enhance the quality of products.

The management team works closely with sales & marketing department, technical department, production department and research & development department on an ongoing basis with a view to improving production efficiency as well as products quality. In particular, supervisory and testing are carried out at various stages of the whole production process in order to identify areas for potential enhancement and improvement. Moreover, the Target Group will continue to improve its operational efficiency and production process by providing regular training to production staff, as well as to innovate cost cutting measures. For instance, the Target Group had recently adopted the enterprise resource planning software system in its sales and production control and management system, further extension would be implementation of warehousing management system using automatic updating with QR/barcoding and scanner system to assist in inventory and logistics management. The Target Group has also appointed a consultant to evaluate (i) the technical feasibility to automate part of its production process; (ii) the cost of developing and deploying both the hardware and the software for automation; and (iii) the potential cost reduction arising from production automation. The initial observation of the consultant is promising and the Target Group expects that by automating the production of the Target Group, the gross profit margin can be enhanced as the manpower required for production could be reduced.

BUSINESS MODEL

The diagram below illustrates the business model, sales cycle and the time-line of the Target Group:



Manufacture and sale of green precast concrete wall panel system and the sale of wall panel system accessories have been the main sources of revenue of the Target Group throughout the Track Record Period. The Target Group has begun to extend its geographical reach to markets outside Singapore and Malaysia since 2017 and has generated revenue from Indonesia and Cambodia markets since 2017 and 2018, respectively. In order to introduce the Target Group's products and their application to new customers in new markets, upon customer's request, the Target Group provides its customers with drawings and/or designs to demonstrate the installation of concrete precast wall panels and recognised a design fee. To further expand its geographical reach, the Target Group entered into the First Franchise Arrangement with Franchisee A in Indonesia on 1 November 2017. Please refer to the paragraph headed "Franchise Arrangements" in this section for further details.

The Target Group's total revenue was approximately S$24.8 million, S$19.6 million, S$21.5 million and S$5.7 million for the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively.

PRODUCTS AND BRANDS

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. 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". By using the Target Group's wall panel system instead of traditional building materials, developers' construction project can score higher points under both the BCA's Buildability Score and the BCA Green Mark appraisal system in Singapore.

Set out below are the Target Group's principal products:

A. Green precast concrete wall panel system:

- Standardised precast concrete wall panel
- Customised precast concrete wall panel
- L-Joint and T-Joint

B. Wall panel system accessories and building materials:

- Joint Bonding Adhesive
- PU Foam Adhesive
- Flexshield
- Acryshield
- Crackshield
- L Bracket, Sleeve Anchor and Stoppercap
- Lightweight expanded clay aggregate

A. Green precast concrete wall panel system

The Target Group's precast concrete wall panels are lightweight concrete product 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; and (ii) quarry dusts; and other materials including cement and sand. As over 30% of the content of the Target Group's precast concrete wall panels are manufactured from recycled material, and given that they are precast panels, less procedures are needed for installation and application as compared to traditional construction materials such as bricks and blocks, the Target Group's precast concrete wall panels reduce carbon-dioxide emissions during the construction.

The Target Group's precast concrete wall panel system can be used as horizontal and vertical internal walls, external walls and parapet walls. The Target Group's precast concrete wall panels simultaneously provide structure, thermal and sound insulation, and resistance to fire and impact. The Target Group's precast concrete wall panel system can also be used in wet area and direct tiling can be applied to the wall panel system, given its low water absorption nature.

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. For example, the Target Group may in accordance with its customers' requirements to adjust length of the precast concrete wall panels, strengthen the wall panels by reinforcing them with wires, and adjust the diameter and number of the hollow-cores of the wall panels.

The Target Group's precast concrete wall panel system offers its customers a cost-effective solution. As compared to traditional building materials, 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. Besides, as the Target Group is able to customise the length of its precast concrete wall panels to up to 6.5 metres long, time and labour spent can be further reduced at the construction sites and at the same time allowing the architects and engineers greater flexibility for their designs. Under the BCA's mandatory buildability framework, the Target Group's precast concrete wall panel scores 0.85 for the Labour Saving Index while the brick wall scores as low as zero for the Labour Saving Index.

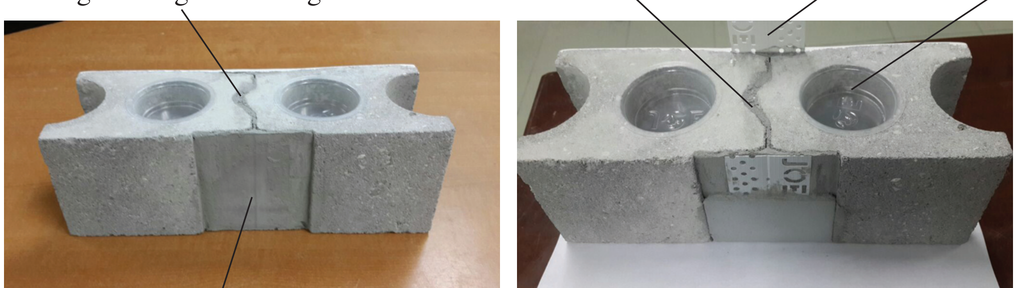
Standardised precast concrete wall panel

The Target Group's standard precast concrete wall panels are standardised to 600mm wide with different thicknesses (ranged from 70mm to 200mm), without wire, and are 3 metres or 3.3 metres long.

The followings are the Target Group's standardised precast concrete wall panels:

The standard precast concrete wall panels have seven vertical hollow cores running through them, with the primary purpose to decrease the weight, and material within the panel, yet maintain strength. The hollow cores also provide spaces for installing electric cables, wires, pipes and ducts as necessary without hacking or affecting the structural integrity of the panels, which in turns allow greater flexibility for architects or engineers for their M&E designs and installations.

Each end of a piece of standard precast concrete wall panel comes with a tongue or a groove joint, which can be interlocked with the next panel, or with a L-Joint or a T-Joint, after filling the gap with the Target Group's Joint Bonding Adhesive. There is a 6mm recess at the tongue and groove joint at the end of each panel designed to be reinforced with the Target Group's Crackshield together with cement to provide further strength and to prevent cracks between wall panels.



The tongue and groove design of the Target Group's wall panels

Customised precast concrete wall panel

The Target Group offers customised precast concrete wall panels to its customers in accordance with their specific needs and functional requirements. The Target Group's wall panels can be customised to up to 6.5 metres long and can be used as high walls commonly found in industrial and commercial buildings. Using one long panel instead of joining two shorter panels can minimise waste and cutting on site, which will reduce the use of materials such as lintel and stiffener, and hence labour force and time can be saved and productivity can be enhanced. Besides, apart from customising the length, diameter and number of hollow cores, the Target Group's wall panels can be reinforced with high tensile steel wire to provide further bending strength and safety, when using as high walls or external walls.

The followings are samples of Target Group's customised precast concrete wall panels:





The Target Group is capable to alter the following specifications of its precast concrete wall panels including, (a) length; (b) shape of standard panel (L and T shapes); (c) with/without tensile wire; (d) with/without reinforcement bar (running through the hollow core); (e) with/without water-proof features; and (f) diameter and number of the hollow cores; to cater for its customers' specific needs and functional requirements on:

- level of fire resistance;
- thermal conductivity and resistance;
- heat/sound insulation;
- compressive strength;
- impact resistance level;

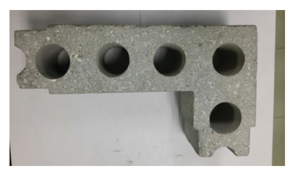
- water absorption level;
- drying shrinkage; and
- bending strength.

L-Joint and T-Joint

The L-Joint and T-Joint can be used at both the vertical and horizontal ends of a group of wall panels for connection, which are essential to the Target Group's wall panel system. The specifications of the joints are capable of customisation, in general according to the specification of the corresponding wall panels. The Target Group's Joint Bonding Adhesive shall be applied at the gap and the Target Group's Crackshield and cement shall be applied towards the recess to connect the joints and the panels.

The followings are the Target Group's L-Joint and T-Joint:






B. Wall panel system accessories and building materials

The Target Group's wall panel system accessories, including tools, chemicals and materials to be used in conjunction with the Target Group's precast wall panel system at their installation and application to enhance the performance of the Target Group's wall panel system, are sold under the brand "JOE Green" and are sold to the Target Group's customers who purchased or who installed the Target Group's wall panel system. The Target Group introduced wall panel system accessories after collecting feedbacks from its customers and end-users of the wall panel system. The Target Group studied its customers' needs and experience in respect of the installation of the Target Group's wall panel system and applied its own industry and technical know-how in identifying, selecting and fine-tuning the wall panel system accessories to be introduced.

The Target Group does not manufacture its wall panel system accessories but sources them from independent manufacturers from Malaysia and the PRC. The Target Group enters into agreements and purchase orders with the manufacturers to engage such manufacturers to produce wall panel system accessories for the Target Group. Such manufacturers are responsible for the design and production of the wall panel system accessories. The Target Group authorises its manufacturers to use the "JOE Green" brand solely in the wall panel system accessories to be supplied to the Target Group and the manufacturers are prohibited to sell such products with the "JOE Green" brand to any other third parties. To ensure the quality of the wall panel system accessories, the Target Group carefully selects its suppliers and its quality control department conducts various regular testing on a sampling basis before launching them for sales.

In addition, starting from 2018, the Target Group also sells lightweight expanded clay aggregate manufactured by its supplier to its customers in Indonesia. Such lightweight expanded clay aggregate is commonly used as a building material in the production of lightweight concrete.

Below are examples of the Target Group's wall panel system accessories and building materials:

Joint Bonding Adhesive

Joint Bonding Adhesive is a cement based adhesive used at the panels' tongue and groove joints to fill the gap between panels and panels. It is a pre-blend of cement, specially sized inert aggregates with polymer additives designed to match with the physical proprieties of the Target Group's wall panels.

Joint Bonding Adhesive is important to proper bonding and performance of the Target Group's wall panel system as it strengthens joint between panels and helps minimise cracks.

PU Foam Adhesive

PU Foam Adhesive is a self-expansion adhesive used to seal the top edge of the Target Group's wall panels to the supporting structures and joints. It is designed to cater for building movements, deflection and minimise vibration or thermal movement impact to the walls. It reduces impact of stresses and minimises damages and cracks to finishes and is fire retardant grade.

PU Foam Adhesive can also be used to fill gaps in other applications, such as door, window frames and other M&E installation openings.

Flexshield

Flexshield is a ready-to-use polymer render with bonding strength for skim coating, repairing, levelling, and refining the surfaces of the Target Group's wall panels. It is water based, fast curing and smooth tough coating which can be used on interior and exterior walls as a foundation coating prior to the application of painting.

Acryshield

Acryshield is a non-slump gap sealant used for crack repairs and as gap filler. It is paintable, environmentally friendly and forms a flexible and tough caulking upon application.

Crackshield

Crackshield is a wall panel joint tape designed for use with Joint Bonding Adhesive to reinforce joints and corners in the Target Group's wall panels. It can also be used for joint treatment at inner corner, outer corner, structural joints between column, beam and ceiling. It resists cracking and stretching and improves water resistant when used at external wall joints.

L Bracket, Sleeve Anchor and Stoppercap

L Bracket

Sleeve Anchor

Stoppercap

L Bracket, Sleeve Anchor and Stoppercap, which are designed to be used in conjunction with the Target Group's wall panel system, enhance the overall strength and stability.

Lightweight expanded clay aggregate

Lightweight expanded clay aggregate is a light weight aggregate made by heating clay in a rotary kiln. It is commonly used as a building material in the production of lightweight concrete.

CUSTOMERS

The Target Group has a stable customer base comprised of a broad range of customers including main contractors and sub-contractors, many of whom the Target Group have had a business relationship with from 1 year to 9 years.

For the three years ended 31 December 2018 and the five months ended 31 May 2019, approximately 97.4%, 87.1%, 60.6% and 88.9% of the Target Group's total revenue was generated from Singapore, respectively, and approximately 2.6%, 2.6%, 8.5% and 11.1% was generated from Malaysia, respectively.

As detailed in the section headed "Industry Overview" in this circular, there are various incentives in Indonesia encouraging investment in green building development. According to Frost & Sullivan, the market size of precast concrete wall panels by value in Indonesia experienced significant growth from IDR4,676.0 billion in 2013 to IDR7,582.8 billion in 2018, representing a CAGR of 10.2%. Frost & Sullivan expects that there is great potential growth in the adoption rate of precast concrete wall panels in Indonesia in future as the current rate is estimated to be approximately 20% and lower. Frost & Sullivan also expects the market size of precast concrete wall panels to surge at a CAGR of 9.7%, reaching IDR12,357.4 billion in 2023. The increase in demand in the Indonesia precast concrete wall panel market provides business opportunity to both local and nearby overseas precast concrete wall panels manufacturers. As Indonesia is an island country and is vast and widely scattered, some islands are far from Java Island, Indonesia's major industrial zone. Hence, according to Frost & Sullivan, the supply of construction materials of these islands relies on imports from neighbouring countries such as Singapore and Malaysia, where Batam, Indonesia is only 30km away from the Singapore Jurong port or 50 km away from the Malaysia-Johor jetty and it generally takes one day to transport the products to Indonesia by sea. Moreover, according to Frost & Sullivan, the overall production capacity of hollow-core panel is unable to meet the domestic demand. Hence, the PRC, Malaysia and Singapore are the three major importers of hollow-core panels for Indonesia. Also, the industrial standards including building and green building standards of Singapore are widely accepted by its neighbouring countries such as Indonesia, this provides for expansion opportunities for the Target Group into the Indonesia market.

Furthermore, the customised precast wall panels sold by the Target Group in Indonesia are water-proofed and some are made with lightweight expanded clay aggregate. As the Target Group's customised precast wall panels have a low water absorption level, customers in wet and earthquake region, e.g. Indonesia, may prefer to use the Target Group's products as opposed to conventional AAC block which are very porous and high water absorptive. In addition, the Target Group's customised precast concrete wall panels could be installed vertically. Together with the wall panel system accessories supplied by the Target Group, such as Joint Bonding Adhesive, PU Foam Adhesive, Crackshield etc., the Target Group's products are able to minimise the risk of cracking under seismic conditions. Therefore, the proposed Directors of the Target Group are of the view that there is a demand for the Target Group's products in Indonesia. During the Track Record Period, the Target Group has three customers in Indonesia, which includes a trader and distributor of building materials in Indonesia (i.e. Customer L) and two contractors of building materials in Indonesia. Customer L was the Target Group's largest customer in 2017 and 2018. Save for the business transactions with the three customers in Indonesia, there is no past or present relationship between the three customers, and the Target Group, its directors and shareholders, and any of their respective associates.

For the three years ended 31 December 2018 and the five months ended 31 May 2019, approximately nil, 10.3%, 25.6% and nil of the Target Group's revenue was generated from Indonesia, respectively. Although the Target Group did not generate any revenue from the Indonesia market for the five months ended 31 May 2019 as there were no on-going projects in Indonesia during that period, the Target Group has secured 2 new residential building construction projects and was in negotiation with potential customers for 9 building construction projects, of which 6 are commercial, 2 are residential and 1 is institutional, for the Indonesia market as at the Latest Practicable Date.

During the Track Record Period, the Target Group has one customer in Cambodia (i.e. Customer N) which is a main contractor in charge of main structure, decoration and furnishing in Cambodia. Customer N was a subsidiary of a Chinese state-owned enterprise and was the Target Group's third largest customer in 2018. Save for the business transactions with the customer in Cambodia, there is no past or present relationship between the customer, and the Target Group, its directors and shareholders, and any of their respective associates. As per the Frost and Sullivan Report, Cambodia does not have sufficient production capability for building materials to sustain its domestic infrastructure construction demand, since Cambodia relies on imports from neighbouring countries in Southeast Asia. For construction projects in Sihanoukville, Cambodia, i.e. where the Target Group's customer situates, they rely on hollow-core precast concrete panels imported from other countries in Asia, such as, Singapore, the PRC, Malaysia and Thailand, etc. Owing to the satisfactory quality of the Target Group's products and services, the Target Group began to sell its products to a Cambodia company which is an affiliated company of one of the Target Group's customers in Singapore as the Target Group's products are accredited with laboratory test certificates and meet the specific needs and functional requirements of this customer in Cambodia. Approximately 5.3% of the Target Group's total revenue for the year ended 31 December 2018 was generated from that Cambodia customer.

The Target Group enters into contract with its customers on a project basis and does not have long-term contracts, which is an industry norm. It is because main contractors and sub-contractors generally do not maintain long-term contract but enter into purchase agreements, or place orders, with their respective suppliers on a project basis in accordance with the requirements and specifications of individual projects. Therefore, the Target Group depends on its key strengths and strong brand reputation for repeat orders. The proposed Directors believe that the Target Group's leading market position, strong customer relationships, good quality and high performance products are keys to its success. Depending on the nature of buildings involved, the duration of projects typically range between 12 and 36 months.

During the year ended 31 December 2018 and the five months ended 31 May 2019, the Target Group's supplier of registered foreign workers to perform the Casting Services and Demonstration Services, MTM, was also a customer of the Target Group's products. MTM was incorporated in 2009 as a private company in Malaysia which principally engages in, among others, manpower supply and management consultancy services. Since 1 July 2017, the Target Group has engaged MTM for the provision of subcontracting services whereby MTM will send its registered foreign workers with valid work permits to carry out casting works; and (ii) install demo wall panels of the Target Group at the sites of the Target Group's customers or potential customers in Malaysia for demonstration and training purposes. Please refer to the paragraph headed "Raw Materials and Energy Supply – Sub-Contracting Arrangement during the Track Record Period" in this section for further details of the services provided by MTM to the Target Group. MTM has been registered with CIDB as a contractor in February 2018 and since then it has expanded its business to provide installation of precast wall panels services for main contractors in Malaysia. Hence, since 2018, MTM has also purchased precast wall panel systems from the Target Group and engaged the Target Group to provide design services for its installation business. The sub-contracting fees paid by the Target Group to MTM amounted to approximately 2.3%, 7.7% and 10.9% of the Target Group's cost of sales for the year ended 31 December 2017 and 2018 and the five months ended 31 May 2019, respectively. For the year ended 31 December 2018 and the five months ended 31 May 2019, the Target Group's sales to MTM accounted for approximately 0.9% and 3.5% of the Target Group's revenue for that year/period respectively. The gross profit and gross profit margin attributed to the Target Group's sales to MTM for the year ended 31 December 2018 and the five months ended 31 May 2019 was approximately S$0.1 million and 63.9% and S$0.1 million and 55.1%, respectively. The comparatively high gross profit margin generated from sales to MTM during the year ended 31 December 2018 as compared with that for the five months ended 31 May 2019 was because the Target Group provided design services to MTM in addition to sale of precast concrete wall panel system in 2018 which has a higher gross profit margin. Save and except for MTM, none of the Target Group's customer is also a supplier of the Target Group.

For the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, revenue from the Target Group's five largest customers amounted to approximately S$5.8 million, S$6.6 million, S$9.1 million, S$2.3 million and S$1.8 million, and accounted for approximately 23.4%, 33.6%, 42.2%, 31.8% and 32.5% of the Target Group's revenue, respectively. Revenue from the Target Group's largest customer for the same periods amounted to approximately S$2.1 million, S$1.9 million, S$4.8 million, S$0.6 million and S$0.5 million, and accounted for approximately 8.6%, 9.9%, 22.4%, 8.2% and 8.8% of the Target Group's revenue, respectively. The Target Group's largest customer in 2017 and 2018 was Customer L, a customer based in Indonesia. The Target Group sold customised precast wall panel system to Customer L in 2017 and 2018 for (a) a commercial construction project in Indonesia between October 2017 and December 2018 with a total contract sum of approximately S$2.2 million; and (b) a commercial/residential project in Indonesia between September 2018 and December 2018 with a total contract sum of approximately S$4.6 million. The proposed Directors consider that the Target Group had not relied on any particular customer during the Track Record Period.

The following table sets forth the Target Group's five largest customers for the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively:

For the year ended 31 December 2016

Customers	Approximate years of relationship	Type of customers	Method of payment	Revenue	% of the Target Group's total revenue for the relevant period	Credit term
				S$'000		
Customer C	7 years	main contractor/ developer, a BCA registered contractor (Grade A1 under General Building and Grade A1 under Civil Engineering) and a BCA licensed builder	cheque	2,138	8.6	30 days/ 40 days
Customer G	6 years	main contractor, a BCA registered contractor (including but not limited to Grade A1 under General Building and Grade A1 under Civil Engineering), a BCA licensed builder and is one of Singapore's oldest integrated building services companies	cheque	1,067	4.3	30 days
Customer D	7 years	main contractor, a BCA registered contractor (Grade A1 under General Building) and a BCA licensed builder	cheque	970	3.9	30 days
Customer I	6 years	main contractor, a BCA registered contractor (Grade A2 under General Building) and a BCA licensed builder	cheque	921	3.7	30 days
Customer J	9 years	main contractor, a BCA registered contractor (including but not limited to Grade A2 under General Building and Grade C3 under Civil Engineering) and a BCA licensed builder	cheque	713	2.9	30 days

For the year ended 31 December 2017

Customers	Approximate year of relationship	Type of customers	Method of payment	Revenue	% of the Target Group's total revenue for the relevant period	Credit term
				S$'000		
Customer L	2 years	trader and distributor of building materials in Indonesia	cheque	1,933	9.9	60 days
Customer K	4 years	main contractor, a BCA registered contractor (Grade A1 under General Building) and a BCA licensed builder	cheque	1,366	7.0	30 days
Customer C	7 years	main contractor/developer, a BCA registered contractor (Grade A1 under General Building and Grade A1 under Civil Engineering) and a BCA licensed builder	cheque	1,365	7.0	30 days/ 40 days
Customer M	6 years	main contractor/ developer, a BCA registered contractor (Grade A1 under General Building and Grade A2 under Civil Engineering), a BCA licensed builder and a subsidiary of a listed company which has operations in both Singapore and Australia	cheque	1,204	6.2	30 days
Customer B	7 years	main contractor, a BCA registered contractor (Grade A1 under General Building and Grade A1 under Civil Engineering), a BCA licensed builder and a listed company which has operations in both Singapore and Malaysia	cheque	696	3.5	60 days

For the year ended 31 December 2018

Customers	Approximate year of relationship	Type of customers	Method of payment	Revenue	% of the Target Group's total revenue for the relevant period	Credit term
				S$'000		
Customer L	2 years	trader and distributor of building materials in Indonesia	cheque	4,827	22.4	60 days
Customer Q	6 years	main contractor, a BCA registered contractor (Grade A1 under General Building and Grade A2 under Civil Engineering) and a BCA licensed builder	cheque	1,483	6.9	30 days
Customer N	2 years	main contractor in charge of main structure, decoration and furnishing in Cambodia and a subsidiary of a Chinese state-owned enterprise	telegraphic transfer	1,145	5.3	60 days
Customer O	5 years	main contractor, a BCA registered contractor (Grade C1 under General Building) and a BCA licensed builder	cheque	827	3.8	30 days
Customer P	7 years	main contractor, a BCA registered contractor (Grade A1 under General Building and Grade B1 under Civil Engineering), a BCA licensed builder and a subsidiary of a listed company which operates primarily in Singapore	cheque	805	3.7	COD/ 30 or 35 days

For the five months ended 31 May 2019

Customers	Approximate year of relationship	Type of customers	Method of payment	Revenue	% of the Target Group's total revenue for the relevant period	Credit term
				S$'000		
Customer B	7 years	main contractor, a BCA registered contractor (Grade A1 under General Building and Grade A1 under Civil Engineering), a BCA licensed builder and a listed company which has operations in both Singapore and Malaysia	cheque	497	8.8	60 days
Customer P	7 years	main contractor, a BCA registered contractor (Grade A1 under General Building and Grade B1 under Civil Engineering), a BCA licensed builder and a subsidiary of a listed company which operates primarily in Singapore	cheque	389	6.9	COD/30/35 days
Customer M	6 years	main contractor/developer, a BCA registered contractor (Grade A1 under General Building and Grade A2 under Civil Engineering), a BCA licensed builder and a subsidiary of a listed company which has operations in both Singapore and Australia	cheque	377	6.7	30 days
Customer AF	1 year	trader of construction materials and a subsidiary of a listed company which has operations predominantly in Malaysia	banker's acceptance	376	6.7	60 days
MTM	2 years	main contractor, subcontractor and man power supplier which operates primarily in Malaysia	cheque	195	3.5	60 days

As at the Latest Practicable Date, all of the Target Group's five largest customers were Independent Third Parties to the best knowledge of the Company and proposed Directors after due inquiries. As at the Latest Practicable Date, (to the best knowledge of the Provisional Liquidators) the Company, the proposed Directors and their respective associates do not hold any equity interests in any of the Target Group's five largest customers during the Track Record Period. During the Track Record Period, the Target Group has not had any material disagreement or dispute with any of its customers.

During the Track Record Period, the contracted value of the Target Group's projects varies from approximately S$950 to S$4.6 million, with an average contract size of approximately S$161,000. The following table sets forth the Target Group's ten largest projects (in terms of revenue contribution) during the Track Record Period:

For the year ended 31 December 2016

Project	Customer	Approximate year of relationship	Location	Date of commencement	Completion date	Contract sum	Revenue recognised during the year	% of the Target Group's total revenue for the relevant period
						S$'000	*S$'000*	
Project A	Customer I	6 years	Singapore	July 2015	December 2016	1,109	921	3.7
Project B	Customer C	7 years	Singapore	March 2015	June 2017	1,040	915	3.7
Project C	Customer D	7 years	Singapore	June 2016	June 2018	1,484	900	3.6
Project D	Customer U	6 years	Singapore	February 2016	March 2018	769	670	2.7
Project E	Customer B	7 years	Singapore	May 2016	May 2018	1,324	628	2.5
Project F	Customer K	4 years	Singapore	October 2016	December 2018	1,955	590	2.4
Project G	Customer C	7 years	Singapore	December 2015	August 2017	638	583	2.3
Project H	Customer G	6 years	Singapore	August 2014	August 2016	680	448	1.8
Project I	Customer G	6 years	Singapore	November 2014	October 2016	437	437	1.8
Project J	Customer R	5 years	Singapore	October 2014	December 2016	892	410	1.7

For the year ended 31 December 2017

Project	Customer	Approximate year of relationship	Location	Date of commencement	Completion date	Contract sum	Revenue recognised during the year	% of the Target Group's total revenue for the relevant period
						S$'000	*S$'000*	
Project K	Customer L	2 years	Indonesia	October 2017	December 2018	2,196	1,933	9.9
Project F	Customer K	4 years	Singapore	October 2016	December 2018	1,955	1,366	7.0
Project L	Customer M	6 years	Singapore	January 2017	February 2018	1,212	1,202	6.1
Project E	Customer B	7 years	Singapore	May 2016	May 2018	1,324	696	3.6
Project M	Customer C	7 years	Singapore	November 2016	March 2018	1,013	632	3.2
Project N	Customer F	6 years	Singapore	October 2015	March 2018	927	585	3.0
Project C	Customer D	7 years	Singapore	June 2016	June 2018	1,484	583	3.0
Project O	Customer C	7 years	Singapore	April 2016	July 2017	574	515	2.6
Project P	Customer R	5 years	Singapore	October 2016	December 2017	514	359	1.8
Project Q	Customer T	6 years	Singapore	June 2017	June 2018	507	324	1.7

For the year ended 31 December 2018

Project	Customer	Approximate year of relationship	Location	Date of commencement	Completion date	Contract sum *S$'000*	Revenue recognised during the year *S$'000*	% of the Target Group's total revenue for the relevant period
Project Z	Customer L	2 years	Indonesia	September 2018	December 2018	4,564	4,564	21.2
Project R	Customer N	2 years	Cambodia	December 2017	December 2018	1,145	1,145	5.3
Project S	Customer Q	6 years	Singapore	October 2017	November 2018	920	904	4.2
Project T	Customer V	1 year	Indonesia	October 2018	December 2018	682	682	3.2
Project U	Customer W	2 years	Malaysia	April 2018	January 2019	516	484	2.2
Project V	Customer O	5 years	Singapore	October 2017	August 2018	591	483	2.2
Project W	Customer X	4 years	Singapore	December 2017	May 2019	821	471	2.2
Project X	Customer K	4 years	Singapore	November 2017	February 2019	550	436	2.0
Project M	Customer C	7 years	Singapore	November 2016	March 2018	1,013	382	1.8
Project Y	Customer Y	8 years	Singapore	June 2017	June 2019	759	371	1.7

For the five months ended 31 May 2019

Project	Customer	Approximate year of relationship	Location	Date of commencement	Completion date	Contract sum *S$'000*	Revenue recognised during the period *S$'000*	% of the Target Group's total revenue for the relevant period
Project AB	Customer M	6 years	Singapore	October 2018	January 2020	1,450	377	6.7
Project AR	Customer AG	4 years	Malaysia	December 2018	September 2019	556	376	6.7
Project AS	Customer B	7 years	Singapore	June 2018	September 2019	446	320	5.7
Project AL	Customer P	7 years	Singapore	December 2018	August 2019	289	276	4.9
Project AA	MTM	2 years	Malaysia	May 2018	December 2019	2,013	195	3.5
Project AM	Customer B	7 years	Singapore	December 2018	December 2019	290	177	3.1
Project AN	Customer AH	4 years	Singapore	December 2018	September 2019	176	138	2.4
Project AO	Customer AI	7 years	Singapore	September 2018	June 2019	140	135	2.4
Project AP	Customer AJ	2 years	Singapore	March 2019	April 2019	130	130	2.3
Project AQ	Customer AK	2 years	Singapore	November 2017	October 2019	546	123	2.2

The following table sets forth the Target Group's ten largest on-going projects (in terms of the amount of revenue yet to be recognised) as at the Latest Practicable Date:

Project	Customer	Approximate year of relationship	Location	Date of commencement	Expected completion date	Contract sum	Revenue recognised during the Track Record Period and up to the Latest Practicable Date	Revenue yet to be recognised as at the Latest Practicable Date(Note)
						S$'000	*S$'000*	*S$'000*
Project AR (Phase 2)	Customer AL	less than 1 year	Indonesia	January 2020	August 2020	3,588	–	3,588
Project AR (Phase 1)	Customer AL	less than 1 year	Indonesia	August 2019	August 2020	3,588	644	2,944
Project AA	MTM	2 years	Malaysia	May 2018	May 2020	2,033	956	1,077
Project AT	Customer Q	6 years	Singapore	February 2020	June 2023	797	–	797
Project AC	Customer AA	1 year	Singapore	May 2019	December 2020	680	45	635
Project AD	Customer AB	6 years	Singapore	October 2019	December 2020	600	–	600
Project AS	Customer F	6 years	Singapore	October 2019	October 2022	578	7	571
Project AV	Customer AN	4 years	Singapore	December 2019	February 2021	567	–	567
Project AW	Customer AD	7 years	Singapore	February 2020	December 2021	527	–	527
Project AK	Customer AM	2 years	Singapore	October 2019	August 2022	522	3	519

Note: Revenue yet to be recognised is calculated by deducting the contract sum with the amount of revenue recognised up to the Latest Practicable Date. It is an estimated figure only and there is no guarantee that such revenue would be recognised in full in the future.

Repeated customers

During the Track Record Period, the Target Group has 104, 111, 80 and 68 repeated customers, who has repeatedly purchased from the Target Group for two consecutive years or more, for the year ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019 respectively. The revenue generated from the repeated customers for the year ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019 was approximately S$18.6 million, S$13.7 million, S$13.7 million and S$5.0 million, respectively, representing approximately 75%, 70%, 64% and 89% of the Target Group's total revenue for the respective period.

Construction projects

During the Track Record Period, over 500 completed commercial, industrial, residential and institution building construction projects in Singapore, Malaysia and Indonesia, etc. used the Target Group's precast concrete wall panel system. As at the Latest Practicable Date, the Target Group's precast concrete wall panel system were used in 199 on-going building construction projects. Set out below is the breakdown of the types of building construction projects using the Target Group's precast concrete wall panel system completed in the year ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2018 and 2019 respectively:

Types of buildings	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	Number of projects	*Approximate %*	*Number of projects*	*Approximate %*	*Number of projects*	*Approximate %*	*Number of projects*	*Approximate %*	*Number of projects*	*Approximate %*
Industrial	53	40.2	58	27.6	56	27.0	33	27.7	15	28.3
Commercial	28	21.2	44	21.0	46	22.2	24	20.2	9	17.0
Residential	32	24.2	51	24.3	68	32.9	41	34.5	19	35.8
Institutional	19	14.4	57	27.1	37	17.9	21	17.6	10	18.9
Total	132	100.0	210	100.0	207	100.0	119	100.0	53	100.0

Note: Industrial buildings mainly include factories and warehouses; commercial buildings mainly include office, shopping centres buildings, residential buildings mainly includes condominium, HDB flats and houses; institutional buildings relate to the public service sector and mainly includes schools, universities, hospitals, community centres, airports and other public facilities.

Set out below is the breakdown of the Target Group's revenue by project category:

Types of buildings	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	Revenue S$'000	*Approximate %*	*Revenue S$'000*	*Approximate %*	*Revenue S$'000*	*Approximate %*	*Revenue S$'000*	*Approximate %*	*Revenue S$'000*	*Approximate %*
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Industrial	7,668	30.9	5,432	27.8	3,431	15.9	1,237	17.4	1,712	30.3
Commercial	2,090	8.4	6,912	35.3	7,744	36.0	1,845	25.9	1,228	21.7
Residential	10,376	41.7	4,099	21.0	7,833	36.4	2,886	40.6	2,019	35.8
Institutional	4,713	19.0	3,109	15.9	2,521	11.7	1,146	16.1	691	12.2
Total	24,847	100.0	19,552	100.0	21,529	100.0	7,114	100.0	5,650	100.0

Set out below is the breakdown of the revenue generated in respect of private and public projects using the Target Group's precast concrete wall panel system:

Type of projects	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	Revenue	*Approximate*	*Revenue*	*Approximate*	*Revenue*	*Approximate*	*Revenue*	*Approximate*	*Revenue*	*Approximate*
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Private projects	17,957	72.3	13,818	70.7	16,710	77.6	5,015	70.5	4,708	83.3
Public projects	6,890	27.7	5,734	29.3	4,819	22.4	2,099	29.5	942	16.7
Total	24,847	100.0	19,552	100.0	21,529	100.0	7,114	100.0	5,650	100.0

As confirmed by the proposed executive Directors, the Target Group has not encountered any material project delays and/or loss making projects during the Track Record Period and up to the Latest Practicable Date.

Movement of the Target Group's backlog

The following table sets forth the movement of backlog of the Target Group's projects (which represents the total estimated contract value of works which remains to be completed pursuant to the terms of the outstanding contracts as at a certain date and assuming performance in accordance with the terms of the contract) during the periods indicated:

	Year ended 31 December			Five months ended 31 May	Period between 1 June 2019 up to Latest Practicable Date
	2016	**2017**	**2018**	**2019**	
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
Opening value of backlog as at the beginning of the relevant period	18,561	17,188	15,634	15,025	20,456
Value of new contracts *(Note 1)*	23,474	17,998	20,920	11,081	21,745
Revenue recognised *(Note 2)*	24,847	19,552	21,529	5,650	9,618
Closing value of backlog as at the end of the relevant period	17,188	15,634	15,025	20,456	32,583

	As at 31 December 2016	2017	2018	As at 31 May 2019	As at the Latest Practicable Date
Number of outstanding projects	88	150	80	152	199

Notes:

1. Value of new contracts means the total contract sum of new projects as at the end of the relevant period which were awarded to the Target Group and the increment in project value due to revision of contract sum for existing contracts during the relevant period.

2. Revenue recognised means the value of contract work recognised as revenue during the relevant period.

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.

Although the Target Group did not generate any revenue from the Indonesia market for the five months ended 31 May 2019 as there were no on-going projects in Indonesia during that period, the Target Group has secured 2 new residential building construction projects and was in negotiation with potential customers for 9 building construction projects, of which 6 are commercial, 2 are residential and 1 is institutional, for the Indonesia market as at the Latest Practicable Date.

PRODUCTION PROCESS OF PRECAST CONCRETE WALL PANELS

The Target Group's precast concrete wall panels are primarily manufactured from recycled materials including RCA and quarry dust and other materials including cement and sand. The precast concrete wall panels can be produced either manually or automatically. The finished products were then delivered to the customer's construction site for installation.

Production Process

There are 10 key stages in the production of the Target Group's precast concrete wall panels. The flow chart below outlines the key stages of the Target Group's production process:

(1) Screening and checking of the raw materials	Raw materials, including hardcore waste materials used for production of RCA, are screened after being transported to the Target Group's production plant while their quality will be inspected by the Target Group's quality control department. Raw materials below the Target Group's standards will be rejected.
(2) Production of RCA	RCA are produced at the crusher plant from hardcore waste materials supplied by the Target Group's supplier and wastes recycled from the Target Group's production process.
(3) Machine and yard preparation and pre-run inspection	The yard supervisor will set up the machineries and the yard floor based on the daily production schedule. The yard supervisor will inspect and check the machineries to be used and their settings before the production process commences.
(4) Preparation and testing of raw material mixture	After setting up the machineries, the yard supervisor will carry out an initial inspection on the yard floor surface condition and its settings and will record his findings on the pre-run inspection form. The on duty quality control inspector will carry out final inspection on the machineries and floor lines as well as re-examine the pre-run inspection form. The machineries are then ready for extrusion casting. Concrete mixture which contains RCA are batched at this stage. A series of concrete slump cone and moisture tests will be carried out to assess the concrete mix prepared from the raw materials. The moisture and the content of the concrete mix can be adjusted at this stage if necessary before proceeding to the next stage.
(5) Extrusion and casting	The concrete mixture will be placed into the extruder machines and compacted within the machines by manual feed or through automated extrusion production lines. Some of the casting works are performed by the Target Group's subcontractor, as detailed in the paragraph headed "Sub-contracting Arrangement during the Track Record Period" in this section.

↓

(6) Cutting and curing	The concrete panels are cut to the required lengths, packed into bundles and will then undergo preliminary natural curing, which will extend the hydration of cement and further strengthen the concrete panels. The resultant stiffened concrete will be lifted from the production lines when it has reached the targeted strength and sufficiently hardened for around 6 to 8 hours. A series of concrete sampling tests and non-destructive tests will be performed to assess the concrete's strength.
↓	
(7) Quality control inspection	The finished product lot will be inspected and examined and quality control check will be performed for the panels' dimensions, defects as well as their customised specifications.
↓	
(8) Marking, striking, lifting and storage	The Target Group's brand name, JOE Green, will be marked on the finished products as well as the casting date and name of the respective construction project. The finished products will then be stored at the curing and storage area adjacent to the Target Group's production line from 7 to 14 days generally while awaiting delivery.
↓	
(9) Pre-delivery inspection and delivery	Pre-delivery and final quality control inspection on the finished products will be performed by the logistics team and quality control department before delivery. All specifications of the finished products will be re-examined and order will also be reviewed before delivery. Finished products will then be delivered by trucks to the construction sites of the Target Group's customers as per their delivery instructions and schedules.
↓	
(10) Treatment and recycle of waste	Production wastes and damaged or rejected wall panels will be channelled back to the recycling machineries which will be crushed to produce RCA as "new" raw materials, or alternatively, damaged wall panels will be modified into shorter wall panels and then be repacked and reallocated to customers where possible.

Delivery, Installation and On-site Inspection

The Target Group is generally responsible for the delivery of its products to the customer's sites and relies on its sub-contracting truckload carriers for the delivery although in some instances, such as when the customers are more familiar with the local vicinity and customs clearance procedures, the customers may prefer to handle the transportation themselves. Hence, in 2017, when the Target Group first began its sales to Indonesia, such sales were conducted on an ex-warehouse basis. The Target Group transports its products from Singapore or Malaysia to its Indonesia customers in Batam, which is located approximately 30 km from the Singapore Jurong port or 50 km from the Malaysia-Johor jetty; and transports its products directly from its manufacturing plant in Malaysia (approximately 100km from the Malaysia-Johor jetty) to its Cambodia customer in Sihanoukville, which is located approximately 1,300 km from the Malaysia-Johor jetty. The Target Group's precast wall panels are transported to Indonesia and Cambodia by sea which generally take 1 day and 11-14 days, respectively. The transportation costs to Indonesia and Cambodia were generally around S$2.19-S$3.36 per m^2 and S$4.05 per m^2, respectively, depending on the size of the whole shipment and availability of scheduled ships. Except for two projects in Indonesia which were on an ex-warehouse basis, all other sales made by the Target Group are inclusive of transportation costs. In 2017, the transportation costs for sales to Indonesia were borne by the customers while in 2018, transportation costs incurred by the Target Group for delivering products to Indonesia and Cambodia amounted to approximately S$344,000 and S$323,000, respectively.

During the Track Record Period, several transportation companies were engaged by the Target Group. Such sub-contractors are responsible for the relevant customs procedures at the Malaysia and Singapore customs.

The Target Group is not responsible for the on-site assembly and installation of its wall panel system but will, if necessary and upon requests from the customers, arrange technical personnel to inspect and to provide guidance at the customers' sites.

RAW MATERIALS AND ENERGY SUPPLY

Major raw materials used in the Target Group's concrete wall panel production process include (i) RCA (produced from in-house crushing of (a) hardcore waste materials recycled from the demolition of old buildings and construction waste concrete material and waste from building material manufacturers; and (b) wastes recycled from production by the Target Group), (ii) quarry dust, (iii) cement and (iv) concreting sand, tensile wires and other additives, amongst which RCA, quarry dust and cement are the principal raw materials. The Target Group's concrete wall panels contain a minimum of 30% recycled material in its content.

The procurement department of the Target Group is responsible for the purchase of the Target Group's raw materials. Hardcore waste materials are screened after being transported to the Target Group's production plant while their quality will be inspected by the Target Group's quality control department to ensure that they comply with production requirements. Regular sample checks on the other raw materials will also be performed by the Target Group's quality control department.

The Target Group has maintained a stable and reliable source of raw materials and has maintained business relationship of at least five years with most of its major suppliers. The proposed Directors are not aware of any material impact from shortage of the Target Group's raw materials during the Track Record Period and up to the Latest Practicable Date.

The Target Group's production plant requires electricity as its main power source.

Set out below is a table illustrating the Target Group's breakdown of raw materials consumed during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	S$'000	*Approximate %*	*S$'000*	*Approximate %*	*S$'000*	*Approximate %*	*S$'000*	*Approximate %*	*S$'000*	*Approximate %*
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Hardcore waste materials and associated transportation costs *(Note 1)*	3	0.1	40	0.8	51	1.1	31	1.8	13	1.1
Quarry dust	242	4.5	168	3.5	89	1.9	84	5.0	–	–
Cement	3,329	62.5	2,086	43.6	1,821	39.1	840	49.5	695	59.7
Concreting sand	595	11.2	419	8.7	600	12.9	235	13.9	246	21.1
Tensile wires	277	5.2	324	6.8	359	7.7	133	7.8	93	8.0
Others *(Note 2)*	882	16.5	1,750	36.6	1,737	37.3	374	22.0	118	10.1
Total	5,328	100.0	4,787	100.0	4,657	100.0	1,697	100.0	1,165	100.0

Notes:

(1) Only taking into account the associated transportation costs in relation to hardcore waste materials purchased by the Target Group as the Target Group is not required to pay for the hardcore waste materials to be used for production of RCA.

(2) Including but not limited to chipping stone and other additives.

Set out below is a breakdown of the volume of the hardcore waste materials/RCA and quarry dust purchased/produced and consumed during the Track Record Period:

	Year ended 31 December			Five months ended 31 May
	2016	**2017**	**2018**	**2019**
Hardcore waste materials/RCA				
Opening stock (Kg'000)	16,568	7,265	1,679	311
Additions (Kg'000)				
– Purchased	2,612	22,855	29,856	7,753
– Produced	12,659	18,270	19,964	10,535
Total of purchased/produced waste (Kg'000)	15,271	41,125	49,820	18,288
Consumed (Kg'000)	(24,574)	(46,711)	(51,188)	(17,405)
Closing stock (Kg'000)	7,265	1,679	311	1,194
Approximate % of the total mass/content in the wall panels (%) *(Note)*	17.2	37.3	34.4	30.5
Quarry dust				
Opening stock (Kg'000)	430	289	277	–
Purchased (Kg'000)	38,024	26,707	12,703	–
Consumed (Kg'000)	(38,165)	(26,719)	(12,980)	–
Closing stock (Kg'000)	289	277	–	–
Approximate % of the total mass/content in the wall panels (%) (*Note*)	26.8	21.3	8.7	–

Note: The Target Group's concrete wall panels contain a minimum of 30% recycled material (RCA and quarry dust) in its total mass/content.

Included in the raw materials consumed by the Target Group during the Track Record Period are hardcore waste materials/RCA, quarry dust, cement, concreting sand, tensile wires and others, some of which, such as sand and quarry dust vary in sizes and qualities. Taking into consideration the quality and purchase price of each type of raw materials sourced by the Target Group, the Target Group has to adjust its formula for producing concrete wall panels (i.e. the proportion mix of different types of raw materials, including hardcore waste materials/RCA, quarry dust and concreting sand) from time to time to ensure concrete wall panels of high strength and good finished surface could be produced at a cost-effective way and at the same time being able to meet the minimum 30% recycled material (hardcore waste materials/RCA and quarry dust) in its total mass/content requirement.

Since 2017, the Target Group has adjusted its formula to increase the recycled material percentage of its concrete wall panels resulting in a significant increase in hardcore waste materials purchased and associated transportation costs. To improve the quality of the Target Group's concrete wall panels and to achieve cost efficiency, the Target Group has increased the usage of fine sand to substitute quarry dust resulting in a decrease in the amount of quarry dust purchased and consumed in 2017.

In 2018 and the five months ended 31 May 2019, the Target Group further adjusted its formula by further increasing the usage of concreting/manufactured sand to substitute quarry dust since manufactured sand is cheaper than fine sand and could achieve a much smaller and consistent particle sizing than quarry dust. As such, the Target Group purchased more concreting sand and less quarry dust in 2018 and even no quarry dust for the five months ended 31 May 2019.

The Target Group orders raw materials according to its monthly production plans as well as the storage space available. The Target Group's logistic team (warehouse) monitors the Target Group's production and inventory levels of raw materials on a daily basis. The Target Group normally maintains the inventory level of its raw materials (e.g. cement, quarry dust, hardcore waste materials or RCA, concreting sand and tensile wires) for production for about two to three days. The Target Group will place orders to replenish them, as needed, with the relevant suppliers located in Malaysia. It normally takes around one to two days to deliver the raw materials ordered to the Target Group's production plant.

Hardcore Waste Materials

The Target Group procures hardcore waste materials mainly recycled from demolition of buildings, construction waste concrete material and waste from building material manufacturers. During the Track Record Period, the Target Group sourced hardcore waste materials from three suppliers, including Tong Seng Fabricators Sdn Bhd. ("**Tong Seng**"), an Independent Third Party and a private company incorporated in Malaysia in 2009 situated in Johor Bahru, which is the Target Group's main supplier of hardcore waste materials. Tong Seng and/or its affiliate deliver hardcore waste materials to the Target Group's production plant by trucks in accordance with the Target Group's delivery schedule. Tong Seng and its affiliate principally engage in undertaking of construction and civil engineering works and provision of fabrication and engineering services. To the best knowledge of the proposed Directors, Tong Seng and/or its affiliate collect hardcore waste materials for recycle from various sources in Malaysia, including two ceramic manufacturers which are located within 60 km from the Target Group's production plant. The proposed Directors believe that the waste output of such manufacturers shall be sufficient to support the Target Group's consumption as the Target Group has not experienced any shortage in the supply of hardcore waste materials during the Track Record Period.

Under the arrangement throughout the Track Record Period, the Target Group is not being charged for the hardcore waste materials but is only charged for transportation costs which is determined by the weight of the hardcore waste materials being delivered. The transportation costs were negotiated and agreed occasionally, and remained unchanged at around RM5-6 (equivalent to approximately S$1.6–S$1.9) per tonne throughout the Track Record Period. No long-term agreement has been entered into between the Target Group and Tong Seng and the Target Group settles the transportation costs monthly. The Target Group has carried on such arrangement since 2012 and has maintained a stable and reliable source for its hardcore waste materials. To the best knowledge of the proposed Directors, it is understood that Tong Seng does not supply hardcore waste material to other manufacturers apart from the Target Group. During the Track Record Period, the Target Group did not encounter any shortage of hardcore waste materials.

Given that hardcore waste materials are waste from demolition of old buildings or by-product of constructions which do not have much recycle value other than being transformed into RCA, the proposed Directors believe that the sources of hardcore waste materials are readily available and are not limited across the region, and the possibility of shortage of supply of hardcore waste materials is remote. To the best knowledge of the proposed Directors, there are sufficient sources of hardcore waste materials for the Target Group and the Target Group's current supplier also collects hardcore waste materials from various sources in the region. The Target Group also sourced hardcore waste materials from another supplier before cooperating with the current supplier. As at the Latest Practicable Date, in addition to Tong Seng, the Target Group also sources hardcore waste materials from two other suppliers. The Target Group will continue to discuss with other potential suppliers to ensure stable supply of hardcore waste materials where necessary. As such, loss of any supplier would not have a significant adverse effect on the Target Group's business and operations if the Target Group is able to engage other suppliers before the termination of relationship.

Cement, Quarry Dust, Concreting Sand, Tensile Wire and Other Additives

The Target Group's cement, tensile wires, concreting sand and quarry dust and other additives are sourced from a number of different suppliers in Johor Bahru or Kuala Lumpur, Malaysia. The Target Group has not entered into long-term supply contracts with its suppliers of these raw materials. The Target Group usually enters into one-off contracts or purchase orders with the suppliers of these raw materials usually state the delivery arrangement, quantity and quality specifications, payment and pricing terms. The Target Group is generally required to make full payment for the raw materials within 30 to 60 days after delivery or upon the issuance of the relevant invoice by its suppliers. The Target Group usually settles the payment with its suppliers by cheque or bank transfer.

As the Target Group has numerous suppliers of each type of these raw materials and most of them are readily available in the market, the proposed Directors believe that there are sufficient alternative sources for these raw materials readily in the market and the Target Group is not reliant on the current suppliers and do not foresee any difficulty in obtaining any of these raw materials for the Target Group's production requirements in the near future.

Electricity

The Target Group obtains electricity on grid. During the Track Record Period, average on grid electricity price per KWH was approximately S$0.18, S$0.19, S$0.18 and S$0.19 for the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively and the total electricity costs amounted to approximately S$130,000, S$162,500, S$199,800 and S$80,700, respectively. Up to the Latest Practicable Date, the Target Group pays standard rates for its electricity. During the Track Record Period, the cost of purchasing electricity accounted for approximately 1.5%, 2.0%, 2.2% and 2.6% of the Target Group's total cost of sales respectively.

The proposed Directors are not aware of any material impact from shortage of electricity, if any, on the Target Group during the Track Record Period and up to the Latest Practicable Date.

Sub-Contracting Arrangement during the Track Record Period

Between 1 January 2016 and 30 June 2017, the Target Group has entered into annually-renewed subcontracting agreements with Amazana Capital. Amazana Capital was owned as to 50% by Mr. Widjaja and 50% by Ms. Lim respectively during the Track Record Period and as at the Latest Practicable Date. Under the subcontracting arrangement, the Target Group agreed to engage Amazana Capital as a sub-contractor to (i) carry out casting works (the "**Casting Services**"); and (ii) install demo wall panels of the Target Group at the sites of the Target Group's customers or potential customers in Malaysia for demonstration and training purposes (the "**Demonstration Services**"). 103 and 94 Amazana Capital's workers were involved as at 31 December 2016 and 30 June 2017, respectively. On 1 July 2017, such subcontracting arrangement between the Target Group and Amazana Capital has been terminated as the Target Group has engaged MTM, an Independent Third Party, who will send its registered foreign workers with valid work permits to perform the Casting Services and Demonstration Services.

The subcontracting fees were determined at arm's length negotiation with reference to workers' wages and with reference to the per unit cost of Amazana Capital as well as the expected volume of works. The Target Group was charged for subcontracting fee ranged from RM30 to RM36 per 10 sq.m. of wall panel for Casting Services and RM20 per 10 sq.m. of wall panel for Demonstration Services.

The Target Group's legal advisers as to Malaysian laws have confirmed that both of the said subcontracting arrangement between the Target Group and Amazana Capital, as well as the provision of the Casting Services and Demonstration Services by Amazana Capital, were legal and valid pursuant to the relevant Malaysian laws and regulations, including the laws and regulations relating to quota on foreign workers on the basis that (i) the sub-contracting arrangement is a legally recognised form of contractual transaction between two parties for performance of contractual work under which Amazana Capital invoices the Target Group for the works performed and the Target Group pays Amazana Capital a sub-contracting fee for the services performed; (ii) the Target Group does not employ any of the foreign workers for performing the sub-contracting works concerned; and (iii) the Target Group has taken steps to ensure that these foreign workers have valid work permits to work in Malaysia. Also, the Target Group has possessed all necessary licences, permits and approvals in respect of its operation, including the Casting Services and Demonstration Services.

Under the relevant Malaysian tax legislations, namely the Excise Act, 1976, Sales Tax Act, 1972, the Goods and Services Tax Act, 2016, Income Tax Act 1967, the Real Property Gains Tax Act, 1976 and the Investment Incentive Act 1986 as detailed in the section headed "Regulatory Overview" in Appendix V to this circular, as Amazana Capital and JOE Green Precast share common shareholders prior to the Reorganisation, JOE Green Precast were required to acquire or supply goods and services from Amazana Capital at arm's length price. In the event that the relevant tax authority in Malaysia has reason to believe that any goods, services and real property is acquired or supplied at a price which is either less than or greater than the price which it might have been expected to fetch if the parties to the transaction had been independent persons dealing at arm's length, it may substitute the transaction amount by an arm's length price in determination of the taxes or deductions allowed under the relevant legislations together with the imposition of a penalty for the amount of any shortfall in taxes paid.

The proposed Directors have confirmed that the fees associated with the Casting Services and Demonstration Services payable to Amazana Capital during the Track Record Period were determined at arm's length negotiation. The proposed Directors have also confirmed that, after taking into consideration the legal advice of the Target Group's legal advisers as to Malaysian laws, up to the Latest Practicable Date, there is no claim, proceeding or enquiry from the relevant tax authority in Malaysia on the Target Group's said subcontracting arrangement with Amazana Capital.

On 1 July 2017, the Target Group entered into a subcontracting agreement with MTM for a term of one year renewable on annual basis. MTM was incorporated in 2009 as a private company in Malaysia which principally engages in, among others, manpower supply and management consultancy services and has only engaged in the said subcontracting services since 2017. The Target Group is charged by MTM at the similar subcontracting fees as it was charged by Amazana Capital. The sub-contracting fees paid by the Target Group to MTM amounted to approximately 2.3%, 7.7% and 10.9% of the Target Group's cost of sales for the year ended 31 December 2017 and 2018 and the five months ended 31 May 2019, respectively. As at 31 May 2019, 95 MTM's workers were involved in the subcontracting arrangement.

In 2018 and the five months ended 31 May 2019, the Target Group has respectively also engaged three and one other sub-contractors, each an Independent Third Party, for the provision of manpower. The total sub-contracting fees incurred by the Target Group for services provided by the non-MTM sub-contractors amounted to approximately 1.2% and 1.0% of the Target Group's cost of sales for the year ended 31 December 2018 and the five months ended 31 May 2019, respectively. As at the Latest Practicable Date, the Target Group had two sub-contractors (including MTM).

Set out below are a summary of the principal terms of the prevailing sub-contracting arrangements:

- Services to be provided by the sub-contractors: The sub-contractors shall provide workers to the Target Group for carrying out the Casting Services and Demonstration Services

- Duration: 3 months to one year

- Basis for determining the subcontracting fees: For the subcontracting arrangement with MTM:

  – RM3.60 per m^2 for Casting Services

  – RM2.00 per m^2 for Demonstration Services

  For the subcontracting arrangement with the other sub-contractor:

  – a daily contract fee of approximately RM85 per worker or RM170 per worker for services provided during rest days or public holidays. Additional over-time charges of RM18 per hour may apply

- Termination: For the subcontracting arrangement with MTM:

  – either the Target Group or MTM may terminate the sub-contracting arrangement by 2-month prior notice

  For the subcontracting arrangement with the other sub-contractor:

  – either the Target Group or the sub-contractor may terminate the sub-contracting arrangement after three months

For the three years ended 31 December 2018 and the five months ended 31 May 2019, the subcontracting fees payable by the Target Group amounted to approximately S$0.8 million, S$0.6 million, S$0.8 million and S$0.4 million, respectively, accounting for approximately 9.2%, 7.5%, 8.9% and 11.9% of Target Group's cost of sales of the respective period respectively.

As at the Latest Practicable Date, approximately 78.6% of the Target Group's labour force is foreign labour, mainly from Indonesia. As at the Latest Practicable Date, the Target Group has utilised all its quota for foreign workers. Hence, by having such subcontracting arrangement the Target Group can increase its manpower during peak production period as per customers' demands and to enhance flexibility in allocating its manpower as and when required.

Set out below is the average costs associated with worker (per head) at the Target Group's production plant during the Track Record Period:

	Average costs per head
	S$
For the year ended 31 December 2016	7,613
For the year ended 31 December 2017	7,213
For the year ended 31 December 2018	9,131
For the five months ended 31 May 2019	8,076

Note: Average costs associated with worker is calculated by dividing the total labour costs (i.e. sum of direct labour costs and subcontracting fees) by average number of workers (i.e. sum of workers under the subcontracting arrangement and the Target Group's own workers). Total labour costs referred to total labour costs for the relevant period.

The average costs associated with workers (per head) decreased to approximately S$7,213 per head for the year ended 31 December 2017 as compared to the corresponding period in 2016. This is due to the decrease in the number of Amazana Capital's workers involved in 2017 as compared to 2016 as the Target Group's new workers joined in 2014 onwards, who were less skilled and considerably less committed at the beginning, were subsequently trained up and handled tasks more efficiently. This was also aided by the effect of the drop of the exchange rate of RM against S$. For the year ended 31 December 2018, due to resignation of some direct labour of the Target Group during the year, the Target Group paid additional salary to remaining workers who worked overtime. Hence, the average costs associated with workers (per head) increased to approximately S$9,131 per head for the year ended 31 December 2018. The average costs associated with workers (per head) decreased to approximately S$8,076 per head for the five months ended 31 May 2019 primarily because monthly production volume has decreased during the period and hence the Target Group paid less overtime charges and bonuses to its workers.

PRODUCTION PLANT

The Target Group's production plant is located at Johor Bahru, Malaysia with a site area of approximately 34,400 sq.m.. The Target Group's production plant is 30 km away from the Malaysia-Singapore border. The production plant was owned by the Target Group.

As at the Latest Practicable Date, the Target Group had 3 automated production lines and 3 manual production yards in its production plant which in aggregate possess a maximum annual production capacity of approximately 1.7 million sq.m. of concrete wall panel and one recycled aggregate crushing plant. The Target Group's automated production lines are designated for standardised wall panels but can also be programmed for production of customised wall panels of less than 3.3 m long in bulk volume.

During the production process as detailed in the paragraph headed "Production Process of Precast Concrete Wall Panels – Production Process" above, the Target Group's production line can carry out the second stage to the sixth stage concurrently. The average length of the Target Group's production cycle is approximately seven hours without taking into accounting the time needed for curing process which usually takes at least seven days.

As advised by the Target Group's legal advisers as to Malaysian laws, the Target Group has obtained the necessary permits and approvals in respect of its production plant and operations at the its production plant in Johor Bahru, Malaysia. Please refer to Appendix V "Regulatory Overview" to this circular for further details of the applicable laws and regulations in respect of the Target Group's operations in Malaysia.

During the Track Record Period and up to the Latest Practicable Date, the Target Group has not experienced any major breakdown of any production equipment which resulted in material impact on its normal operations and productions.

The following table sets out the production capacities, actual production volumes and utilisation rates during the Track Record Period:

	Annual production capacity *(m^2)*	**Actual production** *(m^2)*	**Utilisation rate** *(%)*
For the year ended 31 December 2016	1,412,580	1,237,395	87.6
For the year ended 31 December 2017	1,581,060	977,730	61.8
For the year ended 31 December 2018	1,665,300	1,135,834	68.2
For the five months ended 31 May 2019	1,665,300	434,172	62.6

Note: Calculated with the assumption that the production plant is operated for 15 hours (1.5 shifts) per day and for 312 days per year (equivalent to 26 days per month), which is the designed annual production capacity of the Target Group's production plant.

During the Track Record Period, the utilisation rate of the Target Group's production plant ranged from approximately 61.8% to 87.6%. The Target Group's production plant is designed to operate for 15 hours per day and over 312 days per year through continuous operations (except for annual examinations, testing and repairs). As the Target Group's customised wall panels are all made to order and the Target Group does not keep inventory for its customised wall panels, the Target Group's actual production volume is closely linked to its sales volume. During the Track Record Period, the Target Group has not fully utilised its production capacity due to limitation on the Target Group's storage space in its existing production plant and also to reserve the buffer for customers' possible urgent order. The decrease in utilisation rate from approximately 87.6% for the year ended 31 December 2016 to approximately 61.8% for the year ended 31 December 2017 was in line with the decrease in the sales volume of customised precast concrete wall panel system and Joint Bonding Adhesive from 947,312 m^2 and 197,293 bags in 2016 to 737,428 m^2 and 194,582 bags in 2017, respectively, as a result of the delays in project execution in Singapore, which led to a decrease in progress payment and value of construction projects awarded in 2017. The increase in utilisation rate from approximately 61.8% for the year ended 31 December 2017 to approximately 68.2% for the year ended 31 December 2018 was primarily due to increase in overseas sales to Cambodia. The decrease in utilisation rate from approximately 68.2% for the year ended 31 December 2018 to approximately 62.6% for the five months ended 31 May 2019 was primarily due to 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 for the five months ended 31 May 2019 as compared with the same period in 2018 primarily due to delay in commencement of construction of its customers' potential projects in Indonesia and no new projects have been secured by the Target Group in Cambodia during the five months ended 31 May 2019.

EXPANSION PLAN

As the Target Group's customised wall panels are all made to order and the Target Group does not keep inventory for its customised wall panels, the Target Group's actual production volume is closely linked to its sales volume. As such, the utilisation rate of the Target Group's production plant was only approximately 61.8% and 68.2% in 2017 and 2018 respectively primarily due to the adverse developments in the construction industry and precast concrete wall panels industry in Singapore in 2017 and 2018. The utilisation rate of the Target Group's production plant dropped to approximately 62.6% for the five months ended 31 May 2019 primarily due to 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 for the five months ended 31 May 2019 as compared with the same period in 2018 primarily due to delay in commencement of construction of its customers' potential projects in Indonesia and no new projects have been secured by the Target Group in Cambodia during the five months ended 31 May 2019. However, according to Frost & Sullivan (after taken into consideration the investment in construction industry and expenditure on procurement of construction materials in Singapore, which is associated with progress payment in construction projects), the market size of precast concrete wall panels by sales value in Singapore will increase from approximately S$49.2 million in 2018 to approximately S$51.1 million in 2019 and further to approximately S$67.2 million in 2023. Together with the Target Group's penetration into other markets, such as Malaysia and Indonesia, which Frost & Sullivan expects the respective market size ofprecast concrete wall panels will grow at a CAGR of 7.9% and 9.7% between 2019 and 2023, respectively, the Target Group expects there will be an increase in the demand for its products and it is necessary for the Target Group to expand its production capacity. For instance, the Target Group has secured 2 new residential building construction projects and was in negotiation with potential customers for 9 building construction projects, of which 6 are commercial, 2 are residential and 1 is institutional, for the Indonesia market as at the Latest Practicable Date. Based on the sales contracts and purchase orders secured by the Target Group as at the Latest Practicable Date, the Target Group is expected to produce approximately 1,443,878 m^2 of precast concrete wall panels for the year ending 31 December 2019 which translates to a utilisation rate of approximately 86.7% of the Target Group's production plant. Having considered the expected growth in the precast concrete wall panels markets in Singapore, Malaysia and Indonesia and the potential sales contracts to be secured by the Target Group, the Target Group expects that the utilisation rate of its production plant will exceed 100% for the year ending 31 December 2019 (calculated based on the Target Group's annual production capacity for the year ended 31 December 2018 (i.e. 1,665,300 m^2)). Hence, it is necessary for the Target Group to expand its production capacity.

The Target Group has acquired a parcel of land near its existing production plant in Johor Bahru, Malaysia in February 2017 for which the Target Group intends to integrate with the existing production plant by relocating the RCA crushing equipment and machinery to the new parcel of land, while 2 new production yards with new machineries and equipment are intended to be added to the existing production plant with an aim to increase the maximum annual capacity to approximately 1.8 million sq.m.

It is expected that the expansion plan will be completed by the second quarter of 2020 with an estimated budget of RM15 million (equivalent to approximately S$4.9 million translated at the exchange rate of S$1:RM3.04), which will be funded from the Target Group's internal funding, bank borrowings and, if necessary, potential future fund raising activities. To fund the expansion plan, the Target Group obtained a S$5.7 million 15-year term loan from a bank in Singapore which carries an interest rate of 1.1% per annum above the lending bank's cost of funds for interest period of one month. As at the Latest Practicable Date, approximately S$1.4 million of the term loan has been drawn down. Please refer to the section headed "Financial Information of the Target Group – Events After the Reporting Period" in this circular for further details.

The Target Group currently expects the new production plant will be managed and run by 17 workers, all based in Malaysia. These workers will mainly be foreign labour from Indonesia, either directly employed by the Target Group through applying for and utilising its quota for foreign workers or the Target Group will enter into subcontracting arrangement with sub-contractors for provision of manpower. As at the Latest Practicable Date, the Target Group has utilised all its quota for foreign workers. Nevertheless, the Target Group is in the process of applying for additional quota, and it is expected that the application will be approved by the relevant authorities prior to the commencement of operation of the new factory. Please refer to the paragraph headed "Sub-Contracting Arrangement during the Track Record Period" in this section for further details on the sub-contracting arrangement.

In June 2019, the Target Group issued a letter of award to a contractor for the construction of the production plant and it is expected that the construction of the production plant will be completed by the second quarter of 2020.

QUALITY CONTROL

The Target Group's production process was accredited with ISO 14001:2004 certification in respect of its environmental management system, ISO 9001:2008 certification in respect of its quality management system and OHSAS 18001:2007 certification in respect of its occupational health and safety management system.

The Target Group places strong emphasis on quality management to ensure that the quality of the products comply with relevant Singapore and Malaysia regulations, ISO requirements and to maintain the Target Group's reputation and market standing. The Target Group ensures quality and reliability of product through its quality management system which covers the Target Group's entire production process from the procurement of raw materials, to the production process, and until the delivery of its finished products to its customers. The Target Group performs quality control and testing on raw materials, semi-products, production processes as well as finished products, to ensure they meet the Target Group's quality requirements as well as the industry standards.

The Target Group's quality control department, which is led by the quality control manager, is responsible for the entire quality control process. The Target Group's entire quality control process is overseen by the quality control manager and performed by the team members. Throughout the production process, not only the Target Group's quality control staff but also the yard supervisors are involved in the quality control process and they are authorised to suspend the production processes if any issues are identified during the production process.

The Target Group performs quality checks at:

(i) the pre-production stage – where (a) the raw materials, including but not limited hardcore waste materials, quarry dust, cement, sand, and tensile wire will be checked for their qualities upon receipt; and (b) the mixture ratio and moisture content of the raw concrete mixture will be checked;

(ii) during the production process – where quality checks will be performed during the extrusion, curing and cutting and lifting of the precast wall panels for the content, specifications, moisture and strength of the semi-finished precast wall panels as well as checking if there are cracks or defects; and

(iii) after the production – dimension, surface flatness, tolerance, vertical alignment, surface finishing, packaging and compressive strength of the finished precast panels will be examined after the lifting stage and before delivery.

The Target Group's laboratory is equipped with various testing equipment at the Target Group's production facilities for its quality control department to conduct quality testing and maintain quality control.

Any raw materials that do not meet the Target Group's requirements will be rejected upon delivery after inspection. All of the Target Group's substandard products would be reprocessed and/or recycled. The Target Group's finished products are inspected and tested by applying a variety of Singapore, British and European national standards prior to delivery, including but not limited to SS492:2001, BS476 and BS EN772 standards relating to compressive strength and concrete performance and conformity.

INVENTORY CONTROL

The Target Group generally receives orders from its customers from two weeks to one month in advance and formulates its daily and weekly production plan and accordingly plans its production and manages its inventory level.

The Target Group does not keep inventory for its customised wall panels as all of them are made to order. The Target Group in general maintain an inventory level of between (i) 14 to 21 days for its standardised wall panels; (ii) 14 to 21 days for Joint Bonding Adhesive; and (iii) 3 to 12 months for other wall panel system accessories. The Target Group's logistics team (warehouse) closely monitors its daily production so as to avoid piling up of inventory levels of raw materials and finished goods.

The table below sets out the breakdown of inventories as at 31 December 2016, 2017 and 2018 and 31 May 2019:

	As at 31 December						As at 31 May	
	2016		2017		2018		2019	
	S$'000	*Approximate %*	*S$'000*	*Approximate %*	*S$'000*	*Approximate %*	*S$'000*	*Approximate %*
Raw materials	76	6.0	170	16.0	144	12.9	239	14.0
Spare parts	443	35.1	374	35.2	563	50.6	742	43.6
Finished goods	744	58.9	519	48.8	406	36.5	721	42.4
Total	1,263	100.0	1,063	100.0	1,113	100.0	1,702	100.0

During the three years ended 31 December 2018 and the five months ended 31 May 2019, the Target Group's inventory turnover days was approximately 35 days, 52 days, 43 days and 69 days, respectively.

SUPPLIERS

The Target Group orders raw materials according to its monthly production plans. The Target Group is generally required to make full payment for the raw materials within 30 to 60 days after delivery or upon the issuance of the relevant invoice by the suppliers, depending on the terms agreed with the suppliers.

The Target Group has maintained a stable and reliable source of raw materials. The Target Group has business relationship of at least five years with most of its major suppliers. During the Track Record Period, the Target Group purchased most of the required raw materials for the manufacturing of its wall panels in Malaysia and such purchases were settled in Malaysia Ringgit. As disclosed in the paragraph headed "Raw Materials and Energy Supply" above, the Target Group did not enter into long-term agreement with its suppliers in order to maintain flexibility and it was in line with industry practice.

The following table sets forth the Target Group's five largest suppliers for the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively:

For the year ended 31 December 2016

Suppliers	Approximate years of relationship	Type of suppliers	Method of payment	Purchases	% of the Target Group's total cost of sales for the relevant period
				S$'000	
Supplier C	6 years	Supplier of cement	Bank transfer	2,885	33.0%
Supplier E	6 years	Supplier of sand	Bank transfer	629	7.2%
Supplier D	7 years	Supplier of bonding adhesive	Bank transfer	472	5.4%
Supplier A	5 years	Supplier of cement	Bank transfer	433	5.0%
Supplier F	5 years	Supplier of bonding adhesive	Bank transfer	393	4.5%

For the year ended 31 December 2017

Suppliers	Approximate year of relationship	Type of suppliers	Method of payment	Purchases	% of the Target Group's total cost of sales for the relevant period
				S$'000	
Supplier C	6 years	Supplier of cement	Bank transfer	1,764	21.5%
Supplier G	5 years	Supplier of bonding adhesive	Bank transfer	626	7.6%
Supplier E	6 years	Supplier of sand	Bank transfer	420	5.1%
Supplier I	6 years	Supplier of wire	Bank transfer	312	3.8%
Supplier A	5 years	Supplier of cement	Bank transfer	292	3.6%

For the year ended 31 December 2018

Suppliers	Approximate year of relationship	Type of suppliers	Method of payment	Purchases	% of the Target Group's total cost of sales for the relevant period
				S$'000	
Supplier C	6 years	Supplier of cement	Bank transfer	1,783	19.3%
Supplier D	7 years	Supplier of bonding adhesive	Bank transfer	677	7.3%
Supplier I	6 years	Supplier of wire	Bank transfer	366	4.0%
Supplier J	1 year	Supplier of sand	Cheque	353	3.8%
Supplier F	5 years	Supplier of bonding adhesive	Bank transfer	279	3.0%

For the five months ended 31 May 2019

Suppliers	Approximate year of relationship	Type of suppliers	Method of payment	Purchases	% of the Target Group's total cost of sales for the relevant period
				S$'000	
Supplier C	6 years	Supplier of cement	Cheque	695	22.5%
Supplier J	1 year	Supplier of sand	Cheque	246	8.0%
Supplier K	1 year	Supplier of light weight aggregate	Telegraphic transfer	228	7.4%
Supplier L	1 year	Supplier of spare parts	Telegraphic transfer	203	6.6%
Supplier D	7 years	Supplier of bonding adhesive	Cheque	185	6.0%

For the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, the purchases from the Target Group's top five largest suppliers amounted to approximately S$4.8 million, S$3.4 million, S$3.5 million, S$1.6 million and S$1.6 million, respectively, which constituted approximately 55.1%, 41.6%, 37.5%, 47.4% and 50.3% of the Target Group's total cost of sales, respectively. During the same period, the purchases from the Target Group's largest supplier amounted to approximately S$2.9 million, S$1.8 million, S$1.8 million, S$0.8 million and S$0.7 million, respectively, which constituted approximately 33.0%, 21.5%, 19.3%, 23.4% and 22.5%, respectively.

As at the Latest Practicable Date, all of the Target Group's five largest suppliers were Independent Third Parties to the best knowledge of the Company and proposed Directors after due inquiries. As at the Latest Practicable Date, (to the best knowledge of the Provisional Liquidators) the Company, the proposed Directors and their respective associates do not hold any equity interests in any of the Target Group's five largest suppliers during the Track Record Period.

KEY CONTRACT TERMS WITH CUSTOMERS

The Target Group enters into contracts with its customers on a project basis. Generally, the contracts with the Target Group's customers contain terms relating to the contract price, total quantity, specifications of the Target Group's wall panel systems, payment method and credit terms, logistics requirements, insurance requirements and variation and termination clauses. The Target Group's customers will issue purchase orders according to the progress of their construction projects which will set out the delivery schedules and quantity to be delivered per each order.

The Target Group's contracts with its customers typically contained the following salient terms:

Pricing terms

The final unit prices for the Target Group's products are determined at the direct negotiation stage. For further details of the Target Group's pricing policy, please refer to the paragraph headed "Pricing Policy" below in this section.

Payment method and credit terms

The Target Group typically allows credit term from 30 days to 60 days to its customers, depending on the negotiation.

The Target Group's customers settle payments mainly by cheque or telegraphic transfers. Sales in Singapore are denominated and settled in Singapore dollars while sales in Malaysia are denominated and settled in Ringgit. Overseas sales to Indonesia and Cambodia are denominated and settled in Singapore dollars and US dollars, respectively. For further details of the Target Group's trade receivables, please refer to the section headed "Financial Information of the Target Group – Trade and other receivables" in this circular.

Warranty/Maintenance Period

The warranty/maintenance period provided in some of the Target Group's contracts is 12 to 18 months. Please refer to the paragraph headed "Product Returns and Warranty" in this section for details.

Delivery and transportation

The Target Group is generally required to deliver the products to its customer's sites according to the delivery schedule to be agreed between the parties to facilitate on-site installation and assembly. The respective transportation costs are usually borne directly by the customers and are included in the unit price. Extra transportation costs will be charged if lorry crane is required. Except for two projects in Indonesia which were on an ex-warehouse basis, all other sales made by the Target Group are inclusive of transportation costs.

In some instances when the customers are more familiar with the local vicinity and customs clearance procedures, the customers may prefer to handle the transportation themselves. Hence, in 2017, when the Target Group first began its sales to Indonesia, such sales were conducted on an ex-warehouse basis. The Target Group transports its products from Singapore or Malaysia to its Indonesia customers in Batam, which is located approximately 30 km from the Singapore Jurong port or 50 km from the Malaysia-Johor jetty. The Target Group's precast wall panels are transported to Indonesia by sea which generally takes one day. The transportation cost to Indonesia is generally around S$2.19 – S$3.36 per m^2 depending on the size of the whole shipment and availability of scheduled ships. In 2017, the transportation costs were borne by the customers while in 2018, the Target Group incurred transportation costs of approximately S$344,000 for delivering products to Indonesia.

In respect of sales to Cambodia, the Target Group transports its products directly from its manufacturing plant in Malaysia (approximately 100km from the Malaysia-Johor jetty) to its Cambodia customer in Sihanoukville, which is located approximately 1,300 km from the Malaysia-Johor jetty. The Target Group's precast wall panels are transported to Cambodia by sea which generally takes 11-14 days. The transportation costs to Cambodia were generally around S$4.05 per m^2. Sales to Cambodia was made under CIF term to the destination port and the Target Group incurred transportation costs of approximately S$323,000 for its sales to Cambodia in 2018.

PRICING POLICY

When determining the selling price of products, the Target Group uses a cost plus approach and also considers a number of factors which are mainly based on market acceptance and assessment of market value of its products. The Target Group also considers factors such as (i) the costs of raw materials, labour and transportation costs; (ii) specifications of customised wall panels and order volume; (iii) type of projects and customers' creditability; and (iv) selling price of other building materials including similar products by its competitors. While the Target Group has a listed selling price range for its products, the Target Group's sales team may, depending on the circumstances with permissible scope, offer certain discounts to its customers at negotiation stage before entering into the sales contracts.

As the Target Group enters into sales contract with its customers on project basis, the amount of sales contracts obtained by the Target Group is therefore not subject to any seasonal fluctuation.

According to Frost & Sullivan, the market size of precast concrete wall panels by sales value in Singapore was approximately S$56.3 million, S$48.7 million and S$49.2 million in 2016, 2017 and 2018, respectively. The decrease in the average selling prices of the Target Group's products throughout the Track Record Period was primarily due to (i) the general decrease in market size of the Singapore market where a majority of the Target Group's revenue were generated from; (ii) no revenue was generated from the Indonesia market during the five months ended 31 May 2019 due to 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 the products sold to Indonesia had different specifications and customised features such as water-proof features; and (iii) the Target Group offered competitive selling prices to its customers for standardised precast concrete wall panels during the five months ended 31 May 2019. In addition, the fluctuations in the price of the Target Group's standardised wall panels and customised wall panels are mainly due to the different specifications as well as customisation features, for example, the numbers and diameter of hollow-cores, whether with or without tensile wire and whether with or without water-proof features.

Sales Volume, Price Range and Average Selling Price

During the Track Record Period, the sales volume, price range and average selling prices of the Target Group's wall panel systems and Joint Bonding Adhesive are as follow:

	Year ended 31 December									Five months ended 31 May					
	2016			2017			2018			2018			2019		
	Sales volume	Price range S$/m² or S$/bag	Average selling price S$/m² or S$/bag	Sales volume	Price range S$/m² or S$/bag	Average selling price S$/m² or S$/bag	Sales volume	Price range S$/m² or S$/bag	Average selling price S$/m² or S$/bag	Sales volume	Price range S$/m² or S$/bag	Average selling price S$/m² or S$/bag	Sales volume	Price range S$/m² or S$/bag	Average selling price S$/m² or S$/bag
Standardised precast concrete wall panel system	190,283 m²	9.00 – 37.00	17.08	202,995 m²	9.60 – 37.00	15.47	216,253 m²	8.50 – 34.00	14.38	97,236 m²	8.50 – 34.00	13.16	87,215 m²	8.20 – 33.50	12.27
Customised precast concrete wall panel system	947,312 m²	9.00 – 56.67	19.96	737,428 m²	9.50 – 53.33	18.00	859,088 m²	8.50 – 58.00	17.32	308,436 m²	9.00 – 40.00	15.04	262,297 m²	7.55 – 36.00	13.97
Joint Bonding Adhesive	197,293 bags	3.90 – 14.10	12.39	194,582 bags	8.00 – 13.90	11.33	200,476 bags	7.00 – 10.50	9.93	88,693 bags	7.20 – 10.50	10.16	67,566 bags	7.00 – 11.80	9.05

The broad price range of the Target Group's products are mainly because the Target Group sets its selling prices with reference to, among others, the specifications of the wall panels, order volume, type of projects, etc. Please refer to the paragraph headed "Pricing Policy" in this section for further details.

Sensitivity Analysis

For illustration purpose only, the following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in the average selling price of the Target Group's wall panel system (i.e. around S$19.5, S$17.5, S$16.7 and S$13.2 for the year ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, respectively) on the Target Group's revenue and gross profit during the Track Record Period. The proposed Directors considered reasonable to adopt 6% and 12% as the hypothetical fluctuation rates for the purpose of this sensitivity analysis, after considered the average rate of fluctuation of the average selling prices during the Track Record Period:

Hypothetical fluctuations in average selling price	**Increase/decrease by 6%**	**Increase/decrease by 12%**
	S$'000	*S$'000*
Change in revenue		
For the year ended 31 December 2016	26,338/(23,356)	27,829/(21,865)
For the year ended 31 December 2017	20,716/(18,388)	21,879/(17,225)
For the year ended 31 December 2018	22,807/(20,250)	24,805/(18,972)
Five months ended 31 May 2019	5,981/(5,319)	6,312/(4,988)
Change in gross profit		
For the year ended 31 December 2016	17,058/(15,126)	18,023/(14,161)
For the year ended 31 December 2017	12,027/(10,682)	12,700/(10,010)
For the year ended 31 December 2018	13,242/(11,765)	13,981/(11,026)
Five months ended 31 May 2019	2,702/(2,408)	2,849/(2,261)

SALES AND MARKETING

In the earlier years, the Target Group's customers typically come to know of the Target Group by word-of-mouth or are repeat customers who invite it to quote for their new construction projects. With the Target Group's participation in seminars, road shows, active sales and circulation of company's sales brochures, since 2006, it has managed to maintain a substantial list of regular and new customers, having completed over 500 projects up to the Latest Practicable Date.

The Target Group did not participate in bidding or public tenders to obtain sale contracts as generally in Singapore, only main contractors participate in bidding or public tenders in respect of construction projects and the Target Group only supplies wall panels and accessories to main contractors and sub-contractors. Once such main contractors and sub-contractors were awarded their contracts, they invite their suppliers, such as the Target Group, for fee quote for various supply contracts for the required materials.

The Target Group directly sells its products to its customers. The Target Group's marketing strategy is to connect all key decision makers in the purchasing process. The Target Group targets regional builders, contractors, project consultants and developers which provide exposure to each of the Target Group's end markets. The Target Group's team of marketing and sales personnel is responsible for closely monitoring the markets, and the business development and marketing activities of the participants of the construction industry in Singapore. The Target Group's team of sales and marketing personnel is also responsible for formulating and implementing sales and marketing strategies and making sales, including preparing marketing materials, conducting marketing campaigns, recommending selling prices and coordinating and monitoring the Target Group's relationship with the customers, relevant government authorities and the media. They are also responsible for liaising with customers and collecting their feedback. As at the Latest Practicable Date, the Target Group had 5 staff (2 in Malaysia, 3 in Singapore) responsible for its marketing activities. The Target Group's sales teams in Singapore and Malaysia also assist in the sales and marketing activities to the Indonesia and Cambodia markets.

In addition, the Target Group's marketing and sales personnel also visit potential new customers with a view to developing new business opportunities. The Target Group produces a range of product literature, including brochures and technical guides relating to the specification and use of the products, which are available in hard copy or through its website to customers and end users. The Target Group also provides potential new customers with product samples upon their request for inspection and comparison.

PRODUCT RETURNS AND WARRANTY

Should there be any defects, deficiencies or quality mismatches identified in the course thereof which renders the Target Group's products unfit for use, the Target Group is normally responsible for the replacement of the products concerned. The Target Group will, if necessary and upon requests from the customers, arrange technical personnel to inspect and perform testing procedures at the customer's site to check for such defects, as well as to provide immediate technical solutions to rectify the defects where possible, before arranging any replacement of products. Save as disclosed in the paragraph headed "Legal Proceedings and Non-Compliance" in this section, the Target Group has not encountered any material property damage or personal injury incidents caused by the use of the Target Group's products during Track Record Period. The proposed Directors believe that the Target Group's quality control system can effectively prevent the occurrence of such incidents in future.

The warranty/maintenance period provided in some of the Target Group's contracts is 12 to 18 months, if the same was requested by the Target Group's customers during the negotiation stage and was usually as per the requirements of the developers or due to the size of the projects. If during the warranty period, there are quality issues in respect of the Target Group's products on account of the fault of the Target Group, the Target Group will be required to replace the defective products or to rectify the defects at no cost. In some cases and subject to negotiation with the Target Group's customers, a retention sum of 2.5% of the total purchase amount may be held by the customer until the completion of the Target Group's customer's project. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of the proposed Directors, there is no major defects of the product itself in regards of its quality, but only issues resulted from installation or transportation, e.g. there are insufficient grouting and/or due to external effect such as vibration and disturbance from M&E or sequential work activities. The proposed Directors confirmed that there had been no significant losses suffered or costs incurred during the Track Record Period and up to the Latest Practicable Date as a result of customers' complaints and claims, either actual or threatened, against the Target Group in relation to problems with the quality of its products.

During the Track Record Period and up to the Latest Practicable Date, the Target Group had not encountered any significant rejection of its products by its customers due to quality issues, nor has the Target Group encountered any material product liability claim against it or any material product recall during the Track Record Period and up to the Latest Practicable Date.

FRANCHISE ARRANGEMENTS

With a view to expand the geographical reach of the Target Group's products in a cost-effective manner, the Target Group commenced its franchise arrangements in Indonesia on 1 November 2017 by entering into the First Franchise Agreement with Franchisee A. The proposed Directors are of the view that via the franchising arrangements, the Target Group would be able to benefit from the local knowledge and experience, network and financial resources of the franchisees to enable the Target Group to expand its geographical coverage in a cost-effective manner. The Target Group selects its franchisees based on a number of criteria, including, among others, its local knowledge and experience in the industry, network, financial resources, reputation and location. Franchisee A was the Target Group's single largest customer for the year ended 31 December 2017 and 2018. Please refer to the paragraph headed "Customers" in this section for further details.

The First Franchise Agreement was entered into on 1 November 2017 and for a term of two years which was subject to renew by the relevant parties. Given Franchisee A's delay in setting up the JOE Green production plant in Indonesia, on 25 October 2018, the parties agreed to temporarily suspend the exclusivity element in the First Franchise Arrangement between 25 October 2018 and 30 June 2019 so that the Target Group could take up orders from customers in Indonesia directly. Subsequently, the First Franchise Arrangement was terminated on 30 June 2019.

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. The Second Franchise Arrangement is for an initial term of two years which is subject to renewal for another two years by the relevant parties. Franchisee B has commenced production under the Second Franchise Arrangement in November 2019.

In addition, on 1 August 2019, the Target Group entered into the MOU (3rd Franchise) with Proposed Franchisee C whereby the parties (a) expressed their intention to explore possible modes of future cooperation and to promote the use and sale of the Target Group's products in Indonesia; and (b) agreed to negotiate in good faith the terms and conditions of the Proposed Franchise Arrangement which is expected to commence on or before 1 August 2020. It is currently contemplated that apart from the designated territory and the performance targets which are yet to be determined, the terms and conditions for the Proposed Franchise Arrangement will be substantially the same as the Second Franchise Arrangement.

Principal terms of the franchise arrangements

The principal terms and conditions of the Second Franchise Arrangement are set out below.

Pursuant to the Second Franchise Arrangement, the Target Group granted the franchisee an exclusive right to develop the Target Group's business in Jakarta, Indonesia. The franchisee had the right to set up its own production plant for the manufacturing and sales of standardised and customised green precast concrete wall panel system and sale of related accessories using the Target Group's operation methods, knowhow, registered patents and the trademark "JOE".

The franchisee was required to set up its own JOE Green production plants at its own cost on a site pre-approved by the Target Group. Once the JOE Green production plant is completed, the Target Group may inspect the production plant to ensure that the production plant is constructed in accordance with the plans and specifications pre-approved by the Target Group. Prior to the commencement of operations at the JOE Green production plant, an operating certificate must have been executed by the Target Group and the franchisee and the franchisee must have paid the Target Group a production plant design fee.

Once the operating certificate is issued, the franchisee shall operate the Target Group's business under the trademark "JOE" in the designated territory and in accordance with the policies, guidelines and manuals prescribed by the Target Group.

Under the franchise arrangements, the Target Group will provide various assistance and advice to the franchisees from setting up of the JOE Green production plant to the operations of the JOE Green business, including on-going staff training, initial production line management, advertising and marketing, etc. A designated staff will be assigned by the Target Group who is the main contact between the Target Group and the franchisees.

The Target Group will charge its franchisees (i) a non-refundable licensing fee payable in 12 equal monthly instalments commencing from the first date of the next calendar month after the execution of the franchise agreement for the exclusive rights to develop and operate the Target Group's business in the designated territory; (ii) a production plant design fee payable in 12 equal monthly instalments commencing from the first date of the next calendar month after a designated staff is assigned by the Target Group to act as the main contact between the Target Group and the franchisee; (iii) a development fee payable before the commencement of operations of the JOE Green production plant; (iv) a monthly service fee in a sum equivalent to 2% of the monthly gross turnover of the JOE Green business operated by the franchisees plus VAT thereon; and (v) certain other miscellaneous fees and costs.

Under the IFRS, the non-refundable licensing fee would be recognised on a straight line basis when the franchisee can begin to use and benefit from the licence up to the end of the franchise period. Upon the commencement of operations of the JOE Green production plant set up by the franchisee under the relevant franchise arrangement, it is expected that there will be no material change to the Target Group's cost structure given the franchisee has to bear the operation costs. On the other hand, the Target Group will recognise (i) the licensing fee over the terms of the relevant franchise agreement on a straight-line basis when the franchisee can begin to use and benefit from the franchise; (ii) a production plant design fee and a development fee when the relevant services of the Target Group have been rendered; and (iii) the monthly service fee, subject to the performance of the franchisee's business (equivalent to 2% of the monthly gross turnover of the JOE Green business operated by the franchisee plus VAT).

The Target Group will be subject to a withholding tax of 20% in respect of the licensing fee, production plant design fee, development fee and monthly service fee. Under the Singapore-Indonesia tax treaty which is currently in effect, the Target Group may apply for tax relief and be subject to a lower withholding tax rate of 15% in respect of the licensing fee and a lower withholding tax rate of 0% in respect of the production plant design fee, development fee and monthly service fee.

Management of franchisees

The Target Group intends to manage the activities of the franchisees and monitor their performance through the franchise agreements, which include the following principal terms:

- Geographical scope: The activities of a franchisee will be designated to a defined geographical area in which it is authorised to operate the JOE Green production plant. The franchisee will not be allowed to actively seek customers in any territory outside its designated territory.

- Exclusivity and non-competition: During the term of the franchise agreement, the Target Group will agree it will not grant any third party the right to develop the Target Group's business in the designated territory provided that such franchisee has maintained its exclusive rights. The franchise agreements will prohibit such franchisee from carrying on its business under names other than the trademark "JOE". Furthermore, a franchisee will not be allowed to (a) be directly or indirectly engaged, concerned or interested in a business similar to or in competition with that of the Target Group in the designated territory or elsewhere in the world, including a financial interest in such business that may enable the franchisee, its directors, its developer's principals and/or any of the franchisee's affiliates as the case may be to influence its economic conduct (but excluding all other financial interests); (b) engage in any business other than the franchised business and (c) during the term of the franchise agreement, directly or indirectly engaged, concerned or interested in a business similar to or in competition with the Target Group's business, including a financial interest in such a business that may enable the franchisee to influence its economic conduct (but excluding all other financial interests).

  In addition, a franchisee will be prohibited to engage or be interested in any business similar to or competitive with the Target Group's business within the designated territory for one year after the termination or expiration of the franchise agreement.

  The grant of the exclusive rights to the franchisee will be without prejudice to the Target Group's right and that of its affiliates and other developers and franchisees, to carry out the Target Group's business in the designated territory during the term. However, it will be specifically stated in the franchise agreement that all territories which are not exploited by the franchisee or other developers and franchisees of the Target Group will be reserved to the Target Group.

- Intellectual property: The franchisee will be given a license to use the trademark "JOE" in the designated territory and is required to comply with all its obligations concerning the Target Group's trademark and registered patents which the franchisee will be allowed to use during the term of the franchise agreement.

- Purchase of products, materials and equipment: The franchisee may only purchase such products, materials and equipment which are necessary for its operations from the Target Group or such authorised suppliers designated by the Target Group. The franchisee will be responsible for the repair and maintenance of all equipment at their own cost.

- Pricing: The Target Group may provide recommendations on the selling prices. However, the franchisee will be allowed to fix its own selling prices.

- Credit term: The franchisee will not be allowed to extend credit to any customers without the Target Group's consent.

- Performance target: Each JOE Green production plant operated by the franchisee will be required to meet the minimum annual gross turnover as stated in the franchise agreement (the "**Annual Minimum Turnover**"). In the event the Annual Minimum Turnover is not met for the relevant year, the franchisee will be required to pay the Target Group a sum according to the turnover performance, subject to a minimum 75% of the monies that the Target Group would have received from such franchisee if it had achieved such target. The Annual Minimum Turnover under the Second Franchise Arrangement is S$15 million, S$20 million, S$20 million and S$20 million in 2020, 2021, 2022 and 2023, respectively.

  If all or any of the JOE Green production plant fails to achieve the Annual Minimum Turnover in two financial years, the Target Group will have the right to (a) require such franchisee to submit a recovery plan for the Target Group's approval; (b) send a manager to run the failing JOE Green production plant whereby the franchisee shall pay the Target Group a management fee; or (c) revoke the operating certificate.

- Trainings and seminars: The franchisee shall ensure all its employees are adequately trained in accordance with the manual provided by the Target Group. The franchisee will also be required to attend all franchisee seminars held by the Target Group.

- Marketing and promotion: The franchisee shall submit its marketing plan to the Target Group for approval not less than once every six months. The franchisee will be required to advertise and promote its franchised business at its own expenses.

- Termination: The franchise agreement may be terminated by the Target Group if, among others, the franchisee fails to commence the operation of the franchised business, the franchisee is wound up or become insolvent or the franchisee committed persistent breaches of the franchise agreement, etc.

  Upon termination, the franchisee will be required to immediately cease its operations of the JOE Green business and discontinue operations at its JOE Green production plant. It shall also return or destroy all manuals and materials bearing the trademark “JOE” to the Target Group and take such steps to effectively distinguish itself from the Target Group.

As advised by the Target Group’s legal advisers as to Indonesian laws, the Target Group’s business activities under the Second Franchise Arrangement comply with the relevant applicable laws in Indonesia.

RESEARCH AND DEVELOPMENT

The Target Group places great emphasis on its research and development capabilities, which the proposed Directors believe is crucial to keep the Target Group ahead of the competitors. As at the Latest Practicable Date, the Target Group had 4 technicians working on research and development projects. A majority of them hold qualifications at college degree or above. As at the Latest Practicable Date, the Target Group had 2 registered designs in Singapore and was in the process of applying for the registration of 2 patents in Singapore, Malaysia, Indonesia, the PRC and the United States of America. The Target Group is also cooperating with an European institution to develop light-weight aggregate material to be used in its production as well as to develop possible new concrete wall products.

QUALIFICATIONS, LICENCES AND CERTIFICATIONS

Qualifications and licences

The Target Group has obtained all necessary permits, certifications and approvals for the purposes of carrying on its businesses. The Target Group is a specialist builder for precast concrete work registered with BCA and is licenced to carry on the business of a specialist builder for precast concrete work in Singapore. The Target Group is also registered with CIDB as an IBS manufacturer for the precast concrete hollow panel and is licenced to manufacture green precast wall panels in Malaysia.

The following table sets out a summary of the main qualifications and licences of the Target Group:

Issuing Authority/ Country	Qualifications	Date of grant	Date of expiry
BCA/Singapore	Registered Specialist Builder (Precast Concrete Work)	May 2016	May 2022
BCA/Singapore	Registered Contractor (Other basic construction materials) – Grade L1	March 2017	February 2020
Singapore Institute of Building/Singapore	Member	January 2012	N/A
HDB/Singapore	Material Supplier (HDB Approved)	July 2014	Ranging from October 2019 to June 2021 *(Note 1)*
CIDB/Malaysia	Malaysia registered Precast Manufacturer	June 2013	March 2020
MIDA/Malaysia	Manufacturing Licence	February 2012	N/A

Note:

(1) The Target Group has several products being listed on HDB's materials list and the approval for each product has its own expiry date. The Target Group will take necessary measures to renew the approvals prior to their respective expiry dates.

The Target Group's legal advisers as to Singaporean laws and Malaysian laws have confirmed that the Target Group has as at the Latest Practicable Date obtained all the necessary licences which are required to carry on its business operations in Singapore and Malaysia respectively. For details of relevant licencing requirements, please refer to Appendix V "Regulatory Overview" to this circular.

Certifications

Both the Target Group's products and production process were widely acclaimed for their green nature and their quality. The Target Group received certification from SGBC with rating of leader (4 ticks) and excellence (3 ticks) since 2018 and 2016 respectively and has been awarded Singapore Green Label for "Eco-Friendly Building Material" by the Singapore Green Labelling Scheme Secretariat since 2014 for its precast wall panels. The Target Group's production process was accredited with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certifications.

The table below sets out the major certifications received by the Target Group:

Issuing Authority/ Country	Qualifications	Date of grant	Date of expiry
EQAIMS/Singapore	ISO 9001 Certification	November 2017	November 2020 *(Note 1)*
EQAIMS/Singapore	ISO 14001 Certification	November 2017	November 2020 *(Note 1)*
EQAIMS/Singapore	OHSAS 18001 Certification	November 2017	November 2020 *(Note 1)*
SGBC/Singapore	Leader Rating (4 Ticks) Certificate under Lightweight Concrete Heading	April 2018	April 2020 *(Note 2)*
Singapore Brands Entrepreneurs Alliance/Singapore	Singapore Brand Award	2012	N/A
TÜV SÜD PSB Pte Ltd/Singapore	Certificate of Conformity (Product: Materials for wall/ceiling construction)	January 2015	January 2023
SGBC/Singapore	Member of SGBC	April 2010	December 2019
Workplace Safety and Health Council/ Singapore	BizSAFE Star Certification	April 2015	November 2020
Malaysia Green Building Confederation/ Malaysia	Industry Confederation Partner	April 2015	N/A
Singapore Environment Council	Singapore Green Label (Eco-Friendly Building Material)	September 2016	September 2020
CIDB/Malaysia	IBS Industrial Building System – Licence Status	June 2016	March 2020

Notes:

(1) The Target Group has received the ISO 9001 Certification, ISO 14001 Certification and OHSAS 18001 Certification since November 2009, November 2011 and November 2011, respectively which were issued by Q.A. International Certification Limited.

(2) Between March 2016 and March 2018, the Target Group's concrete wall panels were certified by SGBC as a Singapore Green Label product with the rating of excellent (3 Ticks) under Precast Heading. Subsequently in April 2018, the Target Group's concrete wall panels obtained the rating of leader (4 Ticks) under Lightweight Concrete Heading.

Some of the aforementioned certifications are subject to periodic renewal. As at the Latest Practicable Date, the Target Group had successfully renewed such certifications.

WORKPLACE SAFETY, HEALTH POLICY AND ENVIRONMENTAL IMPACT

The Target Group is subject to the relevant environmental laws and regulations where they operate concerning, among other things, emissions to the air, discharges to land, surface water and subsurface water, the generation, handling, storage, transportation, treatment and disposal of waste and other materials, and the remediation of environmental pollution relating to its production plant and operations.

The operation of the Target Group is subject to regulation and periodic monitoring by the Department of Environment of Ministry of Natural Resources and Environment of Malaysia and the Department of Occupational Safety & Health of the Ministry of Human Resources. If the Target Group fails to comply with present or future laws and regulations, it could be subject to fines, suspension of production or cessation of operations.

The Target Group has established and strictly followed its health and safety management procedures under the OHSAS 18001: 2007 standard. During the Track Record Period, as confirmed by the proposed Directors, there was no reported material accident during the Target Group's operation and there was no claim for personal injuries or property damage against the Target Group.

The Target Group has established and strictly followed its environmental management procedures under the ISO 14001: 2004 standard.

As advised by the Target Group's legal advisers as to Malaysia laws, the Target Group has obtained all necessary permits and approvals related to environmental protection and has complied with all applicable laws, regulations and requirements in Malaysia in relation to environment protection and has not violated any environmental protection laws or regulations of Malaysia during the Track Record Period.

INSURANCE

The Target Group maintains a worldwide (excluding the United States and Canada) products liability and public liability for its precast concrete wall panel system and major accessories to cover bodily injuries and property damages caused by the products the Target Group have sold or supplied up to specified limits. The Target Group maintains insurance policies for its production plant which cover losses due to fire and explosions and a wide range of other natural disasters and business interruption relating to its operations in Malaysia.

As at the Latest Practicable Date, save as disclosed in the paragraph headed "Legal Proceedings and Non-Compliance" in this section, the Target Group had not received any material product liability or third party liability claims from its customers or any other third parties.

For the Target Group's employees, the Target Group maintains work injury insurance policies for its employees in Singapore and Malaysia. The Target Group is required to contribute monthly payments to (i) Social Security Organisation of Malaysia and organisation established under the Ministry of Human Resources of Malaysia to provide social security protections to all its employees and foreign workers in Malaysia; and (ii) CPF in respect of employees who are Singapore citizens or permanent residents of Singapore.

The proposed Directors believe that the Target Group's current insurance coverage is standard with respect to the type and scope of coverage for companies of comparable size in the industry and is in line with the industry norm.

PROPERTY INTERESTS

As at the Latest Practicable Date, the Target Group owned (i) an office premises which is currently used as its headquarters and the leasing of units for investment purpose; (ii) a parcel of land and buildings for factory use; and (iii) a parcel of land for future expansion, details of which are set out below:

Location/Address	Description/Area	Tenure
50 MacPherson Road, Singapore 348471	Used as the Target Group's headquarters and the leasing of units for investment properties/ Approximately 3,373.42 sq.m (floor area)	Freehold
GM293, Lot 514 Mukim Senai Industrial Park, Taman Desa Idaman, Senai 81400, Johor-Malaysia	Used as the Target Group's production plant/ Approximately 34,402 sq.m	Freehold
HS(M) 3432 PTD 103041, Mukim Senai, Kulaijaya, Johor-Malaysia *(Note)*	Newly acquired land for future expansion/ Approximately 15,590 sq.m	Freehold

Note: The completion of the acquisition of this property by the Target Group took place in February 2017.

INTELLECTUAL PROPERTY RIGHTS

The Target Group's products are sold under the trademark "JOE", a trademark of the Target Group registered in Singapore. Details of the registered trademark is set out in the section headed "Statutory and General Information – B. Further Information about the Enlarged Group – 6. Intellectual Property of the Enlarged Group" in Appendix VII to this circular. Besides, as at the Latest Practicable Date, the Target Group had 2 registered designs and 5 registered trademarks in Singapore and was in the process of applying for the registration of 2 patents in Singapore, Malaysia, Indonesia, the PRC and the United States of America.

Under the franchise arrangements, the franchisees will be given a license to use the trademark “JOE” in the designated territory and will be required to comply with all its obligations concerning the Target Group’s trademark and registered patents which the franchisees will be allowed to use during the term of the relevant franchise agreement. During the Track Record Period and as at the Latest Practicable Date, the Target Group was not aware of any infringement of the Target Group’s intellectual property rights by its franchisees.

The Target Group had not noticed any fake products with unauthorised use of its trademark(s) during the Track Record Period. As at the Latest Practicable Date, there was no lawsuit brought against the Target Group, nor had the Target Group initiated any lawsuit against any third parties in relation to intellectual property rights infringement. For details of the Target Group’s intellectual property rights, please refer to the section headed “Statutory and General Information – B. Further Information about the Enlarged Group – 6. Intellectual Property of the Enlarged Group” in Appendix VII to this circular.

EMPLOYEES AND WORKERS

As at the Latest Practicable Date, the Target Group had a total of 127 full-time staff and workers (including the proposed executive Directors). Apart from the chief risk officer who is based in Hong Kong, the Target Group has 98 and 28 staff and workers located in Malaysia and Singapore respectively. Among the staff and workers located in Malaysia and Singapore, approximately 21.4% were locals and permanent residents of Singapore and Malaysia, approximately 1.6% were expatriates and approximately 77.0% were foreign workers. Set out below is a breakdown of the Target Group’s staff and workers in Malaysia and Singapore by function:

	Number of Employees	
Function	**Malaysia**	**Singapore**
Management	4	5
Operation/Production	77	4
Sales and marketing	2	3
Quality control	1	1
Research and development/technical	7	2
Finance and accounting	2	5
Human resources, IT and administration	5	8
Total	**98**	**28**

COMPETITION

According to the Frost and Sullivan Report, the Target Group is the leading precast hollow-core concrete wall panel provider in Singapore as of 2018 in terms of revenue with the market share of approximately 63.2% (in terms of revenue generated from both domestic and export sales), while other top 3 market players together have an aggregate market share of less than 22% in Singapore. Please refer to the section headed “Industry Overview” in this circular for details.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

In 2013, the Target Group was involved in one civil proceeding. JOE Green Precast was claimed by a contractor in Malaysia for a dispute in relation to the construction of the Target Group's production plant. The proceeding was settled by consent judgement in 2015 and the Target Group has paid a sum of RM500,000 to the plaintiff as full and final settlement.

In the first quarter of 2019, the Target Group received a civil claim (the "**Claim**") filed by the general contractor involved in building construction works and the general contractor and occupier for one of the Target Group's projects (the "**Claimants**"). It was alleged that in January 2017, when a worker (the "**Worker**") was installing a precast concrete wall panel supplied by the Target Group at the worksite of the Claimants, such wall panel broke and fell on top of the Worker and injured the Worker (the "**Incident**"). The Worker commenced legal proceedings against the Claimants (the "**Originating Proceeding**") who then commenced a third party legal proceeding against the Target Group for contribution and/or indemnity for the Worker's claims against the Claimants and/or damages to be assessed on the grounds that the Target Group had failed to ensure that (i) its concrete precast wall panels were of satisfactory quality and reasonably fit for their purpose; and/or (ii) its concrete precast wall panels were safe for installation and use (i.e. the Claim).

The Target Group has engaged Mirandah Law LLP, a competent law firm in Singapore, to advise on the Incident and assist in defending the Claim.

As at the Latest Practicable Date, the parties have completed discovery vis-à-vis the Claim against the Target Group.

As advised by Mirandah Law LLP, Mirandah Law LLP is of the preliminary view that there is a reasonably good chance for the Target Group succeeding in its defence against the Claimants because (a) the Claimants have not shown any concrete basis or proof for their allegation that the Target Group was negligent in (i) failing to exercise reasonable care in the manufacturing of the precast concrete wall panel; (ii) failing to carry out proper and/or adequate tests and checks to ensure that the precast concrete wall panel was safe for installation and use before delivering them to the worksite; (iii) delivering the precast concrete wall panel in a manner that caused it to be unsafe for installation and use; and (iv) providing the unsafe precast concrete wall panels to the Claimants; (b) the precast concrete wall panels supplied by the Target Group were of satisfactory quality and/or reasonably fit for installation and/or safe for installation; and (c) the Worker's injuries were caused by the Worker himself and/or by the Claimants' failure to comply with safe work procedures for the installation of the precast concrete wall panel. The maximum exposure of the Target Group in respect of the Claim would be S$65,140.27 (the "**Special Damages**"), being the special damages claimed by the injured worker against the Claimants as the Controlling Shareholders have agreed to indemnify the Target Group in respect of any liabilities arising out of the Claim which are in excess of the Special Damages.

To avoid any similar potential claims in the future, the Target Group will continue its practice of (a) providing its customers with brochures and technical guides relating to the specification and use of its products; (b) providing the necessary technical support and consultation services to its customers regarding the application and installation of the wall panel system; and (c) arranging technical personnel to inspect and provide guidance at the customers' sites upon request, it will also enhance its after-sales services and follow-up closely with its customers regarding any installation issues and provide assistance where required.

Save as disclosed above, the Target Group had not been involved in any litigations, arbitrations or claims of material importance; and no litigations, arbitrations or claims of material importance is known by the proposed Directors to be pending or threatened by or against the Target Group, which would have a material adverse impact on the operating results or financial position of the Target Group.

Historical non-compliance incidents

Set out below are the details of the Target Group's non-compliance with the Malaysia Street, Drainage and Building Act, 1974 (the "**SDBA**") during the Track Record Period and up to the Latest Practicable Date:

Relevant laws and regulation	Particulars of non-compliance	Reason for the non-compliance	Remedial action taken	Estimated/ actual fine/ penalty
Section 80 of the SDBA	During the Track Record Period, certain temporary building structures of the Target Group's production plant were without certificate of completion and compliance.	The Target Group was of the view that such building structures are temporary structures and no certificate of completion and compliance is required.	In March 2017, the JOE Green Group obtained the approval for a temporary permit from Majlis Perbandaran Kulai (Kulai Town Council) in respect of those temporary building structures. The temporary permit is subject to annual renewal and has been renewed in March 2018. Furthermore, Mr. Ng Eng Hong, a proposed Director has been assigned to monitor the compliance of the same.	A maximum penalty of a fine of RM1,000.

Save as disclosed above, the Target Group is of the view that there do not exist any other material non-compliance incidents involving its operating activities in any material aspects during the Track Record Period and up to the Latest Practicable Date.

Implications of the non-compliance with SDBA

In respect of the above non-compliance with SDBA, the Target Group's legal advisers as to Malaysian laws have confirmed that the Target Group has obtained the approval from the relevant governmental authority for a temporary permit for those temporary building structures subject to the fulfillment of the conditions set out therein and such permit shall be renewed annually. The proposed Directors confirm that the Target Group should have no difficulty to comply with such conditions and renew the temporary permit each year. As the Target Group has obtained the temporary permit, the maximum exposure for such non-compliance is a potential fine of RM1,000.

Internal control measures taken and the views of the proposed Directors and the Sole Sponsor

The Target Group further enhanced internal control measures in accordance with the Target Group's internal control advisers' recommendation so as to ensure that full compliance with the relevant laws and regulations in the future, in particular, a proposed Director has been assigned to monitor to the compliance of the annual renewal of the temporary permit.

The proposed Directors are of the opinion that such incident does not constitute material non-compliance as the non-compliance incident did not and will not have material financial impacts on the Target Group and the Target Group has taken remedial actions on the non-compliance incident and has taken measures and implemented internal control policies to prevent the reoccurrence of the non-compliance incident and ensure future compliance.

Having considered the followings, the Sole Sponsor concurs with the proposed Directors' views and nothing has come to the attention of the Sole Sponsor that would cause it to believe that the internal control of the Target Group is inadequate and insufficient under the Listing Rules to prevent the reoccurrence of the above non-compliance incidents in the future:

- having considered the reasons for the non-compliance incident, the remedial actions taken and the enhanced internal control measures set out in this section above;

- (i) having considered that the Target Group has assigned a proposed Director to monitor the compliance with the temporary permit's annual renewal requirement; and (ii) having reviewed the opinion provided by the Target Group's legal advisers as to Malaysian laws and its basis of view regarding the non-compliance;

- having discussed with the senior management of the Target Group on the findings and recommendations concerning the internal control system by the Target Group's internal control advisers; and

- having considered that (i) the Target Group had established the internal control policies according to the recommendations of the Target Group's internal control advisers; (ii) no further material weakness has been noted under the scope of review; (iii) the Target Group proposes to appoint Mr. Wong Tang Thomas as the chief risk officer to monitor the implementation of the Target Group's internal control and risk management procedures; and (iv) the Target Group believes that its internal control measures that are currently in place are adequate and effective.

Furthermore, the Controlling Shareholders have entered into the deed of indemnity with and in favour of the Company (for itself and as trustee for each of the subsidiaries of the Enlarged Group) to provide indemnities in respect of, among other matters, all or any of the liabilities in connection with any tax, duty, excise or customs that may arise or be incurred in Hong Kong, Singapore and/or Malaysia in the context and/or course of, or in relation to, the operation and/or business of the Enlarged Group on or before the Listing Date. For detailed items of the deed of indemnity, please refer to the section headed "Statutory and General Information – K. Deed of indemnity" in Appendix VII to this circular.

INTERNAL CONTROL AND RISK MANAGEMENT

The Target Group has implemented a series of measures to manage the risks in relation to its operations. The Target Group's internal control advisers completed its review of the Target Group's internal control and the Target Group has further enhanced its internal control measures in accordance with its internal control advisers' recommendation. The Target Group has implemented various policies and procedures to ensure effective risk management in each aspect of its operations, production, financial reporting and recording, and compliance with applicable laws and regulations of Singapore and Malaysia. The Target Group will continue to provide training to its employees to raise their awareness of the importance of internal control, corporate governance and legal compliance, while if necessary, the Target Group will engage external legal counsels to handle its various legal and regulatory matters regarding its operations.

The proposed Directors and senior management of the Target Group assume the overall responsibilities for overseeing the implementation of the Target Group's internal control and risk management procedures. The Enlarged Group will establish an audit committee upon Completion, with written terms of reference in accordance with Appendix 14 to the Listing Rules, to review the internal control and risk management systems and procedures for continuing compliance with the requirements of the Listing Rules. Please refer to the subsection headed "Directors and Senior Management of the Enlarged Group – Board Committee – Audit Committee" in this circular for details. The Enlarged Group has appointed Kingsway Capital Limited as its compliance adviser pursuant to Rule 3A.23 of the Listing Rules to advise the proposed Directors and management team on matters relating to the Listing Rules.

The Enlarged Group will further engage an independent internal control adviser to conduct an annual review on the adequacy and effectiveness of the internal control system for the financial year ending 31 December 2019, including areas of financial, operational, compliance and risk management. When considered necessary and appropriate, the Enlarged Group will seek professional advice and assistance from independent tax consultants, independent internal control advisers, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to the Enlarged Group's internal controls and legal compliance.

PROPOSED DIRECTORS

The following were the Directors as at the Latest Practicable Date. The Company has no non-executive Directors or independent non-executive Directors as at the Latest Practicable Date. Upon Completion and due to the change of principal business activities of the Group as enlarged it will be necessary for the Target Group to reconstitute the Board, and all of the existing Directors will be replaced by new Directors with the necessary skills to manage the new business activities of the Enlarged Group upon Completion:

Existing executive Directors

Name	Address	Nationality
Mr. Zhang Zhigang (張志剛)	No. 4, 2/F, Unit 2, Building 8 7 Cheng Long Street Wu Hou District Chengdu City PRC	Chinese
Mr. Zhang Daming (張大明)	#3-11 Sanlizhaiyuan 6 Zhonghe Avenue Chengdu City PRC	Chinese
Mr. Shi Jianping (石健平)	No. 1904, 1/F Xinglong Jiayuan 29 Jianguo Road Chaoyang District Beijing PRC	Chinese

All the existing Directors will resign as Directors which shall take effect immediately following Completion.

Upon Completion, the proposed Directors of the Enlarged Group will consist of eight Directors, of whom five will be executive Directors and three will be independent non-executive Directors.

The following table sets out the information in respect of the proposed members of the Board upon Completion:

Name	Age	Position	Date of joining the Target Group and/or the Enlarged Group	Proposed date of appointment as Director	Roles and Responsibilities	Relationship with proposed Directors and other senior management
Mr. Boediman Widjaja	57	Chairman and executive Director	19 September 2006	Completion Date	Strategic planning, corporate development and overall operations and management of the Enlarged Group	Spouse of Ms. Lim and brother-in-law of Ms. Limarto
Ms. Insinirawati Limarto	45	Chief executive officer and executive Director	1 September 2006	Completion Date	Strategic planning, corporate development and overall operations and management of the Enlarged Group	Spouse of Mr. Widjaja and sister of Ms. Limarto
Ms. Incunirawati Limarto	47	Executive Director	6 August 2010	Completion Date	Sales and marketing, planning and development of the Enlarged Group	Sister of Ms. Lim and sister-in-law of Mr. Widjaja
Mr. Ng Eng Hong	51	Executive Director	2 January 2015	Completion Date	Product planning and development, quality, cost control and safety issues of the Enlarged Group	N/A
Mr. Lau Ching Kei (劉正基)	50	Executive Director	Completion Date	Completion Date	Strategic planning, corporate development and overall operations and management of the Enlarged Group	N/A
Mr. Jimmy Suwono	44	Independent non-executive Director	Completion Date	Completion Date	Supervising and providing independent judgement to the Board	N/A
Mr. Kua Mong Lam	49	Independent non-executive Director	Completion Date	Completion Date	Supervising and providing independent judgement to the Board	N/A
Mr. Christanto Suryadarma	55	Independent non-executive Director	Completion Date	Completion Date	Supervising and providing independent judgement to the Board	N/A

PROPOSED EXECUTIVE DIRECTORS

Mr. Boediman Widjaja

Mr. Boediman Widjaja, aged 57, is proposed to be appointed as an executive Director and chairman of the Board immediately following Completion. He is also a proposed member of the nomination committee. Mr. Widjaja has over 20 years of experience in distribution and trading with companies in South East Asia. Mr. Widjaja is one of the founders of the Target Group and he has been a director of JOE Green Pte. since September 2006, a director of JOE Green Precast since September 2010, and a director of JOE Green MKT Singapore (formerly known as Forever Tafcom International Pte. Ltd. which principally engaged in the trading of computer hardware and accessories during 1994 to 2006) since May 1994, and he has been responsible for the overall strategic planning and management of these companies. Mr. Widjaja will be responsible for the strategic planning, corporate development and overall operations and management of the Enlarged Group.

During 1994 and 2006, Mr. Widjaja was engaged in trading of computer hardware and accessories through the set up and operating of JOE Green MKT Singapore. During 1989 and 1994, Mr. Widjaja worked and was engaged in marketing of PT. Wiraindo Multisakti Setiaputra which was mainly involved in the import and distribution of computer hardware in Indonesia.

Mr. Widjaja obtained a bachelor of science business administration and a master of business administration from Florida Institute of Technology in the United States of America in August 1985 and August 1989 respectively.

Mr. Widjaja is the spouse of Ms. Lim and the brother-in-law of Ms. Limarto.

Ms. Insinirawati Limarto

Ms. Insinirawati Limarto, aged 45, is proposed to be appointed as an executive Director and the chief executive officer immediately following Completion. She is also a proposed member of the remuneration committee. Ms. Lim is one of the founders of the Target Group and she has been a director of JOE Green Pte. since September 2006, a director of JOE Green Precast since September 2010, a director of JOE Green MKT Singapore during April 2001 to February 2008, and a director of JOE Green MKT Malaysia since June 2013, and she has been responsible for the overall strategic planning and management of these companies. Ms. Lim will be responsible for the strategic planning, corporate development and overall operations and management of the Enlarged Group.

Ms. Lim has around 15 years of experience in finance and accounting. Ms. Lim was the finance director of JOE Green MKT Singapore from 2002 to 2005 (during which JOE Green MKT Singapore, then known as Forever Tafcom International Pte. Ltd., principally engaged in the trading of computer hardware and accessories), and was responsible for the overall financial control of the company. From 1996 to 2001, Ms. Lim gained managerial experience by working in companies engaging in information technology in Indonesia and Singapore.

Ms. Lim obtained from London Chamber of Commerce and Industry a diploma in managerial principles in January 1994 and a diploma (third level group diploma in accounting) in 1993. Ms. Lim was awarded with the certified diploma in accounting and finance by the Association of Chartered Certified Accountants in September 1999. In November 2018, Ms. Lim was awarded with the degree of Master of Business Administration by Heriot-Watt University in the United Kingdom.

Ms. Lim is the spouse of Mr. Widjaja and the sister of Ms. Limarto.

Ms. Incunirawati Limarto

Ms. Incunirawati Limarto, aged 47, is proposed to be appointed as an executive Director immediately following Completion. Ms. Limarto joined the Target Group as the marketing and sales manager of JOE Green MKT Singapore in August 2010 and has been appointed as a director of JOE Green MKT Malaysia since June 2013, and she has been responsible for the sales and marketing of these companies. Ms. Limarto will be responsible for the sales and marketing, planning and development of the Enlarged Group.

Prior to joining the Target Group in 2010, Ms. Limarto was a director of International Edulink Pte. Ltd. in Singapore and Indonesia from June 2003 to December 2009, a company engaging in career consultancy services. During her tenure at International Edulink Pte. Ltd., Ms. Limarto was responsible for overall management of the company, including formulating strategies to improve its business performance. Prior to joining International Edulink Pte. Ltd., Ms. Limarto worked in ABN Amro Bank in Indonesia as a fixed income dealer and bonds trading manager from February 1996 to November 2000, where she was responsible for corporate bond transactions.

Ms. Limarto is enrolled in the Master of Business Administration Programme of University of Northampton in November 2016.

Ms. Limarto is the sister of Ms. Lim and the sister-in-law of Mr. Widjaja.

Mr. Ng Eng Hong

Mr. Ng Eng Hong ("Mr. Ng"), aged 51, is proposed to be appointed as an executive Director immediately following Completion. Mr. Ng joined the Target Group in January 2015 as technical director, responsible for coordinating product planning and development, and overseeing the quality, cost control, and safety issues of the Target Group. Mr. Ng will be responsible for the product planning and development, quality, cost control and safety issues of the Enlarged Group.

Mr. Ng possesses over 20 years of experience in the construction industry and was previously the general manager of a subsidiary of HLH Group Limited, a regional property developer and producer of raw and proceeds agricultural products listed on the Singapore Exchange Securities Trading Limited (stock code: HLHG: SP), from October 2014 to January 2015, and was responsible for project management and consultation. Between January 2010 and September 2014, Mr. Ng served as the project director of JK Integrated Pte Ltd, a company engaged in building and construction industry, where he oversaw construction projects and gave technical advice.

Mr. Ng graduated from Ngee Ann Polytechnic in Singapore in August 1988 with a diploma in building management. In April 1996, Mr. Ng was awarded a graduate diploma in project and facilities management by the Singapore Institute of Engineering Technologists. He was also admitted as associate by the Institution of Engineers Singapore in February 2011.

Mr. Lau Ching Kei

Mr. Lau Ching Kei (劉正基) ("**Mr. Lau**"), aged 50, is proposed to be appointed as an executive Director immediately following Completion.

Mr. Lau has over 20 years of experience in finance, investment and management. From January 2010 to January 2011, Mr. Lau was the chairman and executive director of Ngai Lik Industrial Holdings Limited (now known as Yuan Heng Gas Holdings Limited), a company listed on the Stock Exchange (stock code: 332).

Mr. Lau is currently an advisor of Lead Billion Limited. Mr. Lau started his career by working in several international financial institutions including GTF Asset Management (Hong Kong) Limited, Prudential Asia Fund Management Limited and Schroder Investment Management (Hong Kong) Limited. Mr. Lau had also worked as a consultant and a senior management for companies in various industries including information technology and retailing in PRC and Hong Kong.

Mr. Lau graduated from The London School of Economics and Political Sciences with a bachelor's degree in science (economics) in August 1993, and a master's degree in science in econometrics and mathematical economics in August 1994, respectively. Mr. Lau has also been a Chartered Financial Analyst since August 1998.

Mr. Lau was a director of the following companies which were incorporated in Hong Kong and dissolved and the relevant details are as follows:

Name of the company	**Nature of business prior to dissolution**	**Date of dissolution**	**Nature of proceeding**
Linkmart Engineering Company Limited (榮茂工程有限公司)	No business operation	30 January 2004	Deregistration *(Notes 1 and 2)*
Linkmart Holdings Limited (榮茂集團有限公司)	No business operation	26 November 2004	Deregistration *(Notes 1 and 2)*
Purenatural Products (HK) Limited 恆健藥業(香港)有限公司	No business operation	18 March 2005	Deregistration *(Notes 1 and 2)*

Name of the company	Nature of business prior to dissolution	Date of dissolution	Nature of proceeding
Jht Capital Limited (金滙通資產有限公司)	No business operation	13 October 2009	Creditors' voluntary winding up *(Notes 3 and 4)*
Rolltech Holdings Limited (進達控股有限公司)	No business operation	30 September 2010	Striking off *(Notes 2 and 5)*
Winwise Financial Services Limited (智華財務顧問有限公司)	No business operation	10 December 2010	Deregistration *(Notes 1 and 2)*

Notes:

1. Under section 291AA of the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong as in force from time to time before 3 March 2014), an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liability.

2. As confirmed by Mr. Lau, the company had no business operations and was solvent at the time of dissolution, there is no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

3. Under section 228 of the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong as in force from time to time before 3 March 2014), a company may be wound up voluntarily if the directors of the company deliver to the Registrar of Companies in Hong Kong a winding up statement certifying that a resolution has been passed to the effect that-(a) the company cannot by reason of its liabilities continue its business; (b) they consider it necessary that the company be wound up and that the winding up should be commenced under section 228A because it is not reasonably practicable for it to be commenced under another section of the ordinance.

4. As confirmed by Mr. Lau, the company had no business operations at the time of dissolution, there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

5. Under section 291 of the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong as in force from time to time before 3 March 2014), the Registrar of Companies may strike off the name of a company from the register of companies where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation.

PROPOSED INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jimmy Suwono

Mr. Jimmy Suwono ("Mr. Suwono"), aged 44, is proposed to be appointed as an independent non-executive Director immediately following Completion. He will be responsible for supervising and providing independent judgement to the Board. Mr. Suwono is also the proposed chairman of the audit committee and a proposed member of the remuneration committee.

Mr. Suwono has over 16 years of experience in public accounting, and was admitted as a Certified Public Accountant Singapore in June 2005 and as a Chartered Financial Analyst ("**CFA Charterholder**") in September 2006. In December 2007, Mr. Suwono founded AccFin Corporate Consultants Pte Ltd in Singapore, principally providing accounting and corporate services (including taxation advisory services). From March 2004 to July 2004, Mr. Suwono worked as an audit senior in Deloitte & Touche, an accounting and corporate consultancy firm, where he was responsible for providing audit service and financial analysis of financial statements. Mr. Suwono was employed by B L Ong & Co (now known as Stephen McLaren Consultants Pte. Ltd) during August 2000 to February 2004, with his last position as audit senior, where he was responsible for audit fieldwork and training junior staff. He rejoined the firm in August 2004 as audit manager where he was responsible for managing audit and accounting services. Mr. Suwono became audit partner of B L Ong & Co from October 2005 to November 2006.

Mr. Suwono graduated from Curtin University, Australia with a bachelor's degree in commerce (accounting and finance) in December 1997.

Mr. Kua Mong Lam

Mr. Kua Mong Lam ("**Mr. Kua**"), aged 49, is proposed to be appointed as an independent non-executive Director immediately following Completion. He will be responsible for supervising and providing independent judgement to the Board. Mr. Kua is also the proposed chairman of the remuneration committee, and a proposed member of each of the audit committee and the nomination committee.

Mr. Kua has been employed by The Great Eastern Life Assurance Company Limited ("**Great Eastern**"), a regulated life insurance company in Singapore, since October 2010. He is currently the head of private equity of Great Eastern and is responsible for overseeing the operations of the private equity division. Prior to his tenure in Great Eastern, he was the vice president of corporate finance division of Straits Developments Private Limited (a member of The Straits Trading Company, a company engaging in the real estate, hospitality and resources business and listed on the Singapore Stock Exchange), from March 2003 to January 2010, where he was responsible for assisting the chief executive officer in formulating expansion strategy and asset allocations of the group and managing private equity and financial investments.

Mr. Kua graduated from The London School of Economics and Political Sciences with a bachelor's degree in science (management sciences) in August 1993, and a master's degree in science in economics 1 in August 1994, respectively.

Mr. Christanto Suryadarma

Mr. Christanto Suryadarma ("**Mr. Suryadarma**"), aged 55, is proposed to be appointed as an independent non-executive Director immediately following Completion. He will be responsible for supervising and providing independent judgement to the Board. He is also the proposed chairman and member of the nomination committee, and a proposed member of the audit committee.

Mr. Suryadarma has been employed by Hewlett Packard Enterprise since September 2013 with his current position as the managing director in the department of pointnext services channels & service providers, Asia Pacific region, where he is responsible for strategic planning and business development of the Asia Pacific region. From September 2012 to August 2013, Mr. Suryadarma was the group vice president group business development in ECS Holdings Limited, where he was responsible for business development within ASEAN and China region. Mr. Suryadarma worked for Microsoft Operations Pte Ltd from March 2006 to August 2012 with his last position as senior director, where he was responsible for the business development and operations within the Asia region. From November 1998 to August 2002, Mr. Suryadarma was employed by Intel Australia Pte Ltd with his last position as manager of Intel Solution Group, where he was responsible for developing and implementing strategic business development and solutions initiatives for the company.

Mr. Suryadarma graduated from Satya Wacana Christian University, Indonesia with a bachelor's degree in science (electronics engineering) in February 1989.

Disclosures required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of the proposed Directors confirms with respect to him/her that (i) he/she did not hold other positions in the Company or other members of the Enlarged Group as at the Latest Practicable Date; (ii) he/she had no other relationship with any directors, senior management or substantial or controlling shareholders of the Company or the Target Group Companies as at the Latest Practicable Date; and (iii) he/she did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the paragraph headed "E. Disclosure of Interests – 1. Interests and/or short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations" in Appendix VII to this circular, each of the proposed Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

The proposed Directors confirm that save as disclosed in the this section and the section headed "Relationship with Controlling Shareholders" in this circular, they and their respective associate(s) are not engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Enlarged Group.

Saves as disclosed herein, to the best knowledge, information and beliefs of the proposed Directors having made all reasonable enquiries, there was no matter with respect to the appointment of the proposed Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the proposed Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

PROPOSED SENIOR MANAGEMENT

The following persons will be the senior management of the Enlarged Group upon Completion:

Name	Age	Position	Date of joining the Enlarged Group	Roles and responsibilities	Relationship with proposed Directors and other senior management
Mr. Boediman Widjaja	57	Managing Director	September 2006	Management, business development and strategies of the Enlarged Group	Spouse of Ms. Lim and brother-in-law of Ms. Limarto
Ms. Insinirawati Limarto	45	Purchasing Director	September 2006	Research, negotiations with suppliers and purchase of products of the Enlarged Group	Spouse of Mr. Widjaja and sister of Ms. Limarto
Ms. Incunirawati Limarto	47	Marketing Director	August 2010	Sales and marketing of the Enlarged Group	Sister of Ms. Lim and sister-in-law of Mr. Widjaja
Mr. Ng Eng Hong	51	Technical Director	January 2015	Technology research and development and machinery improvement of the Enlarged Group	N/A
Mr. Wong Tang Thomas	46	Chief Risk Officer	March 2018	Risk management of the Enlarged Group	N/A
Mr. Lim Sau Jong	33	Chief Financial Officer	June 2018	Financial management of the Enlarged Group	N/A

Mr. Wong Tang Thomas

Mr. Wong Tang Thomas ("Mr. Wong"), aged 46, is proposed to be the Chief Risk Officer of the Enlarged Group immediately following Completion. Mr. Wong joined the Target Group in March 2018 as the chief risk officer.

Mr. Wong has around 19 years of experience in the banking industry with a focus in risk management and control. Between November 2015 and September 2017, Mr. Wong was the director in business risk management of Union Bancaire Privée, UBP SA – Hong Kong Branch (formerly known as Coutts & Co Ltd), responsible for the overall management of the North Asia front office, as well as overseeing its compliance on risk and control policies. From May 2005 to November 2015, Mr. Wong served as the senior vice president in operational risk in the risk management group of DBS Bank (Hong Kong) Limited, where he was responsible for overseeing operational risk control and management of all business and support departments. From September 1998 to April 2005, Mr. Wong worked in Bank of China (Hong Kong) Limited with his last position as the operational risk manager in the operational risk division of the risk management department. Between August 2002 and July 2003, Mr. Wong was a part-time lecturer in the HKU School of Professional and Continuing Education and lectured on the certificate in financial studies courses.

Since 20 April 2018, Mr. Wong has been a non-executive director of Centron Telecom International Holding Limited ("**Centron**"), a company whose shares are listed on the Stock Exchange (stock code: 1155), such trading in the shares of Centron has been suspended since 3 April 2018. Centron has filed a winding up petition to the Grand Court in the Cayman Islands on 25 May 2018, and Mr. Wong's role in Centron, amongst others, is to assist the restructuring of Centron.

Mr. Wong has been a senior associate of the Australasian Institute of Banking + Finance since January 2002, a member and MPF Intermediary of the Hong Kong Securities and Investment Institute since January 2000 and September 1999, respectively, and an ordinary member of the Hong Kong Institute of Bankers since January 1999.

Mr. Wong graduated from Ottawa University with a bachelor of arts in August 1998. He subsequently obtained a bachelor of science (economics) from the University of London in August 1998. Mr. Wong also obtained a master of finance from Curtin University of Technology in February 2002.

Mr. Lim Sau Jong

Mr. Lim Sau Jong ("Mr. Lim"), aged 33, is proposed to be the chief financial officer of the Enlarged Group immediately following Completion. Mr. Lim joined the Target Group in June 2018 as the chief financial controller of JOE Green Precast.

Mr. Lim has 11 years of experience in the audit industry. From July 2009 to April 2015, Mr. Lim worked as manager in the audit department of Ernst & Young, responsible for audit matters. Since February 2017, Mr. Lim has been a partner of Mcdonald Carter.

Mr. Lim was admitted as CPA by CPA Australia in December 2014 and as a Chartered Accountant of the Malaysian Institute of Accountants in August 2012. In July 2009, Mr. Lim obtained a bachelor's degree in accounting from Multimedia University, Malaysia.

PROPOSED COMPANY SECRETARY

Mr. Fung Nam Shan (馮南山) ("**Mr. Fung**"), aged 42, is proposed to be the company secretary of the Company immediately following Completion on a part-time (but not full-time) basis. Mr. Fung holds a bachelor's degree in commerce awarded by the University of Newcastle, Australia. Mr. Fung has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2010 and a Certified Practising Accountant of CPA Australia since October 2003.

Currently, Mr. Fung is an independent non-executive director of Energy International Investments Holdings Limited (currently listed on the Main Board (stock code: 0353)) and JH Educational Technology INC. (currently listed on the Main Board (stock code: 1935)), the company secretary and authorised representative of each of Seamless Green China (Holdings) Limited, a company listed on GEM of the Stock Exchange (stock code: 8150), and Camsing International Holding Limited (currently listed on the Main Board (stock code: 2662)) and Yat Sing Holdings Limited (currently listed on the Main Board (stock code: 3708)). He is the company secretary of Thelloy Development Group Limited (currently listed on Main Board (stock code: 1546)). He was the joint company secretary of Future Bright Mining Holdings Limited (currently listed on the Main Board (stock code: 2212)) during the period from 4 November 2015 to 14 October 2016 and the company secretary and authorised representative of China Ocean Fishing Holdings Limited (currently listed on GEM (stock code: 8047)) during the period from 20 May 2015 to 16 May 2017.

Mr. Fung served Zhejiang Chang'an Renheng Technology Co., Ltd. (currently listed on GEM (stock code: 8139)) as financial controller and secretary from April 2013 to March 2014. Mr. Fung was employed as financial controller and company secretary of South China Assets Holdings Limited (currently listed on GEM (stock code: 8155)) from February 2011 to April 2013. Mr. Fung served for a reputable property development group as financial controller from 2009 to 2011. He has worked for PricewaterhouseCoopers as an audit manager for several years which he accumulated experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been one of the marketing committee members of The Hong Kong Youth Hostels Association and also a member of its charity walk organising committee since 2012.

Mr. Fung is the partner of CityLinkers Corporate Solutions Limited ("**CityLinkers**"), a professional services provider offering services in areas of finance, compliance, legal and advisory. While Mr. Fung is serving as company secretaries of a number of listed companies, the proposed Directors are of the view that Mr. Fung will have sufficient time to act as the company secretary of the Company on the basis that (i) Mr. Fung had gathered extensive experience and expertise during his tenure as company secretaries of other listed companies and hence could provide company secretarial services and advice on compliance matters in a swift manner; and (ii) the performance of Mr. Fung of his company secretarial role will be actively supported by his team of experienced colleagues in CityLinkers, which include (but without limitation) two Hong Kong qualified company secretaries, one company secretarial officer and three company secretarial assistants.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

As at the Latest Practicable Date and based on the public information available, the annual remuneration for existing executive Directors are approximately RMB1.3 million, HK$1.2 million and HK$1.1 million for Mr. Zhang Daming, Mr. Zhang Zhigang and Mr. Shi Jianping respectively.

According to the best available information, the remunerations (including fees, salaries, bonuses, allowances and benefits in kind and pension scheme contribution) paid to the former independent non-executive Directors by the Group in aggregate for the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019 were approximately HK$0, HK$0, HK$0 and HK$0 respectively.

Based on the best information available, the remunerations (including fees, salaries, bonuses, allowances and benefits in kind and pension scheme contribution) paid to the Group's five highest paid individuals by the Group in aggregate for the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019 were approximately HK$0.2 million, HK$0, HK$0 and HK$0 respectively.

Upon Completion, the proposed Directors and proposed senior management of the Company will be paid compensation in the form of fees, salaries, contribution to pension schemes and other allowances and benefits in kind. The emolument for each of the proposed Directors is determined by the Board according to the recommendation of the remuneration committee of the Company with reference to his/her qualifications, experience, responsibilities with the Company and the remuneration policy of the Company from time to time. The remuneration of the proposed senior management of the Company will be determined in due course with reference to their respective experience, roles and duties within the Enlarged Group.

It is expected that after Completion, the Board will review and determine the remuneration of the proposed Directors and senior management of the Enlarged Group according to the above remuneration policy.

Save as disclosed above, no other payments or remuneration to the proposed Directors or the five highest paid individuals as an inducement to join or upon joining the Target Group or as a compensation for loss of office have been paid or are payable, or any benefits in kind granted, in respect of the three years ended 31 December 2018 and the five months ended 31 May 2019 by the Target Group. Furthermore, none of the proposed Directors waived any compensation for the same period.

Based on the existing remuneration package, the Company estimates the aggregate remuneration payable to, and benefits in kind receivable by, the proposed Directors in respect of the year ending 31 December 2019 to be approximately S$1.1 million.

BOARD COMMITTEES

The proposed Directors will replace the existing Directors to form three Board committees for the Enlarged Group immediately after Resumption.

Audit Committee

The Company will establish an audit committee (the "**Audit Committee**") upon Completion with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee include, amongst other things, (i) to propose the appointment or removal of the external auditors and review the effectiveness of the audit process; (ii) to discuss with the external auditor on the nature and scope of the audit work prior to commencement of the audit work; (iii) to review the Enlarged Group's financial and accounting policies and procedures; (iv) to ensure co-ordination between the internal and external auditors and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Enlarged Group, and to review and monitor its effectiveness; (v) to review the Enlarged Group's financial information and disclosure thereof, and to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts; and (vi) to review and supervise the Enlarged Group's financial controls, internal control and risk management systems and their implementation.

The Audit Committee will consist of three members, namely Mr. Jimmy Suwono, Mr. Christanto Suryadarma, and Mr. Kua Mong Lam, all of whom are proposed independent non-executive Directors. The chairman of the Audit Committee will be Mr. Jimmy Suwono.

Remuneration Committee

The Company will establish a remuneration committee (the "**Remuneration Committee**") upon Completion with written terms of reference in compliance with the Corporate Governance Code. The primary functions of the Remuneration Committee include, amongst other things, making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management, reviewing remuneration proposals of the management with reference to the Board's corporate goals and objectives and ensuring none of the Directors or any of their associates determine their own remuneration.

The Remuneration Committee will consist of three members, namely Ms. Insinirawati Limarto, Mr. Jimmy Suwono and Mr. Kua Mong Lam. The chairman of the Remuneration Committee will be Mr. Kua Mong Lam.

Nomination Committee

The Company will establish a nomination committee (the "**Nomination Committee**") upon Completion with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee include, amongst other things, (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Enlarged Group's corporate strategy; (ii) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship; (iii) to assess the independence of independent non-executive Directors; and (iv) to consider and make recommendations to the Board regarding the reappointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

The Nomination Committee will consist of three members, namely Mr. Boediman Widjaja, Mr. Christanto Suryadarma and Mr. Kua Mong Lam. The chairman of the Nomination Committee will be Mr. Christanto Suryadarma.

CORPORATE GOVERNANCE

The Enlarged Group will comply with the Corporate Governance Code.

The proposed Directors will review the Enlarged Group's corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in the Company's corporate governance report, which will be included in the Company's annual reports subsequent to Completion.

BOARD DIVERSITY POLICY

The Company will adopt a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach of which the Board could achieve and maintain a high level of diversity. The Company recognises the benefits of having a diversified Board, as such it will ensure that members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the Group's business strategies and sustainable development. The Company seeks to achieve Board diversity by selection of candidates for the Board through the consideration of a number of factors, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender, ethnicity and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Nomination Committee is delegated to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness, and where necessary, will make revisions that may be required and recommend any such revision to the Board for consideration and approval.

WAIVER GRANTED BY THE STOCK EXCHANGE

Management presence

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong, normally meaning that at least two of the issuer's executive Directors must be ordinarily resident in Hong Kong. The Company currently has one proposed executive Director residing in Hong Kong. Since the Target Group's principal operations are located in Singapore and Malaysia, the Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules, subject to the conditions that, among other things, the Company maintains certain arrangements to maintain effective communication between the Stock Exchange and the Company. For details of the waiver, please refer to the section headed "Waiver from Strict Compliance with the Listing Rules – Waiver in relation to Management Presence in Hong Kong" in this circular.

COMPLIANCE ADVISER

The Company has appointed Kingsway Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company, among others, on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases; and
- where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the New Shares.

The term of the appointment will commence on the date of Resumption and end on the date on which the Company sends its financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the Resumption.

CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, the major shareholders of the Company were Ascend Concept Technology Limited and Nice Ace Technology Limited, which were holding approximately 19.09% and 14.43% of the issued share capital of the Company respectively. Mr. Suo Lang Duo Ji is the sole shareholder of both major shareholders and thus he is the ultimate beneficial owner of approximately 33.52% of the issued share capital of the Company.

Immediately following Resumption, Mr. Widjaja (via Amazana Investments), Ms. Lim (via Amazana Equity) and Ms. Limarto (via Amazana Ventures), who are acting in concert, will indirectly and beneficially own in aggregate 65.0% of the enlarged issued share capital of the Company. Hence, Mr. Widjaja, Ms. Lim, Ms. Limarto, Amazana Investments, Amazana Equity and Amazana Ventures as a group, and each of them on an individual basis, will be the Controlling Shareholders of the Company upon Completion. Amazana Investments, Amazana Equity and Amazana Ventures are investment holding companies wholly-owned by Mr. Widjaja, Ms. Lim and Ms. Limarto, respectively, and as at the Latest Practicable Date, they had not commenced any substantial business activities.

Acting in concert arrangements

Mr. Widjaja, Ms. Lim and Ms. Limarto are family members, with Ms. Lim being the spouse of Mr. Widjaja and the sister of Ms. Limarto, and Ms. Limarto being the sister of Ms. Lim and the sister-in-law of Mr. Widjaja. The Target Group's business has been a family business as an integrated enterprise of Mr. Widjaja, Ms. Lim and Ms. Limarto prior to and during the Track Record Period. Over the course of the Target Group's business history, Mr. Widjaja, Ms. Lim and Ms. Limarto were the legal owners of the shares in each of the operating subsidiaries comprising the Target Group, with (i) JOE Green Pte. being owned as to 94.5% and 5.5% by Mr. Widjaja and Ms. Lim respectively; (ii) JOE Green Precast owned as to 50% and 50% by Mr. Widjaja and Ms. Lim respectively; (iii) JOE Green MKT Singapore being wholly-owned by Mr. Widjaja; and (iv) JOE Green MKT Malaysia being owned as to 90% and 10% by Ms. Lim and Ms. Limarto respectively. In addition, there had been common directors in each of the Target Group's four operating subsidiaries during the Track Record Period and up to the Latest Practicable Date, with the board of directors of (i) JOE Green Pte. comprised Mr. Widjaja and Ms. Lim; (ii) JOE Green Precast comprised Mr. Widjaja and Ms. Lim; (iii) JOE Green MKT Singapore comprised Mr. Widjaja; and (iv) JOE Green MKT Malaysia comprised Ms. Lim and Ms. Limarto.

Each of Mr. Widjaja, Ms. Lim and Ms. Limarto has, in exercising and implementing the entire management and operations (including but not limited to production, marketing and sales, and financial reporting) of each of the operating subsidiaries comprising the Target Group, been acting in concert with each other, with Mr. Widjaja being the leader of such concert group. There is a high degree of integration and co-operation among Mr. Widjaja, Ms. Lim and Ms. Limarto, and all major decisions relating to the Target Group (including but not limited to planning and formation of business strategies, commercial decisions and financial and operating policies) were the results of interactions and discussions among Mr. Widjaja, Ms.

Lim and Ms. Limarto. Furthermore, with the high degree of cooperation among and under the common leadership of Mr. Widjaja, Ms. Lim and Ms. Limarto, the management and operations of the operating subsidiaries of the Target Group had been deeply integrated. The operating subsidiaries of the Target Group had been actively and cooperatively sharing of resources and staff during the Track Record Period and up to the Latest Practicable Date in order to attain significant growth and development. For instance, in relation to the human resources, JOE Green Pte. and JOE Green MKT Singapore had been sharing the Target Group's headquarters and all the employees in Singapore locally for their respective daily management and operations, whereas JOE Green Precast and JOE Green MKT Malaysia shared the Target Group's personnel in Malaysia for their respective daily production, management and operations during the Track Record Period and up to the Latest Practicable Date. Moreover, all the four said operating subsidiaries shared and relied on the Target Group's production plant in Johor Bahru, Malaysia for manufacturing of the green precast concrete wall panel systems during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, a common accounting system and information technology system, together with the relevant accounting and IT staff, were shared by JOE Green Pte. and JOE Green MKT Singapore, while JOE Green Precast and JOE Green MKT Malaysia, the two Malaysian incorporated entities, shared another set of common accounting and information technology systems and group of relevant staff for their business operations.

Because the Target Group Companies were a group of private entities in the past, these arrangements were not formalised into writing and each of Mr. Widjaja, Ms. Lim and Ms. Limarto was content with these arrangements based on their familial relationships, as well as the trust and confidence they have in each other.

On 22 November 2019, in preparation for the Listing, among others, Mr. Widjaja, Ms. Lim and Ms. Limarto executed the Deed of AIC Confirmation, whereby they have confirmed their acting in concert arrangements in the past, as well as their intention to continue to act in such manner (so long as he/she remains as a shareholder of the Enlarged Group) upon Completion to consolidate their control over the Enlarged Group until and unless the Deed of AIC Confirmation is terminated in writing.

Pursuant to the Deed of AIC Confirmation, each of Mr. Widjaja, Ms. Lim and Ms. Limarto confirmed that since 1 January 2016 and with Mr. Widjaja being the leader of such concert group, (i) they have reached unanimous decisions among themselves on all management matters (including but not limited to the operations and financial matters) of the Target Group Companies; (ii) they have reached unanimous decisions among themselves on all material matters related to the business of the Target Group Companies; (iii) they have reached unanimous consensus among themselves on any board resolutions or shareholders' resolutions passed at any board meetings or shareholders' meetings of the Target Group Companies, and have historically voted on such resolutions in the same way; and (iv) they have maintained and centralised the ultimate control and management with respect to the Target Group Companies by way of mutual cooperation.

The Controlling Shareholders have, pursuant to the Deed of AIC Confirmation, confirm and undertake that (i) they shall continue to reach unanimous decisions among themselves on all management matters (including but not limited to the operations and financial matters) of the companies comprising the Enlarged Group (including but not limited to the Company and the Target Group Companies) (the "**Relevant Companies**"); (ii) they shall continue to reach unanimous decisions among themselves on all material matters relating to the business of the Relevant Companies; (iii) they shall continue to cast unanimous vote collectively for or against all board resolutions or shareholders' resolutions to be passed at any board meetings or shareholders' meetings of the Relevant Companies; (iv) they shall continue to maintain and centralise the ultimate control and management with respect to the Relevant Companies by way of mutual cooperation and each of them shall procure the director(s) nominated by each of them to the board of directors of the Company, if any, to work together in the same manner; (v) they shall continue to keep each of the Controlling Shareholders fully informed in respect of any changes on each of their direct or indirect interests in any securities in any of the Relevant Companies; and (vi) they shall obtain written consent from all the parties hereto in advance of purchasing, selling, pledging or creating any right to acquire or dispose of any securities in any of the Relevant Companies. The Controlling Shareholders further confirm and undertake that Mr. Widjaja shall be the leader of the concert group of Controlling Shareholders.

In view of the above acting in concert arrangements, Mr. Widjaja, Ms. Lim, Ms. Limarto, Amazana Investments, Amazana Equity and Amazana Ventures are a group of Controlling Shareholders within the meaning of the Listing Rules, with Mr. Widjaja as the leader of such concert group.

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Excluded Businesses

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 headquarters in Singapore and production plant in Johor Bahru, Malaysia. While the Controlling Shareholders and their respective close associates had been conducting other businesses or holding interests directly or indirectly in certain companies (other than the Target Group) during the Track Record Period and as at the Latest Practicable Date (the "**Excluded Businesses**"), none of the Controlling Shareholders nor any of their respective close associates was, as at the Latest Practicable Date, interested in any business, other than the Target Group, which competes or may compete, directly or indirectly, with the Target Group's business, and which requires disclosure pursuant to Rule 8.10 of the Listing Rules. Details of the Excluded Businesses are set out in the paragraphs below.

(1) Amazana Gratia

Amazana Gratia, a company owned as to 90% and 10% by Ms. Lim and Mr. Widjaja respectively and hence a connected person of the Company upon Completion, principally engages in the trading of timber furniture in Malaysia. In March 2017, Amazana Gratia licensed a trademark to JOE Green Pte. at nil consideration. Such trademark licensing arrangement was subsequently terminated in September 2017 and Amazana Gratia transferred the trademark to JOE Green Pte. Based on the unaudited management accounts of Amazana Gratia, for the years ended 31 December 2016, 2017 and 2018, the revenue of Amazana Gratia was approximately US$4,000, nil and nil, respectively.

Amazana Gratia is excluded from the Target Group for the following reasons:

(i) the businesses of the Target Group (i.e. manufacturing and sales of green precast concrete wall panel system and sale of related accessories) and that of Amazana Gratia (i.e. trading of furniture) are distinctly different and hence there is no direct or indirect competition between the businesses of the Target Group and that of Amazana Gratia;

(ii) the clientele of the Target Group and that of Amazana Gratia are different and there is no overlapping of major customers and suppliers between the Target Group and Amazana Gratia;

(iii) the businesses of Amazana Gratia are managed by senior management and workforce independent from those of the Target Group (save for Mr. Widjaja and Ms. Lim being the directors for both the Target Group and Amazana Gratia); and

(iv) the Target Group does not intend to conduct any businesses relating to the trading of furniture or acquire the businesses of Amazana Gratia in the near future.

(2) Amazana Capital

Amazana Capital, a company owned as to 50% and 50% by Mr. Widjaja and Ms. Lim respectively and hence a connected person of the Company upon Completion, principally engages in the provision of casting and installation services in Malaysia. While Amazana Capital generally does not employ any foreign workers directly by itself, it enters into sub-contracting arrangements with companies in Malaysia (being Independent Third Parties) who have such labour availability by entering into employment contracts with foreign workers, such that these companies may provide foreign workers to Amazana Capital when so demanded. Based on the audited financial statements of Amazana Capital, for the years ended 31 December 2016 and 2017, the revenue of Amazana Capital was approximately RM3.5 million and RM1.3 million, respectively. Based on the unaudited management accounts, the revenue of Amazana Capital for the year ended 31 December 2018 was nil.

When the Target Group relocated its production base to Malaysia in 2012, as (i) it took time to apply for the quota to import foreign workers; (ii) the Target Group wished to focus its attention and resources to expedite and smoothen the initial set up and management of the production base and business development of the Target Group in Malaysia instead of managing the sourcing of workers or subcontractors; and (iii) the proposed Directors were minded to maintain a careful balance between the need to maintain a stable workforce on the one hand, and the flexibility to adjust the workforce needed based on its purchase orders on the other hand, the Target Group subcontracted certain casting and installation works in Malaysia to Amazana Capital, pursuant to which the Target Group engaged Amazana Capital as a sub-contractor to (i) carry out casting works (the "**Casting Works**"); and (ii) install demo wall panels of the Target Group at the sites of the Target Group's customers or potential customers in Malaysia for demonstration and training purposes (the "**Demonstration Services**"). Furthermore, since its inception and up to the date of termination of subcontracting arrangement, apart from sourcing and managing the necessary workers, Amazana Capital also (i) provided basic briefing/trainings to the workers procured; and (ii) handled the related administrative and secretarial matters (which were burdensome in light of the number of workers involved). With these ground works being carried out and/or value-adding services being provided by Amazana Capital, the Target Group could, through the subcontracting arrangement, procure the necessary and capable workers in Malaysia in an efficient and cost effective manner. Amazana Capital, to the best knowledge of the proposed Directors, did not employ any workers directly by itself in carrying out the Casting Works or providing the Demonstration Services but entered into arrangements with and sourced the required workers from companies in Malaysia (being Independent Third Parties) who maintained an employer-employee relationship with those workers.

While the Target Group principally relied on Amazana Capital for the provision of labour force to carry out the production process in 2014 and early 2015, with (i) the increase in the number and level of skills of the Target Group's self-employed workers (in particular workers engaging in operation/production works); and (ii) the improvement in automation and efficiency of the Target Group's production procedures, the Target Group was able to shift the carrying out of production works from Amazana Capital back to the Target Group's self-employed workers since late 2015.

Amazana Capital is excluded from the Target Group for the following reasons:

(i) there is no direct or indirect competition between the Target Group and Amazana Capital as the core businesses of the Target Group (i.e. manufacturing and sales of green precast concrete wall panel system and sale of related accessories) and that of Amazana Capital (i.e. provision of casting and installation services) are distinctly different;

(ii) there is no overlapping of senior management and workforce between the Target Group and Amazana Capital (save for Mr. Widjaja and Ms. Lim being the directors for both the Target Group and Amazana Capital);

(iii) since late 2015, the Target Group did not subcontract in full all the casting works (which formed part of its manufacturing process of precast concrete wall panels, further details of which are set out in the section headed "Business of the Target Group – Production Process of Precast Concrete Wall Panels – Production Process" in this circular) to Amazana Capital. Instead, it only subcontracted the casting works to Amazana Capital on a needed-basis, primarily at times when the Target Group was required to fulfill a large volume of orders within a short period of time;

(iv) the installation works performed by Amazana Capital were for demonstration and training purposes only and were primarily part of the Target Group's sales and marketing strategies to showcase the easiness in installing the Target Group's wall panels. These were not related to any actual installation of the Target Group's products sold at the construction sites of its customers. In addition, all necessary machinery, equipment and materials, used for the Target Group's production were owned by the Target Group and provided to the workers from Amazana Capital. As such, the installation works subcontracted to Amazana Capital is not part and parcel of the Target Group's manufacturing process;

(v) with the enhanced level of skill sets and commitment of the Target Group's own employees during the course of operations in recent years, the labour productivity and efficiency of the Target Group has been improved, resulting in the reduced reliance on the casting and installation services provided by Amazana Capital (as demonstrated by the decrease in subcontracting fees paid to Amazana Capital from S$1.1 million for the year ended 31 December 2015 to S$0.8 million for the year ended 31 December 2016);

(vi) the Target Group was no longer in reliance on Amazana Capital for the provision of production labour to carry out its manufacturing since late 2015 and up to the Latest Practicable Date after it shifted its production works from Amazana Capital back to the Target Group's self-employed workers since late 2015;

(vii) as the sub-contracting arrangements between the Target Group and Amazana Capital are on normal commercial terms, the proposed Directors are of the view that there is no material impediment in identifying and entering into subcontracting arrangements with Independent Third Party service providers who are capable of providing the relevant casting and installation services at prices and terms and conditions comparable to those offered by Amazana Capital; and

(viii) subsequent to the Track Record Period and as at the Latest Practicable Date, the Target Group has sought quotations from Independent Third Party service providers to provide casting and installation services which are similar to those provided by Amazana Capital. On 15 June 2017, the Target Group entered into a sub-contracting agreement with a sub-contractor, namely MTM Resources Sdn. Bhd. ("**MTM**") (being an Independent Third Party service provider), for the provision of the casting and installation services for a term of one year renewable on an annual basis at prices and terms and conditions comparable to those offered by Amazana Capital. We select our sub-contractors based on ISO standards, among others, the capacity of the sub-contractor in handling our orders, their background and track record, price competitiveness and quality of services. Upon inspection and discussion with such sub-contractor, the proposed Directors are of the view that MTM is capable of fully and satisfactorily in carrying out the services previously provided by Amazana Capital. On 1 July 2017, the Target Group has shifted to use MTM in full and has terminated the arrangement with Amazana Capital. As at the Latest Practicable Date, Mr. Widjaja and Ms. Lim ceased the operations of Amazana Capital and has commenced voluntary winding-up procedures on Amazana Capital.

(3) PT. Amazana Kencana

PT. Amazana Kencana is a company incorporated in Indonesia, and is owned as to 45%, 45% and 10% by PT. Amazana Atara (which is owned as to 99% and 1% by Mr. Widjaja and one other shareholder, who is an Independent Third Party, respectively), Ms. Lim and one other shareholder who is an Independent Third Party, respectively, as at the Latest Practicable Date. PT. Amazana Kencana is principally engaged in property development and management in Indonesia.

The board of management of PT. Amazana Kencana comprises its sole director and its commissioner of the supervisory board (both of who are Independent Third Parties). In September 2012, Mr. Widjaja and Ms. Lim executed a power of attorney which delegated their powers including powers exercisable at general meetings, management and operation, and authorisation of regulatory filings to the sole director. During the Track Record Period and up to the Latest Practicable Date, Mr. Widjaja and Ms. Lim remained as passive investors of the PT. Amazana Kencana and they did not act as director, commissioner of the supervisory board or senior management role. Furthermore, during the Track Record Period and up to the Latest Practicable Date, Mr. Widjaja and Ms. Lim were not involved in the day-to-day operations, management and development of business strategies of the company. The day-to-day operations, management and development of business strategies of PT. Amazana Kencana were conducted by its sole director.

PT. Amazana Kencana is excluded from the Target Group since:

(i) there is no direct or indirect competition between the Target Group and PT. Amazana Kencana as the core businesses of the Target Group (i.e. manufacturing and sales of green precast concrete wall panel system and sale of related accessories) and that of PT. Amazana Kencana (i.e. property development and management) are distinctly different;

(ii) there is no overlapping of operation, accounting system, senior management and workforce between the Target Group and PT. Amazana Kencana;

(iii) save for (a) the 45% shareholding interest that Mr. Widjaja held in PT. Amazana Kencana through PT. Amazana Atara; and (b) the 45% shareholding interest that Ms. Lim held in PT. Amazana Kencana, there is no relationship between any of the Controlling Shareholders or any of their associates and PT. Amazana Kencana during the Track Record Period and up to the Latest Practicable Date;

(iv) during the Track Record Period and up to the Latest Practicable Date, to the best knowledge of the proposed Directors having made all reasonable enquiries,

    (a) there were no instances where the Target Group's products (i) were directly sold to PT. Amazana Kencana; (ii) subsequently on-sold by the Target Group's customers to PT. Amazana Kencana; or (iii) were used by PT. Amazana Kencana for its property development projects;

(b) the Target Group did not have any projects where PT. Amazana Kencana was a customer or property developer; and

(c) there has been no business and other relationships between PT. Amazana Kencana and the Target Group's suppliers of hardcore waste materials during the Track Record Period.

In light of the above, the proposed Directors consider that the Excluded Businesses are not related to the core business of the Target Group and there is no competition between the Target Group's core business and the Excluded Businesses, and as such believe that it is not in the best interests of the Company and the Shareholders to include any of the Excluded Businesses into the Enlarged Group. The proposed Directors also consider that the termination of arrangements with Amazana Gratia and Amazana Capital further strengthen the reasons for excluding Amazana Gratia and Amazana Capital from the Target Group. The proposed Directors also confirmed that the Enlarged Group has no intention to acquire any of the Excluded Businesses in the near future.

No competition

The Controlling Shareholders and proposed Directors (including the proposed independent non-executive Directors) confirm that, as at the Latest Practicable Date, none of them or any of their respective close associates had any interest in any business (including the Excluded Businesses), other than the business of the Enlarged Group, which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group which would require disclosure under Rule 8.10 of the Listing Rules.

In addition, each of the Controlling Shareholders has given a non-competition undertaking in favour of the Company (for itself and as trustees for each of the subsidiaries of the Enlarged Group). For further details, please refer to the paragraph headed "Non-competition undertaking" in this section below.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, the proposed Directors believe that the Enlarged Group is capable of carrying on the Enlarged Group's business independently from the Controlling Shareholders and their close associates after Completion.

Management independence

Upon Completion, the Board will comprise five executive Directors and three independent non-executive Directors, details of whom are set out in the section headed "Directors and senior management of the Enlarged Group" in this circular.

The Company has put in place procedures to manage any actual or potential directors' conflicts of interest. Pursuant to the Articles, a director shall not vote (nor shall be counted in the quorum) in relation to any resolution of the Board approving any contract or arrangement or any other proposal whatsoever in which he or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution). In the event that any such proposed contract or arrangement or any other proposal also constitutes a major transaction or above or a connected transaction pursuant to Chapters 14 or 14A of the Listing Rules, respectively, the Board is also required to comply with all the requirements under the Listing Rules, including (where applicable) obtaining the approval of the independent shareholders of the Company.

Each of the proposed Directors is aware of his fiduciary duties as a director which require, among others, that he must act for the benefit and in the best interests of the Company and its shareholders as a whole and must not allow any conflict between his duties as a director and his personal interest or his roles in other corporation. If there is any potential conflict of interest arising out of any transactions to be entered into between the Enlarged Group and any directors or his respective close associates, such interested director shall abstain from voting at the relevant board meetings of the Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, the proposed Directors are satisfied that they are able to perform their roles in the Enlarged Group independently, and the proposed Directors are of the opinion that they are capable of managing the business of the Enlarged Group independently from the Controlling Shareholders after Completion.

Operational independence

The Company and the proposed Directors consider that the Enlarged Group will be able to operate independently for the reasons that:

(i) the operating subsidiaries of the Enlarged Group hold the relevant licences, permits, approvals and qualifications that are essential to the business operations of the Enlarged Group;

(ii) the Enlarged Group has established its own operational structure made up of separate departments with independent management team to handle the Enlarged Group's day-to-day operations;

(iii) the Enlarged Group has its own capabilities and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology;

(iv) the Enlarged Group also has direct and independent access to suppliers and customers and none of the Controlling Shareholders and their respective close associates has any interest in any of the Enlarged Group's major customers for the Track Record Period;

(v) the Enlarged Group will establish and implement various internal control procedures to facilitate the effective operation of its business; and

(vi) the Enlarged Group has established corporate governance procedures in safeguarding the interests of the Shareholders and preventing the Directors from furthering their own interests at the expense of the Enlarged Group's interests. Please refer to the paragraph headed "Corporate Governance" in this section for details.

Financial independence

The Enlarged Group has an independent financial system and makes financial decisions according to its own business needs. It has sufficient capital to operate the Enlarged Group's business independently, and has adequate internal resources and credit profile to support its daily operations.

As at 31 May 2019, the Target Group had outstanding bank borrowings of approximately S$12.4 million which were guaranteed by, and secured by properties owned by, Mr. Widjaja and Ms. Lim. The aforesaid guarantees and securities provided to the relevant lenders for the said borrowings will be released upon the Resumption and will be replaced by corporate guarantees granted by the Company. In addition, as at 31 May 2019, Mr. Widjaja has provided personal guarantees for the leases liabilities of approximately S$0.7 million. Such personal guarantees will also be released upon the Resumption.

The Company and the proposed Directors are of the view that there has been sufficient cash flow to support the operation of the Target Group's business. During the Track Record Period, the Target Group had relied principally on cash generated from operations and bank borrowings to carry on its businesses and this is expected to continue after Resumption. The Company and the proposed Directors are of the view that the Enlarged Group is capable of obtaining financing from independent third parties, if necessary, without reliance on the Controlling Shareholders, and accordingly is able to operate financially independently from the Controlling Shareholders after Completion.

Non-competition undertaking

Each of the Controlling Shareholders, namely Mr. Widjaja, Ms. Lim, Ms. Limarto, Amazana Investments, Amazana Equity and Amazana Ventures (each the "**Covenantor**" and collectively the "**Covenantors**") entered into a deed of non-competition dated 23 November 2019 in favour of the Company (for itself and on behalf of its subsidiaries) (the "**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that, save and except as disclosed in this circular, during the period that the Deed of Non-competition remains effective, he/she/it shall not, and shall procure that his/her/its close associates (other than any member of the Enlarged Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Enlarged Group and any business of the Enlarged Group may engage in from time to time within Singapore, Malaysia, Hong Kong and such other parts of the world where any member of the Enlarged Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with his/her/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/her/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/her/its close associates).

Each of the Covenantors further undertakes that if he/she/it or his/her/its close associates other than any member of the Enlarged Group is offered or becomes aware of any business opportunity which may compete with the business of the Enlarged Group, he/she/it shall procure that his/her/its close associates to promptly notify the Enlarged Group in writing and the Enlarged Group shall have a right of first refusal to take up such opportunity. The Enlarged Group shall, within 30 days after receipt of the written notice (or such longer period if the Enlarged Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Enlarged Group will exercise the right of first refusal.

The Enlarged Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

(i) the independent non-executive Directors shall review on an annual basis the above undertakings from the Covenantors and to evaluate the effective implementation of the Deed of Non-competition;

(ii) each of the Covenantors undertakes to provide any information as is reasonably required by the Enlarged Group or the independent non-executive Directors, as a basis to decide whether to exercise the right of first refusal by the Company from time to time; and

(iii) each of the Covenantors undertakes to provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition, and to provide an annual confirmation on the compliance of the non-competition undertaking for inclusion in the annual report of the Company.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Committee granting approval for the listing of and permission to deal in the New Shares on the Stock Exchange.

The Deed of Non-competition shall terminate on the date on which (i) in relation to the Covenantors, when he/she/it together with his/her/its close associates, when as a group, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of the Company provided that the Deed of Non-competition shall continue to be in full force and effect as against the other Covenantors; or (ii) the shares of the Company cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the shares of the Company on the Stock Exchange due to any reason).

As the Controlling Shareholders have given non-competition undertakings in favour of the Company, and other than being the members of the Enlarged Group, none of them have interests in other businesses that compete or are likely to compete with the business of the Group, the proposed Directors are of the view that the Enlarged Group is capable of carrying on its business independently of the Controlling Shareholders following Resumption.

CORPORATE GOVERNANCE

The Enlarged Group will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

(i) the Articles provide that a Director shall not be counted in the quorum or vote on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless in certain circumstances as expressly stated in the Articles;

(ii) the audit committee will review, on an annual basis, compliance with the Deed of Non-competition given by the Controlling Shareholders;

(iii) the Company will obtain (i) an annual written confirmation in respect of the Controlling Shareholders' compliance with the terms of the Deed of Non-competition, (ii) consent (from each of the Controlling Shareholders) to refer to the said confirmation in its annual reports, and (iii) all information as may reasonably be requested by the Company and/or its independent non-executive Directors for its review and enforcement of the Deed of Non-competition;

(iv) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of the Controlling Shareholders in the annual reports of the Company;

(v) the independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of the Company;

(vi) as required by the Listing Rules, the independent non-executive Directors will review any non-exempt continuing connected transaction annually and confirm in the Company's annual report that such transactions have been entered into in the Enlarged Group's ordinary and usual course of business, are either on normal commercial terms or better and are on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and

(vii) the Enlarged Group has appointed Kingsway Capital Limited as the compliance adviser which shall provide the Enlarged Group with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws.

You should read the following discussion and analysis of the Target Group's results of operations and financial position in conjunction with its combined financial information as of and for the Track Record Period, including the notes thereto, included in Appendix I to this circular. This historical combined financial information is not necessarily indicative of the future performance of the Target Group or the Enlarged Group. For an illustration of the financial information of the Enlarged Group as a result of the Completion, see "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix III to this circular. The Target Group's combined financial information has been prepared in accordance with IFRSs and the disclosure requirements in the Listing Rules and the Companies Ordinance. The following discussion contains forward-looking statements that involve risks and uncertainties. The Target Group's future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this circular.

OVERVIEW

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 headquarters in Singapore and production plant in Johor Bahru, Malaysia. According to the Frost and Sullivan Report, the Target Group is the leading precast hollow-core concrete wall panel provider in Singapore in terms of revenue and has covered approximately 63.2% of the market share (in terms of revenue generated from both domestic and export sales) in Singapore in 2018.

As at the Latest Practicable Date, the Target Group has 3 automated production lines and 3 manual production yards in its production plant in Johor Bahru, Malaysia, and together with its headquarter in Singapore, has 127 staff and workers.

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. Since 2017, the Target Group has begun to extend its geographical reach to markets outside Singapore and Malaysia and has generated revenue from Indonesia and Cambodia markets since 2017 and 2018, respectively. In order to introduce the Target Group's products and their application to new customers in new markets, upon customer's request, the Target Group provides its customers with drawings and/or designs to demonstrate the installation of concrete precast wall panels and recognised a design fee representing approximately 0.8%, 1.0% and 2.3% of the Target Group's total revenue for the year ended 31 December 2017 and 2018 and the five months ended 31 May 2019, respectively.

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 total revenue was generated from Singapore, respectively, and approximately 2.6%, 2.6%, 8.5%, 8.4% and 11.1% was generated from Malaysia, respectively. In addition, approximately 10.3%, 25.6%, 3.7% and nil of the Target Group's total revenue was generated from Indonesia for the year ended 31 December 2017 and 2018 and the five months ended 31 May 2018 and 2019, respectively. For the year ended 31 December 2018 and the five months ended 31 May 2018 and 2019, approximately 5.3%, 8.2% and nil of the Target Group's total revenue was generated from Cambodia.

The Target Group's total revenue for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019 was approximately S$24.8 million, S$19.6 million, S$21.5 million, S$7.1 million and S$5.7 million, respectively. The Target Group's net profit for the three years ended 31 December 2018 was approximately S$6.8 million, S$2.3 million and S$3.2 million, respectively; while the Target Group recorded a net profit of S$32,000 for the five months ended 31 May 2018 and a net loss of approximately S$0.4 million for the five months ended 31 May 2019. On the other hand, the Target Group recorded transaction expenses which are the expenses relating to the Acquisition and the Share Offer, and are substantially non-recurring in nature of approximately S$1.3 million, S$2.0 million, S$0.9 million, S$0.7 million and S$0.6 million for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively. Without taking into account the transaction expenses, the Target Group would record profit for the year/period of approximately S$8.1 million, S$4.3 million, S$4.1 million, S$0.8 million and S$0.2 million for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively. Please refer to the paragraph headed "Results of Operations – Non-IFRS measures" in this section for further details.

BASIS OF PRESENTATION

The Target Company was incorporated in the BVI with limited liability on 24 March 2017 and became the holding company of the companies comprising the Target Group pursuant to the Reorganisation. Details of the Reorganisation are set out in the section headed "History and Background of the Target Group" in this circular.

The Target Group resulting from the Reorganisation is regarded as a continuing entity and the combined financial statements of the Target Group have been prepared as if the Target Company had been the holding company of Linktopz Entertainment and its subsidiaries throughout the Track Record Period. All companies comprising the Target Group were under the common control of the Controlling Shareholders before and after the Reorganisation.

The financial information of the Target Group includes the results of operations and financial position of the Target Group for the Track Record Period as if the current group structure had been in existence throughout the Track Record Period or the respective dates of their incorporation, whichever is earlier.

KEY FACTORS AFFECTING THE TARGET GROUP'S RESULTS OF OPERATIONS AND FINANCIAL POSITION

The results of operations and financial position of the Target Group have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed "Risk Factors" in this circular and as set out below:

Continuous award of contracts by customers

In relation to the sale of green precast concrete wall panel system and sale of wall panel system accessories and building materials, the Target Group generally enters into contracts with its customers on a project basis. Depending on the nature of buildings involved, the duration of projects typically range between 12 and 36 months, in which the Target Group is involved in mostly between 3 and 24 months. In addition, project demand is affected by Singapore's overall economic conditions and the pace of property development and infrastructure construction in Singapore. Accordingly, the ability to maintain a continuous pipeline of projects affects the profitability of the Target Group's business.

Ability of the Target Group to maintain major suppliers

The Target Group procures recycled hardcore waste materials recycled from the demolition of old buildings from its supplier. During the Track Record Period, hardcore waste materials used by the Target Group were sourced from three suppliers. Under the arrangements throughout the Track Record Period, the Target Group is not being charged for the hardcore waste materials but is only charged for transportation costs which is normally determined by the weight of the hardcore waste materials being delivered. The transportation costs were negotiated and agreed occasionally, and remained unchanged at around RM5-6 (equivalent to approximately S$1.6-S$1.9) per tonne throughout the Track Record Period. The Target Group has maintained a stable and reliable sources for other raw materials including quarry dust, cement, concreting sand, tensile wire and other additives. The Target Group has business relationship typically ranged over three years with its major suppliers.

For the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, purchases from the Target Group's five largest suppliers represented approximately 55.1%, 41.6%, 37.5%, 47.4% and 50.3%, respectively of its total cost of sales. Although the Target Group maintained close and stable relationship with its major customers throughout the Track Record Period, the ability to maintain sufficient and steady supply of raw materials is also vital to the Target Group's production for meeting the increasing demand from its customers in the future.

Fluctuation in cost and supply of raw materials

The key raw materials used in the Target Group's concrete wall panel production process include RCA, cement, concreting sands, quarry dusts tensile wires and other additives. For the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, the total cost of raw materials consumed represented approximately 60.9%, 58.4%, 50.5%, 49.5% and 37.7% of the Target Group's total cost of sales, respectively. The Target Group does not have any framework supply agreement or other long-term supply contracts with any of the suppliers nor adopted any hedging policy for forward purchase of raw materials. The prices of these raw materials are subject to many factors, including demand, development of the regional economy and government policies, which are beyond the Target Group's control. As such, in case of any significant increase in the price of the principal raw materials, and if the Group is unable to pass on such increase to the customers, the business and profitability of the Target Group maybe adversely affected.

Pricing

One of the key drivers to the Target Group's profitability is its pricing. The Target Group's customers typically come to know of the Target Group by word-of-mouth or are repeat customers who invite the Target Group to quote for their new construction projects. Majority of the Target Group's customers are in the construction industry and price sensitive. Accordingly, the pricing policy of the Target Group significantly affects its profitability. For details of the pricing policy of the Target Group, please refer to the section headed "Business of the Target Group – Pricing Policy" in this circular.

The selling price of the Target Group's precast concrete wall panel systems fluctuates along with the market demand and supply of various other building construction materials including similar products of the Target Group's competitors and their respective prevailing market price in the region, as well as the demand of building construction materials driven by the number of construction projects in the region.

Fluctuation in exchange rate between Singapore dollar and Malaysian Ringgit

During the Track Record Period, majority of the Target Group's revenue was generated from the sale to the Singapore market and was denominated in S$, which is the Target Group's functional and presentation currency in its combined financial statements. On the other hand, the Target Group's production plant was located at Johor Bahru, Malaysia and majority of the Target Group's cost of sales was denominated in RM. Any appreciation of RM against S$ will increase the Target Group's cost of sales and will negatively affect the Target Group's result of operations, if the Target Group unable to pass on such additional costs to its customers in Singapore.

The following table sets forth a sensitivity analysis illustrating the impact on the Target Group's gross and net profit of hypothetical fluctuations in exchange rate between S$ and RM during the Track Record Period. The proposed Directors considered reasonable to adopt 5% and 10% as the hypothetical fluctuation rates for the purpose of this sensitivity analysis, after considered the average fluctuation of the exchange rate during the Track Record Period:

Appreciation/(depreciation) of exchange rate of RM against S$	-10%	-5%	+5%	+10%
Increase/(decrease) in gross profit	*S$'000*	*S$'000*	*S$'000*	*S$'000*
Year ended 31 December 2016	800	400	(400)	(800)
Year ended 31 December 2017	755	378	(378)	(755)
Year ended 31 December 2018	675	337	(337)	(675)
Five months ended 31 May 2019	222	111	(111)	(222)
Increase/(decrease) in net profit				
Year ended 31 December 2016	1,192	596	(596)	(1,192)
Year ended 31 December 2017	1,044	522	(522)	(1,044)
Year ended 31 December 2018	1,167	583	(583)	(1,167)
(Increase)/decrease in net loss				
Five months ended 31 May 2019	409	204	(204)	(409)

The Target Group's gross profit will be negatively affected by the fluctuation of the exchange rate as the majority of Target Group's cost of sales was denominated in RM. Furthermore, the Target Group's net profit will be negatively affected by the fluctuation of the exchange rate from the decrease in the Target Group's gross profit and as some of the Target Group's selling and distribution expenses and administrative expenses were denominated in RM. As a result, the Target Group's net profit and net loss are more sensitive than the Target Group's gross profit in terms of the fluctuation of the exchange rate.

Competition

The profitability of the Target Group is affected by competition in the markets in which it operates. According to the Frost and Sullivan Report, the Target Group was the leading player in Singapore precast hollow-core concrete panels market with a market share of approximately 63.2% in 2018 (in terms of revenue generated from both domestic and export sales) while the top four market players constitute approximately 84.5% of aggregated market share.

However, in recent years, due to strong government support and subsidies on taxation to the local manufacturers, the precast concrete panel market will see more new entrants to share the profit. Also, the landscape of suppliers in private sector projects is more fragmented as market players are not required to register under HDB. Suppliers are usually appointed through tender bidding, request for quotation, or direct negotiations/direct appointment. All these will inevitably raise the level of fragmentation of the market.

On the other hand, the development of new construction techniques and materials could affect demand for the Target Group's products. Demand for the Target Group's products is subject to competition from a number of alternatives such as dry wall partition. The Singapore Government may provide incentives to support such alternative products which compete with the Target Group's products and which may in turn reduce demand for the Target Group's precast concrete wall panel system.

The Target Group intends to leverage its market position to expand its customer base and further increase its market share in Singapore and Malaysia. Its profitability and market share will depend on the ability to compete with its competitors and alternative products.

Change in laws and regulations governing the construction industry in Singapore

The Target Group's business is regulated by the relevant laws and regulations from BCA and Ministry of Manpower of Singapore. Changes in laws and regulations regulating its business may affect its day-to-day operations and profitability. For instance, change in any environmental protection laws may force the Target Group to increase its costs to maintain all necessary permits and approvals for its business. A summary of the regulatory framework is set out in the section headed "Regulatory Overview" in Appendix V to this circular.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those accounting policies and estimates that involve significant judgements and uncertainties and potentially yield materially different results under different assumptions and conditions. The combined financial statements of the Target Group have been prepared in accordance with IFRS. Estimates and judgements are based on historical experience, prevailing market conditions and rules and regulations, and are reviewed on a continual basis taking into account the changing environment and circumstances.

The management of the Target Group has identified the accounting policies and key assumptions that are most critical to the preparation of its combined financial statements, which include property, plant and equipment, investment properties, taxation, trade and other receivables and revenue recognition. The International Accounting Standards Board has issued several new and amendments to the IFRSs which become effective after 31 December 2017. In particular, IFRS 9 becomes effective for annual periods beginning on or after 1 January 2018. The application of IFRS 9 on 1 January 2019 (i) has no impact on the Target Group's financial position with regards to classification and measurement of financial instruments; and (ii) no material additional impairment has been recognised upon application of expected loss approach as at 1 January 2018. For details, please refer to Notes 4 and 5 to the Accountants' Report on the Target Group set forth in Appendix I to this circular.

The Target Group has consistently applied all new and revised IFRSs including IFRS 15 Revenue from Contracts with Customers and amendment to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers, International Accounting Standards ("**IASs**"), amendments and interpretations issued by the IASB which are effective for the accounting periods beginning on 1 January 2018 throughout the Relevant Periods except that the Target Group adopted IFRS 9 Financial Instruments from 1 January 2018 and IFRS 16 Leases from 1 January 2019. The financial information for the years ended 31 December 2016 and 2017 is reported under IAS 39 Financial Instruments: Recognition and Measurement. The financial information for the years ended 31 December 2016, 2017 and 2018 is reported under IAS 17 Leases. The Target Group has initially applied IFRS 16 as from 1 January 2019. The Target Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The adoption of IFRS 16 has no significant impact on the financial statements of the Target Group as compared to that of IAS 17 because the Target Group was not a lessee under operating lease as at 31 December 2018 and the accounting policies applicable to the Target Group as a lessor remain substantially unchanged from those under IAS 17.

The accounting policies under IFRS 9, IAS 39, IFRS 16 and IAS 17 are set out in Note 4 to the Accountants' Report on the Target Group set forth in Appendix I to this circular. Upon application of IFRS 15, the Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Further details are set out in Notes 4 and 6 to the Accountants' Report on the Target Group set forth in Appendix I to this circular. The application of IFRS 9, IFRS 15 and IFRS 16 has no impact on the combined financial position and financial performance of the Target Group.

RESULTS OF OPERATIONS

The following is a summary of the combined statements of profit or loss of the Target Group during the Track Record Period, derived from the Accountants' Report set in Appendix I to this circular.

Combined statements of profit or loss

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue	24,847	19,552	21,529	7,114	5,650
Cost of sales	(8,755)	(8,197)	(9,215)	(3,431)	(3,094)
Gross profit	16,092	11,355	12,314	3,683	2,556
Other revenue	772	716	177	47	140
Other net gains	357	592	209	22	39
Selling and distribution expenses	(1,972)	(1,796)	(2,497)	(855)	(737)
Administrative expenses	(5,350)	(7,025)	(5,122)	(2,295)	(2,062)
Valuation (loss)/gain on investment properties	(440)	(85)	305	305	–
Loss on revaluation of properties upon transfer to investment properties	–	(51)	–	–	–
Finance costs	(967)	(1,355)	(1,112)	(571)	(409)
Profit/(loss) before taxation	8,492	2,351	4,274	336	(473)
Income tax	(1,694)	(53)	(1,084)	(304)	101
Profit/(loss) for the year/period	6,798	2,298	3,190	32	(372)

Non-IFRS measures

To enable investors to better evaluate the financial performance of the Target Group, the following table represents the adjusted net profit of the Target Group during the Track Record Period by excluding non-recurring transaction expenses as a non-IFRS measure:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Profit/(loss) for the year/period	6,798	2,298	3,190	32	(372)
Add: Transaction expenses	1,252	2,016	889	737	555
Adjusted profit for the year/period	8,050	4,314	4,079	769	183

Note: The adjusted net profit, represents the Target Group's profit for the year/period excluding the effects of the non-recurring transaction expenses relating to the Acquisition and the Share Offer. The adjusted net profit is not a measure of performance under IFRS. As a non-IFRS measure, the adjusted net profit is presented because the Target Group's management believes such information would be helpful for investors in assessing the level of the Target Group's financial performance. The use of the adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact the Target Group's net profit for the year/period.

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

The Target Group derives its revenue mainly from manufacture and sale of green precast concrete wall panel system and sale of related accessories and building materials. In addition, the Target Group has begun to extend its geographical reach to markets outside Singapore and Malaysia since 2017. In order to introduce the Target Group's products and their application to new customers in new markets, upon customer's request, the Target Group provides its customers with drawings and/or designs to demonstrate the installation of concrete precast wall panels and recognised a design fee. The Target Group's revenue amounted to approximately S$24.8 million, S$19.6 million, S$21.5 million, S$7.1 million and S$5.7 million for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively.

Revenue breakdown by project category

The following table sets out the breakdown of the Target Group's revenue by project category for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	Revenue *S$'000* (audited)	*Approximate* *%*	*Revenue* *S$'000* (audited)	*Approximate* *%*	*Revenue* *S$'000* (audited)	*Approximate* *%*	*Revenue* *S$'000* (unaudited)	*Approximate* *%*	*Revenue* *S$'000* (audited)	*Approximate* *%*
Residential	10,376	41.7	4,099	21.0	7,833	36.4	2,886	40.6	2,019	35.8
Institutional	4,713	19.0	3,109	15.9	2,521	11.7	1,146	16.1	691	12.2
Industrial	7,668	30.9	5,432	27.8	3,431	15.9	1,237	17.4	1,712	30.3
Commercial	2,090	8.4	6,912	35.3	7,744	36.0	1,845	25.9	1,228	21.7
Total	24,847	100.0	19,552	100.0	21,529	100.0	7,114	100.0	5,650	100.0

Residential building projects mainly include the construction of condominium, HDB flats and houses. Institutional building projects relate to the public service sector and mainly include the construction of schools, universities, hospitals, community centres, airports and other public facilities. Industrial building projects mainly include the construction of factories and warehouses. Commercial building projects mainly include the construction of shopping centre buildings and offices.

During the Track Record Period, over 500 completed commercial, industrial, residential and institutional building construction projects in Singapore, Malaysia and Indonesia, etc. used the Target Group's precast concrete wall panel system. According to the Frost and Sullivan Report, the construction industry in Singapore experienced a delay in project execution with a decrease in progress payment in 2017 and 2018. According to the Singapore Department of Statistics, the total progress payment certified in construction projects registered a decline in 2017 with a negative year-on-year growth of approximately 20.8% and the progress payment in construction projects for residential properties in 2017 was approximately S$7,553.6 million with a negative year-on-year growth of approximately 30.6%. According to Frost & Sullivan, residential building accounted for approximately 37% of total progress payment in building work in 2017. As such, revenue from construction projects for residential buildings decreased from approximately S$10.4 million for the year ended 31 December 2016 to approximately S$4.1 million for the year ended 31 December 2017.

For the year ended 31 December 2017, revenue from construction projects for commercial building recorded a significant increase as compared with the previous year as the Target Group was involved in a few large-scale commercial construction projects. 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.

For the year ended 31 December 2018, revenue from construction projects for residential building recorded a significant increase as compared with the previous year as the Target Group has begun to extend its geographical reach to Indonesia and Cambodia since 2017 and 2018, respectively, and a majority of the projects in Indonesia and Cambodia are residential construction projects.

During the five months ended 31 May 2019, revenue from construction projects for industrial building recorded a significant increase as compared with the five months ended 31 May 2018 as the Target Group was awarded with a few large scale industrial projects during the second half of 2018 and early 2019.

Revenue breakdown by product category

The following table sets out the breakdown of the Target Group's revenue by product category for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	Revenue	*Approximate*	*Revenue*	*Approximate*	*Revenue*	*Approximate*	*Revenue*	*Approximate*	*Revenue*	*Approximate*
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Standardised precast concrete wall panel system	3,250	13.1	3,140	16.1	3,110	14.5	1,280	18.0	1,070	18.9
Customised precast concrete wall panel system	18,906	76.1	13,279	67.9	14,880	69.1	4,640	65.2	3,665	64.9
Wall panel system accessories and building materials	2,691	10.8	2,973	15.2	3,318	15.4	1,194	16.8	783	13.9
Design fee income	–	–	160	0.8	221	1.0	–	–	132	2.3
Total	24,847	100.0	19,552	100.0	21,529	100.0	7,114	100.0	5,650	100.0

For details of the Target Group's standardised precast concrete wall panel system, customised precast concrete wall panel system and wall panel system accessories and building materials, please refer to the section headed "Business of the Target Group – Products and Brands" in this circular.

For the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, approximately 13.1%, 16.1%, 14.5%, 18.0% and 18.9% of the Target Group's revenue was generated from the sale of standardised precast concrete wall panel system, respectively, while approximately 76.1%, 67.9%, 69.1%, 65.2% and 64.9% of the Target Group's revenue was generated from the sale of customised precast concrete wall panel system while approximately 10.8%, 15.2%, 15.4%, 16.8% and 13.9% of the Target Group's revenue was generated from the sale of wall panel system accessories and building materials, respectively.

Since 2017, the Target Group has begun to extend its geographical reach to markets outside Singapore and Malaysia. In order to introduce the Target Group's products and their application to new customers in new markets, upon customer's request, the Target Group provides its customers with drawings and/or designs to demonstrate the installation of concrete precast wall panels and recognised a design fee of approximately S$160,000, S$221,000 and S$132,000, representing approximately 0.8%, 1.0% and 2.3% of the Target Group's total revenue for the year ended 31 December 2017 and 2018 and the five months ended 31 May 2019, respectively.

Furthermore, the Target Group commenced the First Franchise Arrangement in November 2017 in Indonesia. Given Franchisee A's delay in setting up the JOE Green production plant in Indonesia, the parties agreed to temporarily suspend the exclusivity element in the First Franchise Arrangement between 25 October 2018 and 30 June 2019 so that the Target Group could take up orders from customers in Indonesia directly. Subsequently, the First Franchise Arrangement was terminated on 30 June 2019. 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. In addition, on 1 August 2019, the Target Group entered into the MOU (3rd Franchise) with Proposed Franchisee C, whereby, the parties (a) expressed their intention to explore possible modes of future cooperation and to promote the use and sale of the Target Group's products in Indonesia; and (b) agreed to negotiate in good faith the terms and conditions of the Proposed Franchise Arrangement which is expected to commence on or before 1 August 2020. During the Track Record Period, the Target Group did not recognise any revenue arising from the franchise arrangements. It is currently contemplated that apart from the designated territory and the performance targets which are yet to be determined, the terms and conditions for the Proposed Franchise Arrangement will be substantially the same as the Second Franchise Arrangement. Pursuant to the franchise arrangements, the Target Group will grant the franchisees an exclusive right to develop the Target Group's business in the designated territory. The franchisees will have the right to set up its own production plant for the manufacturing and sales of standardised and customised green precast concrete wall panel system and sale of related accessories using the Target Group's operation methods, knowhow, registered patents and the trademark "JOE". In return, the Target Group will charge its franchisees certain fees including but not limited to, licensing fee, design fee, development fee and service fee, etc. For further details of the franchise arrangements, please refer to the section headed "Business of the Target Group – Franchise Arrangements" in this circular.

Under the IFRS, the non-refundable licensing fee would be recognised on a straight line basis when the franchisee can begin to use and benefit from the licence up to the end of the franchise period. Upon the commencement of operations of the JOE Green production plant set up by the franchisee under the relevant franchise arrangement, it is expected that there will be no material change to the Target Group's cost structure given the franchisee has to bear the operation costs. On the other hand, the Target Group will recognise (i) the licensing fee over the terms of the relevant franchise agreement on a straight-line basis when the franchisee can begin to use and benefit from the franchise; (ii) a production plant design fee and a development fee when the relevant services of the Target Group have been rendered; and (iii) the monthly service fee, subject to the performance of the franchisee's business (equivalent to 2% of the monthly gross turnover of the JOE Green business operated by the franchisee plus VAT).

As set out in the section headed "Business of the Target Group – Pricing Policy" in this circular, the sales volume of the Target Group's standardised precast concrete wall panel system increased slightly from approximately 190,283 m^2 for the year ended 31 December 2016 to approximately 202,995 m^2 for the year ended 31 December 2017 and further to approximately 216,253 m^2 for the year ended 31 December 2018. Such fluctuations are mainly dependent on the design and needs of each specific building project given each building is unique in its design and purpose. For example, some buildings are designed to use flat slab structural without beams while some are tailored to use standard panels, as such standard panels would be in greater demand as there is no customisation required. The sales volume of the Target Group's standardised precast concrete wall panel system decreased from approximately 97,236 m^2 for the five months ended 31 May 2018 to approximately 87,215 m^2 for the five months ended 31 May 2019 primarily because no sales were made to the Indonesia and Cambodia markets during the five months ended 31 May 2019. The Target Group's customised concrete wall panel system are generally charged at higher price than the standardised concrete wall panel system subject to different specifications depending on the requirements of individual construction project.

For industrial project which are designed to use very high and large span walls of above 12 to 24 metres, it would be more efficient and safer in terms of the handling and installation to use standardised concrete wall panel system given the limitation on lifting equipment. During the Track Record Period, less industrial and residential projects were designed to use multi-tier and/or standardised wall panels.

The sales volume of the Target Group's customised precast concrete wall panel system decreased from approximately 947,312 m^2 for the year ended 31 December 2016 to approximately 737,428 m^2 for the year ended 31 December 2017. Such decrease in sales volume was in line with the decrease in the value of construction projects awarded in Singapore in 2017 and the decrease in total progress payment certified in construction projects in 2017 and 2018. The sales volume of the Target Group's customised precast concrete wall panel system increased to approximately 859,088 m^2 for the year ended 31 December 2018 as the Target Group has begun to extend its geographical reach to Indonesia and Cambodia since 2017 and 2018, respectively. The sales volume of the Target Group's customised precast concrete wall panel system decreased from approximately 308,436 m^2 for the five months ended 31 May 2018 to approximately 262,297 m^2 for the five months ended 31 May 2019 primarily because no sales were made to the Indonesia and Cambodia markets during the five months ended 31 May 2019.

The average selling price of the Target Group's customised precast concrete wall panel system was higher than the standardised precast concrete wall panel system, which is mainly due to its specifications and customisation features as some of the products has higher profit margin, for example, wire reinforced customised panels longer than 3.3 metres and wall panels with water-proof features.

The sales volume of the Target Group's Joint Bonding Adhesive decreased slightly from 197,293 bags for the year ended 31 December 2016 to 194,582 bags for the year ended 31 December 2017. The sales volume of the Target Group's Joint Bonding Adhesive increased slightly to 200,476 bags for the year ended 31 December 2018 as the Target Group has begun to extend its geographical reach to Indonesia and Cambodia since 2017 and 2018, respectively. The sales volume of the Target Group's Joint Bonding Adhesive decreased from 88,693 bags for the five months ended 31 May 2018 to 67,566 bags for the five months ended 31 May 2019 primarily because no sales were made to the Indonesia and Cambodia markets during the five months ended 31 May 2019. The average selling price of the Target Group's Joint Bonding Adhesive decreased from approximately S$12.39 per bag for the year ended 31 December 2016 to approximately S$11.33 per bag for the year ended 31 December 2017 and further to approximately S$9.93 per bag for the year ended 31 December 2018 and approximately S$9.05 per bag for the five months ended 31 May 2019, mainly due to stronger competition from other products.

Revenue breakdown by geographical region

The following table sets out the breakdown of the Target Group's revenue by geographical segment for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	Revenue	*Approximate*	*Revenue*	*Approximate*	*Revenue*	*Approximate*	*Revenue*	*Approximate*	*Revenue*	*Approximate*
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Singapore	24,208	97.4	17,027	87.1	13,047	60.6	5,670	79.7	5,024	88.9
Malaysia	639	2.6	512	2.6	1,828	8.5	601	8.4	626	11.1
Indonesia	–	–	2,013	10.3	5,509	25.6	263	3.7	–	–
Cambodia	–	–	–	–	1,145	5.3	580	8.2	–	–
Total	24,847	100.0	19,552	100.0	21,529	100.0	7,114	100.0	5,650	100.0

For the three years ended 31 December 2018, approximately 97.4%, 87.1%, 60.6%, 79.7% and 88.9% of the Target Group's revenue was generated from Singapore, respectively and approximately 2.6%, 2.6%, 8.5%, 8.4% and 11.1% was generated from Malaysia, respectively. Apart from the Singapore and Malaysia markets, the Target Group expanded into the Indonesia market in 2017. For the year ended 31 December 2017 and 2018 and the five months ended 31 May 2018 and 2019, approximately 10.3%, 25.6%, 3.7% and nil of the Target Group's total revenue was generated from Indonesia, respectively and approximately 5.3%, 8.2% and nil of the Target Group's total revenue was generated from Cambodia for the year ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively.

During the five months ended 31 May 2019, the Target Group did not recognise any revenue from the Indonesia and Cambodia markets due to (a) the completion of all projects on hand in Indonesia by the end of 2018; (b) 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 a delay in commencement of construction of its customers' potential projects in Indonesia; and (c) no new projects have been secured by the Target Group in Cambodia in 2019. However, the Target Group has secured 2 new residential building construction projects and was in negotiation with potential customers for 9 building construction projects, of which 6 are commercial, 2 are residential and 1 is institutional, for the Indonesia market as at the Latest Practicable Date.

The Target Group's main geographical focus is and will be on Singapore in the near future. At the same time, the Target Group will strive to penetrate into the Malaysia and Southeast Asian markets, in particular the Johor Bahru, Kuala Lumpur and Indonesia markets. According to the Frost and Sullivan Report, the Target Group is the leading precast hollow-core concrete wall panel provider in Singapore in terms of revenue and has covered approximately 63.2% of the market share (in terms of revenue generated from both domestic and export sales) in Singapore in 2018.

Cost of sales

Cost of sales comprised mainly of the costs incurred for raw materials consumed, sub-contractors' fee, direct labour, consumable tools, depreciation, and other cost of goods sold. The following table sets forth a breakdown of the cost of sales of the Target Group and percentage contribution to total costs for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000*	*%*
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Raw materials consumed	5,328	60.9	4,787	58.4	4,657	50.5	1,697	49.5	1,165	37.7
Sub-contractors' fee	808	9.2	617	7.5	816	8.9	350	10.2	369	11.9
Direct labour	872	10.0	883	10.8	1,004	10.9	394	11.5	340	11.0
Consumable tools	332	3.8	200	2.4	111	1.2	21	0.6	47	1.5
Depreciation	596	6.8	820	10.0	1,172	12.7	480	14.0	476	15.4
Lease rental – plant and machinery	75	0.8	48	0.6	–	–	–	–	–	–
Packaging expenses	237	2.7	152	1.9	221	2.4	31	0.9	121	3.9
Repair and maintenance	141	1.6	223	2.7	456	5.0	200	5.8	224	7.2
Water and electricity charges	149	1.7	185	2.3	240	2.6	103	3.0	99	3.2
Other cost of goods sold	217	2.5	269	3.3	507	5.5	155	4.5	228	7.4
Cost of services	–	–	13	0.1	31	0.3	–	–	25	0.8
Total	8,755	100.0	8,197	100.0	9,215	100.0	3,431	100.0	3,094	100.0

The costs of raw materials consumed primarily comprise the costs of purchasing cements, concreting sands and quarry dusts. It was the largest component of the cost of sales during the Track Record Period, which accounted for approximately 60.9%, 58.4%, 50.5%, 49.5% and 37.7% of the total cost of sales for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively. The significant decrease in the proportion of costs of raw materials in terms of cost of sales was primarily due to a decrease in average cement price from approximately RM202 for the five months ended 31 May 2018 to approximately RM185 for the five months ended 31 May 2019. During the Track Record Period, the annual average purchase price of cements ranged between RM195 per tonne and RM252 per tonne. The annual average purchase price of concreting sands (including transportation costs) ranged between RM27 per tonne and RM29 per tonne. The average purchase price of quarry dusts was RM19 per tonne. Other raw materials mainly include tensile wires, recycled wastes, chipping stone and others.

Sub-contractors' fee relates to fees paid by the Target Group under the subcontracting agreements with Amazana Capital prior to 1 July 2017 and an independent sub-contractor since 1 July 2017. The Target Group had been hiring foreign workers (majority of which were from

Indonesia) to carry out works in Malaysia. During the Track Record Period, the Target Group entered into annually-renewed sub-contracting agreements with Amazana Capital, a company principally engaged in providing, casting and installation services in Malaysia, pursuant to which the Target Group agreed to engage Amazana Capital as a sub-contractor to (i) carry out casting works (the "**Casting Services**"); and (ii) install demo wall panels of the Target Group at the sites of the Target Group's customers or potential customers in Malaysia for demonstration and training purposes (the "**Demonstration Services**"). 103 and 94 Amazana Capital's workers were involved as at 31 December 2016 and 30 June 2017 respectively. The Target Group was charged for subcontracting fee ranged from RM30 to RM36 per 10 sq.m. for casting services and RM20 per 10 sq.m. for installation demonstration services during the Track Record Period. During the Track Record Period, the Target Group has gradually reduced the use of the subcontracting service from Amazana Capital. On 1 July 2017, the sub-contracting arrangement between the Target Group and Amazana Capital has been terminated as the Target Group has engaged MTM, an Independent Third Party, who will perform the Casting Services and the Demonstration Services. The Target Group's arrangement with MTM has a term of one year renewable on annual basis and the Target Group is charged at the similar subcontracting fees as it was charged by Amazana Capital. After increasing its investment in the production plant and purchased additional machineries, in November 2016, the Target Group has applied to the relevant government authority for, and then obtained, additional quota of foreign workers to cope with the growth of its business and gradually reducing the reliance on sub-contractors in order to avoid any possible interruption. The average number of the Target Group's own workers was 104 (on an average basis) for the five months ended 31 May 2019. Please refer to the section headed "Business of the Target Group – Sub-Contracting Arrangement during the Track Record Period" in this circular for further details on the sub-contracting arrangement.

Direct labour costs mainly include wages and salaries for those directly engaged in production activities. The Target Group's direct labour costs accounted for approximately 10.0%, 10.8%, 10.9%, 11.5% and 11.0% of the total cost of sales for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively. The increase in direct labour costs between 2016 and 2018 was primarily due to the general increase in the average number of the Target Group's own workers during the Track Record Period as a result of the expansion of the Target Group's operations as well as the employment of more own workers and reducing its reliance on the aforementioned subcontracting arrangement. For the year ended 31 December 2018, due to resignation of some direct labour of the Target Group during the period, the Target Group paid additional salary to remaining workers who worked overtime which led to an increase in direct labour costs during the period. Direct labour costs decreased from approximately S$0.4 million for the five months ended 31 May 2018 to approximately S$0.3 million for the five months ended 31 May 2019 primarily because of the decrease in sales volume of the Target Group's products for the five months ended 31 May 2019 as compared with the same period in 2018, which led to a corresponding decrease in the production volume and thereby a decrease in overtime charges and bonuses paid to the Target Group's workers.

Cost of services represent the cost directly related to the provision of design services by the Target Group which was commenced in 2017.

Gross profit and gross profit margin

The Target Group's overall gross profit and gross profit margin was approximately S$16.1 million and 64.8%, S$11.4 million and 58.1%, S$12.3 million and 57.2%, S$3.7 million and 51.8% and S$2.6 million and 45.2% for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively.

The following table sets out the breakdown of the Target Group's gross profit and gross profit margin for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	S$'000		*S$'000*		*S$'000*		*S$'000*		*S$'000*	
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Standardised precast concrete wall panel system	1,762	54.2%	1,318	42.0%	1,127	36.2%	498	38.9%	363	33.9%
Customised precast concrete wall panel system	13,187	69.8%	8,306	62.5%	8,838	59.4%	2,644	57.0%	1,781	48.6%
Wall panel system accessories and building materials	1,143	42.5%	1,584	53.3%	2,159	65.1%	541	45.3%	305	39.0%
Design service	–	–	147	91.9%	190	86.0%	–	–	107	81.1%

During the Track Record Period, the Target Group achieved a strong gross profit margin. The proposed Directors believe that it was driven by the factors as set forth below:

- Market leader in Singapore. According to the Frost and Sullivan Report, the Target Group was the largest provider of precast concrete hollow-core wall panels in Singapore with market share of 63.2% (in terms of revenue generated from both domestic and export sales) in 2018. The second largest company in the market only accounted for 9.5% of market share. As the first mover and market leader in Singapore, the Target Group has a better bargaining power in terms of product pricing as compared to other companies in the same industry;

- Better pricing with customised products. The Target Group mainly focuses on the sale of customised precast concrete wall panel which contributed approximately 69.1% of revenue and 71.8% of gross profit for the year ended 31 December 2018. The customised precast concrete wall panel is priced higher with better gross profit margin compared to standardised precast concrete wall panel. According to the Frost and Sullivan Report, the average product price of the second to fourth largest company in Singapore ranged from approximately S$13 per m^2 to approximately S$16 per m^2. On the other hand, the average selling price of the Target Group's customised precast concrete wall panel was approximately S$17.32 per m^2 in 2018. As a result, with premium pricing on customised products, this led to a higher gross profit margin of the Target Group;

- Lower costs of labour. The Target Group enjoys lower labour costs since the relocation of the Target Group's manufacturing facilities from Singapore to Malaysia and the procurement of subcontracted workers mainly from Indonesia. The Target Group's monthly average labour cost was approximately S$668 per head for the five months ended 31 May 2019, which was approximately 56.1% lower than the median gross income for labourers and related workers in Singapore in June 2018 of approximately S$1,521 (based on the statistics from the Ministry of Manpower, Singapore) and approximately 47.4% lower than the average wages of manufacturing labour in Malaysia in December 2018 of approximately RM3,863 (equivalent to approximately S$1,271 translated at the exchange rate of S$1:RM3.04) (based on the statistics from the Department of Statistics, Malaysia).

The overall gross profit decreased from approximately S$16.1 million for the year ended 31 December 2016 to approximately S$11.4 million for the year ended 31 December 2017, while the overall gross profit margin decreased from approximately 64.8% for the year ended 31 December 2016 to approximately 58.1% for the year ended 31 December 2017, mainly due to (i) a decrease in the sales volume of the Target Group's customised precast concrete wall panel system from approximately 947,312 m^2 for the year ended 31 December 2016 to approximately 737,428 m^2 for the year ended 31 December 2017; 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 Joint Bonding Adhesive from approximately S$17.08 per m^2, S$19.96 per m^2 and S$12.39 per bag for the year ended 31 December 2016, respectively, to approximately S$15.47 per m^2, S$18.00 per m^2 and S$11.33 per bag for the year ended 31 December 2017, respectively.

The overall gross profit increased from approximately S$11.4 million for the year ended 31 December 2017 to approximately S$12.1 million for the year ended 31 December 2018, 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 from approximately 202,995 m^2, 737,428 m^2 194,582 bags for the year ended 31 December 2017 to approximately 216,253 m^2, 859,088 m^2 and 200,476 bags for the year ended 31 December 2018 respectively as the Target Group has conducted more sales to Indonesia and Cambodia and has begun the sales of lightweight expanded clay aggregate in 2018. The gross profit margin for wall panel system accessories and building materials increased from approximately 53.3% for the year ended 31 December 2017 to approximately 65.1% for the year ended 31 December 2018 mainly because lightweight expanded clay aggregate commanded a higher gross profit margin. Despite the increase in the gross profit margin for wall panel system accessories and building materials for the year ended 31 December 2018, the overall gross profit margin of the Target Group decreased from approximately 58.1% for the year ended 31 December 2017 to approximately 57.2% for the year ended 31 December 2018 mainly due to the decrease in gross profit margin for standardised precast concrete wall panel system and customised precast concrete wall system as a result of the decrease in average selling prices of the Target Group's standardised precast wall panel system and customised precast concrete wall system from approximately S\$15.47 per m^2 and S\$18.00 per m^2 for the year ended 31 December 2017 to approximately S\$14.38 per m^2 and S\$17.32 per m^2 for the year ended 31 December 2018, respectively. A decrease in average selling prices of the Target Group's standardised precast concrete wall panel systems, customised precast concrete wall panel system and Joint Bonding Adhesive from approximately S\$15.47 per m^2, S\$18.00 per m^2 and S\$11.33 per bag for the year ended 31 December 2017 to approximately S\$14.38 per m^2, S\$17.32 per m^2 and S\$9.93 per bag for the year ended 31 December 2018, respectively.

The overall gross profit decreased from approximately S\$3.7 million for the five months ended 31 May 2018 to approximately S\$2.6 million for the five months ended 31 May 2019, while the overall gross profit margin decreased from approximately 51.8% for the five months ended 31 May 2018 to approximately 45.2% for the five months ended 31 May 2019. The decrease in gross profit and gross profit margin for the five months ended 31 May 2019 as compared with that for the five months ended 31 May 2018 were mainly due to (i) a decrease in the sales volume of the Target Group's products during the five months ended 31 May 2019, which was mainly due to (a) the completion of all projects on hand in Indonesia by the end of 2018; (b) the political instability and uncertainty arising from the Indonesian presidential election during April and May 2019 brought negative impacts to the Indonesia construction industry thereby resulting in delay in commencement of construction of its customers' potential projects in Indonesia; and (c) no new projects have been secured by the Target Group in Cambodia during the five months ended 31 May 2019; and (ii) a decrease in the average selling prices of the Target Group's products primarily because (a) the products previously sold to Indonesia were of higher average selling prices as the products sold to Indonesia 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 amount 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; and (iii) a change in product mix whereby the Target Group sold a higher proportion of standardised precast concrete wall panels during the five months ended 31 May 2019 due to customers' requests and orders and the gross profit margin for standardised precast concrete wall panels (being 33.9% for the five months ended 31 May 2019) was lower than that for customised precast concrete wall panels (being 48.6% for the five months ended 31 May 2019). In addition, despite the decrease in sales and production volume during the five months ended 31 May 2019, the production overhead costs including depreciation, repair and maintenance and water and electricity charges remained relatively stable for the five months ended 31 May 2019 as compared with the corresponding period in 2018, which further led to a decrease in the gross profit and gross profit margin.

Other revenue and other net gains

Other revenue comprised mainly of certain non-operating income, such as interest income from banks, interest income from amount due from director, operating lease rental income from investment properties and sundry income while other net loss comprised of net foreign exchange loss/gain and gain/loss on disposal of property, plant and equipment. The following table sets forth a breakdown of the Target Group's other revenue and net gains for the periods indicated:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Other revenue					
Interest income from banks	10	6	15	1	6
Total interest income on financial assets not at fair value through profit or loss	10	6	15	1	6
Operating lease rental income from investment properties	747	694	136	44	125
Sundry income	15	16	26	2	9
	772	716	177	47	140
Other net gains					
Net foreign exchange gain/(loss)	167	(3)	(3)	(55)	39
Gain/(loss) on disposal of property, plant and equipment	190	280	(1)	–	–
Write back of long outstanding trade and other payables	–	–	77	77	–
Recovery of an amount due from a related company	–	315	–	–	–
Recovery of goods and services tax	–	–	136	–	–
	357	592	209	22	39

Operating lease rental income from investment properties relates to the rental income earned from the leases of the properties in 50 Macpherson Road, Singapore (the "**Investment Properties**") to certain existing tenants, which was purchased by JOE Green Pte. in January 2015 at a consideration of S$26,000,000 (excluding GST). The Target Group has been leasing the units in the Investment Properties to tenants since the acquisition. The decrease in operating lease rental income from investment properties for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was primarily due to temporary vacancies as a result of the time gap between the old and new tenancies. The decrease in operating lease rental income from investment properties for the year ended 31 December 2018 was primarily due to temporary vacancies as a result of the time gap between the old and new tenancies. The increase in operating lease rental income from investment properties for the five months ended 31 May 2019 as compared to the five months ended 31 May 2018 was primarily because the Target Group has entered into tenancy agreements with new tenants in December 2018 and January 2019.

The Target Group recorded net foreign exchange gain of approximately S$167,000 and S$39,000 for the year ended 31 December 2016 and the five months ended 31 May 2019, respectively, while a net foreign exchange loss of approximately S$3,000, S$3,000 and S$55,000 for the year ended 31 December 2017 and 2018 and the five months ended 31 May 2018, respectively. The net foreign exchange exposure was primarily related to the fluctuation in the exchange rate between Malaysia Ringgit against Singapore dollars, in particular, the fluctuation in exchange rates between Malaysia Ringgit and Singapore dollars during the settlement of payables.

On the other hand, for the year ended 31 December 2016 and 2017, the Target Group also recorded gains on disposal of property, plant and equipment of approximately S$190,000 and S$280,000, respectively. The gains on disposal was primarily from the trade-in of three motor vehicles during the year of 2016 and the sale of used machinery to one of the Target Group's customer for the installation of concrete wall panels.

For the year ended 31 December 2017, PT Rhemacom Distribusi, a company owned by Mr. Widjaja as to 99%, repaid a sum of approximately S$315,000 to the Target Group which was previously written off prior to 1 January 2014.

The recovery of goods and services tax of approximately S$136,000 for the year ended 31 December 2018 represents the refund of goods and services tax in connection with the Target Group's sales and purchases in Malaysia for its business operations.

Selling and distribution expenses

Selling and distribution expenses mainly represent advertising fees, carriage outward, travelling expenses and repair and maintenance. Carriage outward costs relates to the cost of transport of the wall panels from the factory in Malaysia to Singapore by lorries. Repair and maintenance costs relates to the repair maintenance costs of motor vehicles.

The following table sets forth the breakdown of the selling and distribution expenses for the periods indicated:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Advertising fees	52	128	37	23	2
Carriage outward	1,744	1,484	2,322	793	670
Travelling expenses	35	63	46	9	6
Repair and maintenance	79	68	48	19	21
Others	62	53	44	11	38
Total	1,972	1,796	2,497	855	737

The overall selling and distribution expenses was approximately S$2.0 million, S$1.8 million, S$2.5 million, S$855,000 and S$737,000 for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively. Carriage outward was the largest component of selling and distribution expenses.

The overall selling and distribution expenses decreased from approximately S$2.0 million for the year ended 31 December 2016 to approximately S$1.8 million for the year ended 31 December 2017 primarily because carriage outward decreased from approximately S$1.7 million for the year ended 31 December 2016 to approximately S$1.5 million for the year ended 31 December 2017 primarily due to (a) a decrease in sales volume of the Target Group's standardised precast concrete wall panel system and customised precast concrete wall panel system which was in line with the decrease in revenue for the year ended 31 December 2017; and (b) sales in Indonesia were conducted on an ex-warehouse basis whereby the Target Group was not responsible for the related transportation costs. The decrease in selling and distribution expenses was partially offset by the increase in advertising fees from approximately S$52,000 for the year ended 31 December 2016 to approximately S$128,000 for the year ended 31 December 2017 which was in line with the Target Group's strategy to enhance its leading position in existing Singapore market and to penetrate into the Malaysia and Southeast Asia markets.

The overall selling and distribution expenses increased from approximately S$1.8 million for the year ended 31 December 2017 to approximately S$2.5 million for the year ended 31 December 2018 primarily due to an increase in carriage outward from approximately S$1.5 million for the year ended 31 December 2017 to approximately S$2.3 million for the year ended 31 December 2018 as a result of (a) the increase in sales volume of the Target Group's standardised precast concrete wall panel system, customised precast concrete wall panel system and Joint Bonding Adhesive during the year; and (b) the Target Group was responsible for the transportation costs for sales made to Indonesia in late 2018.

The overall selling and distribution expenses decreased from approximately S$855,000 for the five months ended 31 May 2018 to approximately S$737,000 for the five months ended 31 May 2019 primarily due to a decrease in carriage outward from approximately S$0.8 million for the five months ended 31 May 2018 to approximately S$0.7 million for the five months ended 31 May 2019 as a result of the decrease in the sales volume of the Target Group's products for the five months ended 31 May 2019 as compared to the same period in 2018.

Administrative expenses

Administrative expenses primarily consist of directors' remuneration, staff cost, legal and professional fee, transaction expenses and depreciation.

The following table sets forth the breakdown of administrative expenses for the periods indicated:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Director's remuneration	506	435	215	92	91
Staff cost	1,786	1,941	1,994	787	801
Legal and professional fee	226	352	99	47	35
Transaction expenses	1,252	2,016	889	737	555
Bad debts	69	6	39	87	1
Property and other tax	102	234	119	54	45
Depreciation	878	1,069	740	321	266
Repair and maintenance	149	85	75	25	41
Others	382	887	952	145	227
Total	5,350	7,025	5,122	2,295	2,062

The administrative expenses was approximately S$5.4 million, S$7.0 million, S$5.1 million, S$2.3 million and S$2.1 million for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively. The staff cost was the largest component of the administrative expenses, which accounted for approximately of S$1.8 million, S$1.9 million, S$2.0 million, S$0.8 million and S$0.8 million for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively. The increase was primarily due to (a) the increase of the average number of staff during the relevant period for the support from the Target Group's continuous expansion of operations; (b) general salary increment for staff; and (c) the employment of new senior management in preparation for the Listing.

The increase in administrative expenses from approximately S$5.4 million for the year ended 31 December 2016 to approximately S$7.0 million for the year ended 31 December 2017 was primarily due to (i) the increase in the staff cost; (ii) the increase in depreciation due to the increase in motor vehicles acquired by the Target Group during the year and the acquisition of new machineries for the automated production line in late 2016; (iii) the increase in the recognition of one-off transaction expenses in connection with the Acquisition and the Share Offer in 2017; and (iv) the increase in legal and professional fee incurred in connection with the Proposed Restructuring.

The Target Group's administrative expenses decreased 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 primarily due to (i) a decrease in transaction expenses from approximately S$2.0 million for the year ended 31 December 2017 to approximately S$0.9 million for the year ended 31 December 2018 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 from approximately S$0.4 million for the year ended 31 December 2017 to approximately S$99,000 for the year ended 31 December 2018 due to the decrease in professional fees in relation to the Proposed Restructuring during the year; and (iii) a decrease in director's remuneration from approximately S$0.4 million for the year ended 31 December 2017 to approximately S$0.2 million for the year ended 31 December 2018.

The Target Group's administrative expenses decreased from approximately S$2.3 million for the five months ended 31 May 2018 to approximately S$2.1 million for the five months ended 31 May 2019 primarily due to the decrease in transaction expenses from approximately S$0.7 million for the five months ended 31 May 2018 to approximately S$0.6 million for the five months ended 31 May 2019 due to the different stage payments of fees incurred in connection with the Acquisition and the Share Offer.

Finance costs

Finance costs mainly include interest on bank loans and interest on lease liabilities, which amounted to approximately S$1.0 million, S$1.4 million, S$1.1 million, S$0.6 million and S$0.4 million for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively. The decrease in finance costs from approximately S$1.4 million for the year ended 31 December 2017 to approximately S$1.1 million for the year ended 31 December 2018 was primarily due to the new loans raised in March 2018 bear lower interest rates than those of the previous loans. The decrease in finance costs from approximately S$0.6 million for the five months ended 31 May 2018 to approximately S$0.4 million for the five months ended 31 May 2019 was primarily due to the decrease in average amount of bank borrowings as a result of repayment of bank borrowings by the Target Group. For details of the bank loans, please refer to the paragraph headed "Bank Borrowings" in this section. For each of the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, the effective interest rates on bank loans were approximately 3.2%, 4.1%, 3.0%, 2.5% and 3.2%, respectively. Interest on lease liabilities refers to the finance charges under the leases in respect of motor vehicles leased by the Target Group.

Income tax

The Target Group is not subject to BVI or Hong Kong profit tax as it has no assessable income arising in and derived from BVI or Hong Kong during the Track Record Period.

Since the Target Group's operation is based in Singapore and Malaysia, it is liable to pay corporate income tax in accordance with the tax regulations of Singapore and Malaysia. Income tax expenses of the Target Group amounted to approximately S$1.7 million, S$53,000 and S$1.1 million for the three years ended 31 December 2018, respectively. For the five months ended 31 May 2018, the income tax expenses of the Target Group amounted to approximately S$0.3 million while for the five months ended 31 May 2019, the Target Group recorded income tax credit of approximately S$0.1 million, primarily due to the over-provision of income tax for JOE Green Precast in prior years which were subsequently reversed in the five months ended 31 May 2019. The statutory corporate tax rate in Singapore was 17.0% throughout the Track Record Period. The statutory corporate tax rate in Malaysia was 24.0% throughout the Track Record Period.

In December 2016, JOE Green Precast applied to the MIDA for automation capital allowance in respect of newly acquired machinery. The application was subject to evaluation by the relevant government authorities in Malaysia. In May 2017, JOE Green Precast was granted the approval by the MIDA. Upon receipt of the approval, the Target Group recorded in the tax benefits arising from the automation of capital allowance and reduced the tax provision in the year ended 31 December 2017.

During the Track Record Period, the Target Group's subsidiaries in Singapore enjoyed various tax reliefs from the Inland Revenue Authority of Singapore which comprised (i) 75% tax exemption on the first S$10,000 of normal chargeable income; and a further 50% tax exemption on the next S$290,000 of normal chargeable income; (ii) the Productivity and Innovation Credit (PIC) Scheme which allowed 400% tax deductions/allowances or 60% cash payout for investments made in any of six qualifying activities from years of assessment 2011 to 2018; and (iii) the corporate income tax rebate which allowed (a) 50% corporate income tax rebate capped at S$20,000 for the year of assessment 2016, (b) 50% corporate income tax rebate capped at S$25,000 for the year of assessment 2017, (c) 40% corporate income tax rebate capped at S$15,000 for the year of assessment 2018, and (d) 20% corporate income tax rebate capped at S$10,000 for the year of assessment 2019.

The proposed Directors have confirmed that all relevant taxes had been paid when due.

As a result of the foregoing, the Target Group's effective tax rate was approximately 20.0%, 2.3% and 25.4% for the year ended 31 December 2016, 2017 and 2018, respectively. The decrease in the Target Group's effective tax rate for the year ended 31 December 2017 was primarily due to (i) the recognition of automation capital allowance in respect of newly acquired machinery in Malaysia in the year ended 31 December 2017; (ii) the new machine bought by the Target Group during the year ended 31 December 2017 qualified for tax allowance under the Singapore productivity and Innovation Credit (PIC) Scheme; and (iii) the decrease of overall applicable tax rates to the Target Group during the relevant period. The Target Group's effective tax rate increased to approximately 25.4% for the year ended 31 December 2018 primarily due to less tax incentive was enjoyed by the Target Group for the year ended 31 December 2018 as compared to the same period in 2017. The Target Group recorded a tax credit of approximately S$0.1 million for the five months ended 31 May 2019 primarily due to the over-provision of income tax for JOE Green Precast in prior years which were subsequently reversed in the five months ended 31 May 2019.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Five months ended 31 May 2019 compared to five months ended 31 May 2018

Revenue

The total revenue decreased by approximately S$1.5 million, or 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 from approximately 97,236 m^2, 308,436 m^2 and 88,693 bags for the five months ended 31 May 2018 to approximately 87,215 m^2, 262,297 m^2 and 67,566 bags for the five months ended 31 May 2019, respectively, which was mainly due to (a) the completion of all projects on hand in Indonesia by the end of 2018; (b) 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 the Target Group's customers' potential projects in Indonesia; and (c) 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 standardised precast concrete wall panel system, customised precast concrete wall panel system and Joint Bonding Adhesive from approximately S$13.16 per m^2, S$15.04 per m^2 and S$10.16 per bag for the five months ended 31 May 2018 to approximately S$12.27 per m^2, S$13.97 per m^2 and S$9.05 per bag for the five months ended 31 May 2019, respectively, primarily because (a) 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 while no revenue was generated from Indonesia during the five months ended 31 May 2019; 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 amount 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.

Cost of sales

Cost of sales of the Target Group decreased by approximately S$0.3 million, or approximately 9.8%, from approximately S$3.4 million for the five months ended 31 May 2018 to approximately S$3.1 million for the five months ended 31 May 2019. The decrease was mainly attributed to the decrease in the sales volume of the Target Group's products for the five months ended 31 May 2019 as compared to the five months ended 31 May 2018.

Gross profit and gross profit margin

The gross profit decreased by approximately S$1.1 million, or approximately 30.6%, from approximately S$3.7 million for the five months ended 31 May 2018 to approximately S$2.6 million for the five months ended 31 May 2019. The overall gross profit margin decreased from approximately 51.8% for the five months ended 31 May 2018 to approximately 45.2% for the five months ended 31 May 2019.

The decrease in gross profit and gross profit margin for the five months ended 31 May 2019 as compared with that for the five months ended 31 May 2018 were mainly due to (i) a decrease in the sales volume of the Target Group's products during the five months ended 31 May 2019; (ii) a decrease in the average selling prices of the Target Group's products; and (iii) a change in product mix whereby the Target Group sold a higher proportion of standardised precast concrete wall panels during the five months ended 31 May 2019 due to customers' requests and orders and the gross profit margin for standardised precast concrete wall panels (being 33.9% for the five months ended 31 May 2019) was lower than that for customised precast concrete wall panels (being 48.6% for the five months ended 31 May 2019). In addition, despite the decrease in sales and production volume during the five months ended 31 May 2019, the production overhead costs including depreciation, repair and maintenance and water and electricity charges remained relatively stable for the five months ended 31 May 2019 as compared with the corresponding period in 2018, which further led to a decrease in the gross profit and gross profit margin.

Other revenue

Other revenue of the Target Group increased by approximately S$93,000, or approximately 197.9%, from approximately S$47,000 for the five months ended 31 May 2018 to approximately S$140,000 for the year ended 31 May 2019. Such increase was mainly due to an increase in operating lease rental income from investment properties for the five months ended 31 May 2019 as compared to the five months ended 31 May 2018 which was primarily because the Target Group has entered into new tenancy agreements in December 2018 and January 2019.

Other net gains

Other net gains increased by approximately S$17,000, or approximately 77.3%, from approximately S$22,000 for the five months ended 31 May 2018 to approximately S$39,000 for the five months ended 31 May 2019. The increase was primarily because the Target Group recorded a net foreign exchange loss of approximately S$55,000 for the five months ended 31 May 2018 primarily due to the weakening of SGD against RM during the period as the Target Group principally settled its payment for raw materials purchases in RM while the Target Group recorded a net foreign exchange gain of approximately S$39,000 for the five months ended 31 May 2019 mainly due to the strengthening of SGD against HK$ during the period as the Target Group principally settled its payment for transaction expenses in HK$.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately S$118,000, or approximately 13.8%, from approximately S$855,000 for the five months ended 31 May 2018 to approximately S$737,000 for the five months ended 31 May 2019. Such decrease was mainly due to a decrease in carriage outward from approximately S$0.8 million for the five months ended 31 May 2018 to approximately S$0.7 million for the five months ended 31 May 2019 as a result of the decrease in the sales volume of the Target Group's products for the five months ended 31 May 2019 as compared to the same period in 2018.

Administrative expenses

The administrative expenses decreased by approximately S$0.2 million, or approximately 10.2%, from approximately S$2.3 million for the five months ended 31 May 2018 to approximately S$2.1 million for the five months ended 31 May 2019. Such decrease was mainly due to the decrease in transaction expenses from approximately S$0.7 million for the five months ended 31 May 2018 to approximately S$0.6 million for the five months ended 31 May 2019 due to the different stage payments of fees incurred in connection with the Acquisition and the Share Offer.

Finance costs

Finance costs decreased by approximately S$0.2 million, or approximately 28.4%, from approximately S$0.6 million for the five months ended 31 May 2018 to approximately S$0.4 million for the five months ended 31 May 2019. The decrease was mainly due to the decrease in the average amount of bank borrowings as a result of repayment of bank borrowings by the Target Group.

Profit/(loss) before taxation

As a result of the foregoing, the Target Group recorded a profit before taxation of approximately S$0.3 million for the five months ended 31 May 2018 but a loss before taxation of approximately S$0.5 million for the five months ended 31 May 2019.

Income tax

The Target Group recorded a tax credit of approximately S$0.1 million for the five months ended 31 May 2019 as opposed to tax expenses of approximately S$0.3 million for the five months ended 31 May 2018 primarily due to the over-provision of income tax for JOE Green Precast in prior years which were subsequently reversed in the five months ended 31 May 2019.

Profit/(loss) for the period

As a result of the aforementioned factors, the Target Group recorded a profit for the period of approximately S$32,000 for the five months ended 31 May 2018 but a loss for the period of approximately S$0.4 million for the five months ended 31 May 2019.

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

The total revenue increased by approximately S$2.0 million, or 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 (i) 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 from approximately 202,995 m^2, 737,428 m^2 and 194,582 bags for the year ended 31 December 2017 to approximately 216,253 m^2, 859,088 m^2 and 200,476 bags for the year ended 31 December 2018, respectively, 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 from approximately S$15.47 per m^2, S$18.00 per m^2 and S$11.33 per bag for the year ended 31 December 2017 to approximately S$14.38 per m^2, S$17.32 per m^2 and S$9.93 per bag for the year ended 31 December 2018, respectively. The decrease in the average selling prices of the Target Group's products in 2018 was primarily due to the decrease in total progress payment certified in construction projects from approximately S$20.2 billion in 2017 to approximately S$19.1 billion in 2018 as per the Frost and Sullivan Report. Despite the aforementioned recent development in the Singapore construction industry, the overall sales volume of the Target Group's products increased in 2018 as the Target Group has begun to extend its geographical reach to Indonesia and Cambodia since 2017 and 2018, respectively.

Cost of sales

Cost of sales of the Target Group increased by approximately S$1.0 million, or approximately 12.4%, from approximately S$8.2 million for the year ended 31 December 2017 to approximately S$9.2 million for the year ended 31 December 2018. The increase was mainly attributed to the increase in revenue for the year ended 31 December 2018 compared to the year ended 31 December 2017.

Gross profit and gross profit margin

The gross profit increased by approximately S$1.0 million, or approximately 8.4%, 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. The increase in gross profit was primarily because the Target Group has conducted more sales to Indonesia and Cambodia and has begun the sales of lightweight expanded clay aggregate in 2018.

The gross profit margin for wall panel system accessories and building materials increased from approximately 53.3% for the year ended 31 December 2017 to approximately 65.1% for the year ended 31 December 2018 mainly because lightweight expanded clay aggregate commanded a higher gross profit margin. Despite the increase in the gross profit margin for wall panel system accessories and building materials for the year ended 31 December 2018, the overall gross profit margin of the Target Group decreased from approximately 58.1% for the year ended 31 December 2017 to approximately 57.2% for the year ended 31 December 2018 mainly due to the decrease in gross profit margin for standardised precast concrete wall panel system and customised precast concrete wall system as a result of the decrease in average selling prices of the Target Group's standardised precast wall panel system and customised precast concrete wall system from approximately S$15.47 per m^2 and S$18.00 per m^2 for the year ended 31 December 2017 to approximately S$14.38 per m^2 and S$17.32 per m^2 for the year ended 31 December 2018, respectively.

Other revenue

Other revenue of the Target Group decreased by approximately S$0.5 million, or approximately 75.3%, from approximately S$0.7 million for the year ended 31 December 2017 to approximately S$0.2 million for the year ended 31 December 2018. Such decrease was mainly due to a decrease in operating lease rental income from investment properties of approximately S$0.7 million for the year ended 31 December 2017 to approximately S$0.1 million for the year ended 31 December 2018 was primarily due to temporary vacancies as a result of the time gap between the old and new tenancies.

Other net gains

Other net gains decreased by approximately S$0.4 million, or approximately 64.7%, from approximately S$0.6 million for the year ended 31 December 2017 to approximately S$0.2 million for the year ended 31 December 2018. Such significant decrease was primarily due to the one-off recognition of gains on disposal of property, plant and equipment of approximately S$0.3 million and the one-off recovery of an amount due from a related company of approximately S$0.3 million for the year ended 31 December 2017.

Selling and distribution expenses

The selling and distribution expenses increased by approximately S$0.7 million, or approximately 39.0%, from approximately S$1.8 million for the year ended 31 December 2017 to approximately S$2.5 million for the year ended 31 December 2018. Such increase was mainly due to an increase in carriage outward from approximately S$1.5 million for the year ended 31 December 2017 to approximately S$2.3 million for the year ended 31 December 2018 as a result of (a) the increase in sales volume of the Target Group's standardised precast concrete wall panel system, customised precast concrete wall panel system and Joint Bonding Adhesive during the year; and (b) the Target Group was responsible for the transportation costs for sales made to Indonesia in late 2018.

Administrative expenses

Administrative expenses decreased by approximately S$1.9 million, or 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. Such decrease was mainly due to (i) a decrease in transaction expenses from approximately S$2.0 million for the year ended 31 December 2017 to approximately S$0.9 million for the year ended 31 December 2018 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 from approximately S$0.4 million for the year ended 31 December 2017 to approximately S$99,000 for the year ended 31 December 2018 due to the decrease in professional fees in relation to the Proposed Restructuring for the year ended 31 December 2018 as compared to the same period in 2017; and (iii) a decrease in director's remuneration from approximately S$0.4 million for the year ended 31 December 2017 to approximately S$0.2 million for the year ended 31 December 2018.

Finance costs

Finance costs decreased by approximately S$0.2 million, or approximately 17.9%, from approximately S$1.4 million for the year ended 31 December 2017 to approximately S$1.1 million as at 31 December 2018. The decrease was mainly attributable to the decrease in effective interest rates on bank loans from approximately 4.1% for the year ended 31 December 2017 to approximately 3.0% for the year ended 31 December 2018.

Profit before taxation

Profit before taxation increased by approximately S$1.9 million, or approximately 81.8%, from approximately S$2.4 million for the year ended 31 December 2017 to approximately S$4.3 million for the year ended 31 December 2018 mainly due to the increase in gross profit and the decrease in one-off transaction expenses for the Acquisition and the Share Offer from approximately S$2.0 million for the year ended 31 December 2017 to approximately S$0.9 million for the year ended 31 December 2018.

Income tax

The income tax increased by approximately S$1.0 million, or approximately 1,945.3%, from approximately S$53,000 for the year ended 31 December 2017 to approximately S$1.1 million for the year ended 31 December 2018. The increase in income tax is mainly due to less tax incentive was enjoyed by the Target Group and the increase in profit before taxation for the year ended 31 December 2018 as compared to the same period in 2017.

Profit for the year

As a result of the abovementioned factors, profit for the year increased by approximately S$0.9 million, or approximately 38.8%, 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.

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

The total revenue decreased by approximately S$5.3 million, or 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 from approximately 947,312 m^2 for the year ended 31 December 2016 to approximately 737,428 m^2 for the year ended 31 December 2017; 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 Joint Bonding Adhesive from approximately S$17.08 per m^2, S$19.96 per m^2 and S$12.39 per bag for the year ended 31 December 2016, respectively, to approximately S$15.47 per m^2, S$18.00 per m^2 and S$11.33 per bag for the year ended 31 December 2017, respectively. The decreases in sales volume and average selling price were in line with the recent development in the Singapore construction industry, including delays in project execution which led to a decrease in progress payment in 2017 and a decrease in the value of construction projects awarded in the same period.

The Target Group commenced the provision of design services in 2017 pursuant to which the Target Group provides its customers with drawings and/or designs to demonstrate the installation of concrete precast wall panels, upon customer's request. The design fee recognised for the year ended 31 December 2017 amounted to approximately S$160,000.

Cost of sales

Cost of sales of the Target Group decreased by approximately S$0.6 million, or approximately 6.4%, from approximately S$8.8 million for the year ended 31 December 2016 to approximately S$8.2 million for the year ended 31 December 2017. The decrease was mainly attributed to the decrease in revenue for the year ended 31 December 2017 compared to the year ended 31 December 2016.

Gross profit and gross profit margin

The gross profit decreased by approximately S$4.7 million, or approximately 29.4%, from approximately S$16.1 million for the year ended 31 December 2016 to approximately S$11.4 million for the year ended 31 December 2017. The gross profit margin decreased from approximately 64.8% for the year ended 31 December 2016 to approximately 58.1% for the year ended 31 December 2017.

The decrease in gross profit and gross profit margin for the year ended 31 December 2017 as compared with that for the year ended 31 December 2016 were mainly due to a decrease in the revenue of the Target Group mainly as a result of the decrease in average selling prices of the Target Group's products.

Other revenue

Other revenue of the Target Group decreased by approximately S$56,000, or approximately 7.3%, from approximately S$0.8 million for the year ended 31 December 2016 to approximately S$0.7 million for the year ended 31 December 2017. Such decrease was mainly due to a decrease in operating lease rental income from investment properties from approximately S$747,000 for the year ended 31 December 2016 to approximately S$694,000 for the year ended 31 December 2017 primarily due to temporary vacancies as a result of the time gap between the old and new tenancies.

Other net gains

Other net gains increased by approximately S$0.2 million, or approximately 65.8%, from approximately S$0.4 million for the year ended 31 December 2016 to approximately S$0.6 million for the year ended 31 December 2017. Such increase was primarily due to the repayment of a sum of approximately S$315,000 by PT Rhemacom Distribusi, a company owned by Mr. Widjaja as to 99%, to the Target Group which was previously written off prior to 1 January 2014 and the increase in gains on disposal of property, plant and equipment from approximately S$190,000 for the year ended 31 December 2016 to approximately S$280,000 for the year ended 31 December 2017, which included a gain of S$266,000 on the disposal of used machinery to one of the Target Group's customers for the installation of concrete wall panels for the year ended 31 December 2017.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately S$0.2 million, or approximately 8.9%, from approximately S$2.0 million for the year ended 31 December 2016 to approximately S$1.8 million for the year ended 31 December 2017. The decrease in selling and distribution expenses was mainly due to a decrease in carriage outward from approximately S$1.7 million for the year ended 31 December 2016 to approximately S$1.5 million for the year ended 31 December 2017, primarily as a result of (a) a decrease in sales volume of the Target Group's standardised precast concrete wall panel system and customised precast concrete wall panel system which was in line with the decrease in revenue for the year ended 31 December 2017; and (b) sales in Indonesia were conducted on an ex-warehouse basis whereby the Target Group was not responsible for the related transportation costs. The decrease in selling and distribution expenses was partially offset by the increase in advertising fees from approximately S$52,000 for the year ended 31 December 2016 to approximately S$128,000 for the year ended 31 December 2017 which was in line with the Target Group's strategy to enhance its leading position in existing Singapore market and to penetrate into the Malaysia and Indonesia markets.

Administrative expenses

Administrative expenses increased by approximately S$1.7 million, or approximately 31.3%, from approximately S$5.4 million for the year ended 31 December 2016 to approximately S$7.0 million for the year ended 31 December 2017. The increase was primarily due to (i) the increase in staff cost from approximately S$1.8 million for the year ended 31 December 2016 to approximately S$1.9 million for the year ended 31 December 2017; (ii) the increase in depreciation from approximately S$0.9 million for the year ended 31 December 2016 to approximately S$1.1 million for the year ended 31 December 2017 due to the increase in motor vehicles acquired by the Target Group in 2017; (iii) the increase in the recognition of one-off transaction expenses in connection with the Acquisition and the Share Offer of approximately S$1.3 million for the year ended 31 December 2016 to approximately S$2.0 million for the year ended 31 December 2017; and (iv) the increase in other administrative expenses from approximately S$0.4 million for the year ended 31 December 2016 to approximately S$0.9 million for the year ended 31 December 2017, which was mainly driven by the increase in the auditors' remuneration and the impairment loss on other receivables during the year ended 31 December 2017.

Finance costs

Finance costs increased by approximately S$0.4 million, or approximately 40.1% from approximately S$1.0 million for the year ended 31 December 2016 to approximately S$1.4 million for the year ended 31 December 2017. The increase was mainly attributable to the increase in effective interest rates on bank loans from approximately 3.2% for the year ended 31 December 2016 to approximately 4.1% for the year ended 31 December 2017.

Profit before taxation

Profit before taxation decreased by approximately S$6.1 million, or approximately 72.3%, from approximately S$8.5 million for the year ended 31 December 2016 to approximately S$2.4 million for the year ended 31 December 2017 mainly due to the decrease in gross profit and the increase in one-off transaction expenses for the Acquisition and the Share Offer from approximately S$1.3 million for the year ended 31 December 2016 to approximately S$2.0 million for the year ended 31 December 2017.

Income tax

The income tax decreased by approximately S$1.6 million, or approximately 96.9%, from approximately S$1.7 million for the year ended 31 December 2016 to approximately S$53,000 for the year ended 31 December 2017. The decrease in income tax is mainly due to (i) the decrease of the profit before taxation; (ii) the new machine bought by the Target Group during the year ended 31 December 2017 qualified for the tax allowance under the Singapore Productivity and Innovation Credit (PIC) Scheme; and (iii) the receipt of the approval from the MIDA for automation capital allowance in respect of newly acquired machinery in May 2017.

Profit for the year

As a result of the abovementioned factors, profit for the year decreased by approximately S$4.5 million, or approximately 66.2%, from approximately S$6.8 million for the year ended 31 December 2016 to approximately S$2.3 million for the year ended 31 December 2017.

INDEBTEDNESS

The following table sets forth the indebtedness of the Target Group as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2016	**2017**	**2018**	**2019**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(audited)	(unaudited)
Indebtedness					
Non-current					
Bank borrowings, secured	–	22,953	4,746	4,599	4,513
Lease liabilities, guaranteed	531	781	513	397	287
	531	23,734	5,259	4,996	4,800
Current					
Bank borrowings, secured	31,418	6,990	25,981	25,520	25,538
Lease liabilities, guaranteed	187	253	266	271	258
Amounts due to directors	1,960	2,889	1,224	603	39
Amount due to a related company	132	128	–	–	–
	33,697	10,260	27,471	26,394	25,835
	34,228	33,994	32,730	31,390	30,635

As at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, the respective balances of approximately S$2.0 million, S$2.9 million, S$1.2 million, S$0.6 million and S$39,000 due to directors, namely Mr. Widjaja and Ms. Lim, were non-trade related, unsecured, interest free and repayable on demand.

As at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, the respective balances of approximately S$0.1 million, S$0.1 million, nil, nil and nil due to a related company were unsecured, interest-free and repayable on demand.

The Target Group raises borrowings to finance the acquisitions of property, plant and equipment and fulfill the working capital requirements. The Target Group expects to repay the borrowings through its cash flows generated from operating activities.

Bank borrowings

The following table sets forth the maturity profile of the Target Group's bank borrowings as at the respective dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2016	**2017**	**2018**	**2019**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(audited)	(unaudited)
Carrying amount repayable within one year	1,647	1,559	3,505	3,516	3,891
More than one year but not exceeding two years	1,544	1,168	1,430	1,421	1,431
More than two years but not exceeding five years	3,681	3,929	4,328	4,388	4,438
More than five years	24,546	23,287	21,464	20,794	20,291
	31,418	29,943	30,727	30,119	30,051
Less: amounts shown under current liabilities					
Portion of bank loans due for repayment within one year	–	(1,338)	(297)	(302)	(309)
Portion of bank loans due for repayment within one year – contains a repayment on demand clause	(207)	(221)	(3,208)	(3,214)	(3,582)
– in breach	(1,440)	–	–	–	–
Portion of bank loans due for repayment after one year – contains a repayment on demand clause	(5,617)	(5,431)	(22,476)	(22,004)	(21,647)
– in breach	(24,154)	–	–	–	–
	(31,418)	(6,990)	(25,981)	(25,520)	(25,538)
Amounts shown under non-current liabilities	–	22,953	4,746	4,599	4,513

As at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, the Target Group had bank borrowings of approximately S$31.4 million, S$29.9 million, S$30.7 million, S$30.1 million and S$30.1 million, respectively.

As at 31 December 2016, bank borrowings were secured by (i) personal guarantees executed by Mr. Widjaja and Ms. Lim amounted to approximately S$35.3 million; (ii) mortgage of the property at 19 Jalan Jelita McMahon Park, Singapore ("**Property 1**") at market value of S$15.0 million valued as at October 2015 and the property at 17 Tannery Road, Singapore ("**Property 2**") owned by Mr. Widjaja and Ms. Lim at market value of S$10.0 million as at 31 December 2013; (iii) mortgage of the investment properties at 50 Macpherson Road, Singapore 348471 ("**Property 3**") owned by the Target Group at market value of approximately S$22.1 million as at 31 December 2016; (iv) mortgage of one storey of Property 3 which is owned and used as the headquarter by the Target Group ("**Property 4**") with a net carrying amount of S$2.9 million as at 31 December 2016; (v) legal assignment of rental proceeds or charge over rental account to be executed of all current and future rental income from Property 3 and Property 4; and (vi) land and buildings in GM293, Lot 514 Mukim, Senai Industrial Park, Taman Desa Idaman, Senai 81400, Johor-Malaysia ("**Property 5**") owned by the Target Group with a net carrying amount of S$4.7 million as at 31 December 2016.

As at 31 December 2017, bank borrowings were secured by (i) personal guarantees executed by Mr. Widjaja and Ms. Lim amounted to approximately S$35.2 million; (ii) mortgage of Property 1, Property 2, Property 3 and Property 4; (iii) legal assignment of rental proceeds or charge over rental account of all current and future rental income from the Property 3 and Property 4 and (iv) charge on Property 5.

As at 31 December 2018, bank borrowings were secured by (i) personal guarantees executed by Mr. Widjaja and Ms. Lim amounted to approximately S$12.4 million; (ii) mortgage of Property 3 and Property 4; (iii) legal assignment of rental proceeds or charge over rental account of all current and future rental income from the Property 3 and Property 4 and (iv) charge on Property 5.

As at 31 May 2019, bank borrowings were secured by (i) personal guarantees executed by Mr. Widjaja and Ms. Lim amounted to approximately S$12.4 million; (ii) mortgage of Property 3 and Property 4; (iii) legal assignment of rental proceeds or charge over rental account of all current and future rental income from the Property 3 and Property 4; and (iv) charge on Property 5.

As at 30 September 2019, bank borrowings were secured by (i) personal guarantees executed by Mr. Widjaja and Ms. Lim amounted to S$18.2 million; (ii) mortgage of Property 3 and Property 4; (iii) legal assignment of rental proceeds or charge over rental account of all current and future rental income from the Property 3 and Property 4; (iv) charge on Property 5; and (v) mortgage of land and buildings in HS(M) 3432 PTD 103041 MK Senai, Daerah Kulai, Negeri Johor, Malaysia, i.e. the land parcel for the new production plant.

All the personal guarantees and properties owned and mortgaged by Mr. Widjaja and Ms. Lim mentioned above will be released and replaced by corporate guarantees by the Company upon completion of the Proposed Restructuring.

The borrowings decreased from approximately S$31.4 million as at 31 December 2016 to approximately S$29.9 million as at 31 December 2017 primarily due to the repayment of bank borrowings during the year ended 31 December 2017.

In October 2017, the Target Group entered into a banking facility agreement with a bank pursuant to which the bank granted new banking facilities comprising a new term loan of approximately S$19.3 million, a revolving loan of S$2 million and an another term loan of approximately S$5.8 million to the Target Group. During the year ended 31 December 2018, the Target Group drew down the new term loans to repay certain existing loans and drew down the revolving loan for general working capital purpose. The utilisation of revolving loan make the borrowings increased from approximately S$29.9 million as at 31 December 2017 to approximately S$30.7 million as at 31 December 2018. Under the terms of the banking facility agreement, all the term loans and revolving credit facility are subject to a repayable on demand clause. The changes of the banking facilities made the bank borrowings of S$17.9 million which was classified as non-current liabilities as at 31 December 2017 to be classified as current liabilities as at 31 December 2018. The borrowings decreased to approximately S$30.1 million as at 31 May 2019, primarily due to repayment of certain bank loans by the Target Group during the five months ended 31 May 2019. The borrowings remained relatively stable at S$30.1 million as at 31 May 2019 and 30 September 2019 respectively.

For the three years ended 31 December 2018, five months ended 31 May 2019 and nine months ended 30 September 2019, the effective interest rates on bank borrowings were approximately 3.2%, 4.1%, 3.0%, 3.2% and 3.2% per annum, respectively. The increase in the effective interest rates for the year ended 31 December 2017 was primarily due to the increase in interest rate in Singapore during the year while the decreases in the effective interest rates for the year ended 31 December 2018, the five months ended 31 May 2019 and the nine months ended 30 September 2019 were due to the new loans raised in March 2018 bear lower interest rates than those of the previous loans.

As at 30 September 2019, the Target Group has S$5.3 million unutilised banking facility.

Loan covenants

As at the Latest Practicable Date, the Target Group held total outstanding secured bank borrowings of approximately S$30.9 million. The material loan covenants of the Target Group's material secured bank borrowings as at the Latest Practicable Date are as follows:

(i) The total outstanding of the relevant term loans and revolving loan shall not at any time exceed 120% of the market value of Property 3 and Property 4.

(ii) Prior written consent shall be obtained from the relevant bank for the declaration or payment of any dividend or other distributions and the change of ownership.

On 25 November 2013, Maybank granted a credit facility to JOE Green Pte. in the total amount of S$6,513,000 (the "**Maybank Loans**") with a term of up to 22 years and was secured by a mortgage over Property 2 and a personal guarantee by Mr. Widjaja and Ms. Lim. The Maybank Loans are bearing interest at 3.65% per annum below the non-residential mortgage board rate ("**NMBR**") offered by a bank in Singapore for the first year, at 3.35% per annum below the NMBR for the second year, at 2.05% per annum below the NMBR for the third year and 0.75% per annum below the NMBR thereafter. The Maybank Loans contain a repayment on demand clause.

During the Track Record Period and up to the Latest Practicable Date, the Target Group was in breach of certain loan covenants, details of which are as follows.

On 14 October 2013, the United Overseas Bank granted a credit facility to JOE Green Pte. in the amount of S$2,000,000 (the "**First UOB Loan**") with a term of 5 years. The First UOB Loan is bearing interest at the higher of 2.5% per annum over 3 month SWAP offer rate or 2.5% per annum over 3 month cost of funds, whichever is higher for the first to third years, and 0.75% per annum over the current commercial financing rate offered by a bank in Singapore for the fourth to fifth years. The First UOB Loan does not contain a repayment on demand clause but was renewed to contain the Ratio Covenant (see below) after making the Second UOB Loan (see below).

On 15 January 2015, the United Overseas Bank granted another credit facility to JOE Green Pte. in the amount of S$22,455,000 (the "**Second UOB Loan**") with a term of 20 years and was secured by, among other things, mortgage over Property 1, Property 3 and Property 4 and personal guarantees by Mr. Widjaja and Ms. Lim. The Second UOB Loan is bearing interest at 3.22% per annum below the commercial financing rate ("**CFR**") offered by a bank in Singapore for the first year, 2.92% per annum below the CFR for the second year, 2.12% per annum below the CFR for the third year and 0.75% per annum over the CFR thereafter. The facility letter does not contain a repayment on demand clause but contains a covenant that the ratio of earnings before interest, tax, depreciation and amortisation over all debit obligations shall not be less than 2 times at all times (the "**Ratio Covenant**"). Given that JOE Green Pte. was in breach of the Ratio Covenant in the year ended 31 December 2015, both of the First UOB Loan and the Second UOB Loan were classified as current liabilities as at 31 December 2015 and 2016. Apart from that, there is no incident of breach of the Ratio Covenant. On 28 March 2017, JOE Green Pte. obtained a waiver from the United Overseas Bank and thereafter both of the First UOB Loan and the Second UOB Loan were re-classified as non-current liabilities. On 20 September 2017, JOE Green Pte. obtained a revised banking facilities letter from United Overseas Bank that the Ratio Covenant shall no longer apply to JOE Green Pte.

On 1 June 2015, RHB Islamic Bank Berhad granted a credit facility to JOE Green Precast in the amount of RM18.0 million (equivalent to approximately S$6.0 million) (the "**RHB Loan**") with a term of up to 180 months and was secured by a mortgage over Property 5, a corporate guarantee and a personal guarantee by Mr. Widjaja and Ms. Lim. The RHB Loan is bearing interest at 2% below the Islamic Base Rate offered by a bank in Malaysia and denominated in Malaysia Ringgit. The facility letter does not contain a repayment on demand clause but contains a restrictive undertaking which requires JOE Green Precast to obtain the approval in writing of RHB Islamic Bank Berhad for any change in its shareholders and also for any payments of dividends. On 31 March 2016, JOE Green Precast declared interim dividends of RM14,600,000 (equivalent to approximately S$4,865,000) in respect of the year ended 31 December 2015 and paid such dividends to the then shareholders during the year ended 31 December 2016 without prior written consent from RHB Islamic Bank Berhad. Given that there was a breach of the restrictive undertaking in the year ended 31 December 2016, such loan was classified as current liabilities as at 31 December 2016. Apart from that, there is no other incident of breach of the restrictive undertaking. On 9 March 2017, JOE Green Precast obtained the written consent from RHB Islamic Bank Berhad and thereafter, the RHB Loan was re-classified as non-current liabilities.

On 31 December 2017, the non-current portion of the First UOB Loan, the Second UOB Loan and the RHB Loan with an aggregate amount of approximately S$23.0 million according to the repayment schedule were re-classified as non-current liability as the Target Group has already obtained waivers from the United Overseas Bank and RHB Islamic Bank Berhad in March 2017.

For the purpose of illustrating the effect on the financial position, assuming that: (i) the waivers have been obtained from the banks immediately after the incident of breaches; and (ii) a portion of the Maybank Loan be adjusted as non-current liabilities given its long term nature (as the Maybank Loan was classified as current liabilities due to a repayment on demand clause); approximately S$29.8 million will be adjusted as non-current liabilities in accordance to the repayment schedule for the year ended 31 December 2016 and the Target Group, instead of having net current liabilities position, would have been recorded net current assets of approximately S$4.2 million as at 31 December 2016.

The Target Group previously assigned an administrative staff to monitor the ongoing compliance with loan covenants. The administrative staff did not possess professional accounting qualification and experience, and as a result, misinterpreted the covenants included in the banking facilities. The proposed Directors also inadvertently overlooked the loan covenant which written consent shall be obtained from the relevant bank prior to the declaration and payment of dividend during the Track Record Period. Furthermore, during the Track Record Period, the Target Group did not receive any notice of demand for early or immediate loan repayment. Accordingly, the Target Group was not aware of the breach of loan covenants.

In order to strengthen the internal control measures in accordance with the Target Group's internal control advisers' recommendation so as to ensure the ongoing compliance with loan covenants, the Target Group has designated a personnel who is either a qualified accountant or an experienced risk management officer (the "**Designated Personnel**") to monitor ongoing compliance with bank loan covenants on a monthly basis starting from March 2017. Furthermore, the Designated Personnel will ensure written consent from RHB Islamic Bank Berhad will be obtained before any payments of dividends. The Designated Personnel will also report the Target Group's ongoing compliance on bank covenants to the Board on a monthly basis. Currently, the Designated Personnel is Mr. Wong Tang Thomas ("**Mr. Thomas Wong**"), who has around 19 years of experience in the banking industry with a focus in risk management and control, will also assist in monitoring the implementation of the Target Group's internal control and risk management procedures. The Target Group confirmed that none of the Designated Personnel, including Mr. Thomas Wong, was involved in the previous incidents of breach of loan covenants.

To keep abreast of the development and ensure ongoing compliance with all the major applicable laws and regulations, the proposed Directors and the senior management intend to attend ongoing trainings in the meantime and upon completion of the Proposed Restructuring. In particular, the proposed Directors had participated in a training organized by P.C. Woo & Co., the Hong Kong legal advisers to the Target Group, in March 2017 and May 2018 which covered various compliance-related topics, including, without limitation (i) the functions, duties, obligations, responsibilities and liabilities of a director of a company listed on the Stock Exchange; (ii) various aspects and compliance matters under the Listing Rules, the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Takeovers Code and other applicable laws and regulations; and (iii) the importance, significance and sample scenarios where a director shall seek professional finance, legal, accounting and/or other applicable advices. The proposed Directors and senior management will continue to attend regular trainings to be organised by the Enlarged Group's legal advisers with regard to various compliance-related matters and the updates on the major applicable laws and regulations. The proposed Directors and senior management will also attend other compliance, finance, legal, accounting and/or taxation related seminars to be organised by various professional, accredited and/or recognised bodies from time to time.

View of proposed Directors and Sole Sponsor

The proposed Directors are of the view that after implementation of the above internal control measures, the Target Group is capable of minimising the reoccurrence of the above-mentioned incidents of breach of loan covenants in the future. The proposed Directors consider that the breach would not affect the suitability of the proposed Directors under Rules 3.08 and 3.09 of the Listing Rules having taken into account the fact that (i) the breach of loan covenants was mainly due to the proposed Directors' oversight in ensuring that the relevant responsible staff possess specific knowledge to monitor the compliance of covenants, and the proposed Directors have confirmed Mr. Thomas Wong possesses necessary knowledge to monitor the ongoing compliance with loan covenants; (ii) the breach of loan covenant was unintentional, did not involve any fraudulent act on the part of the proposed Directors, and did not challenge the integrity of the proposed Directors and (iii) the proposed Directors have obtained waiver from the United Overseas Bank and written consent from RHB Islamic Bank Berhad, and no notice of demand of early or immediate loan repayment has been received from such banks.

Having considered the followings, the Sole Sponsor concurs with the proposed Directors' view and nothing has come to the attention of the Sole Sponsor that would cause it to believe that the internal control of the Target Group is inadequate and insufficient under the Listing Rules to prevent the reoccurrence of the above-mentioned incidents of breach of loan covenants in the future:

- the nature of the incidents of breach of loan covenants;
- the background of the Target Group's chief risk officer;
- having been given to understand that (i) the Target Group had established the internal control policies according to the recommendations of the Target Group's internal control advisers; (ii) no further material weakness has been noted under the scope of review; and (iii) the Target Group believes that its internal control measures that are currently in place are adequate and effective;
- that the proposed Directors and the senior management intend to attend ongoing trainings at the meantime and upon completion of the Proposed Restructuring for enriching compliance knowledge;
- that the Enlarged Group will engage independent internal control adviser for annual review of the internal control system of the Enlarged Group upon completion of the Acquisition; and
- that the Target Group has received waiver from the United Overseas Bank and written consent from RHB Islamic Bank Berhad and no notice of demand of early or immediate loan repayment has been received from banks.

In addition, since no dishonesty was involved on the part of the proposed Directors or cast any doubt on their integrity or competence, the Sole Sponsor concurs with the view of the proposed Directors that there is no material impact on the suitability of the proposed Directors under Rules 3.08 and 3.09 of the Listing Rules.

Save for the above-mentioned incidents of breach of loan covenant during the Track Record Period, the proposed Directors confirm that the Target Group had (i) no other material breach of loan covenants of bank borrowings; (ii) no notice of demand for early or immediate loan repayment has been received from banks; (iii) no cross default clause of other bank borrowings has been triggered off as a result of the reclassification as at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019; and (iv) no delay or default in the repayment of bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Lease liabilities

The Target Group leases certain motor vehicles during the Track Record Period. The following table sets forth the total future minimum lease payments and their present value as at the respective dates indicated:

	Minimum lease payments					Present value of minimum lease payments				
	As at 31 December			As at 31 May	As at 30 September	As at 31 December			As at 31 May	As at 30 September
	2016	2017	2018	2019	2019	2016	2017	2018	2019	2019
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	(audited)	(audited)	(audited)	(audited)	(unaudited)	(audited)	(audited)	(audited)	(audited)	(unaudited)
Amounts payable:										
Within one year	218	298	299	298	279	187	253	266	271	258
In the second year	186	298	292	264	215	162	271	274	251	207
In the third to fifth years	395	541	244	148	81	369	510	239	146	80
Total minimum lease payments	799	1,137	835	710	575	718	1,034	779	668	545
Future finance charges	(81)	(103)	(56)	(42)	(30)					
Total present value lease payables	718	1,034	779	668	545					
Portion classified as current liabilities	(187)	(253)	(266)	(271)	(258)					
Non-current portion	531	781	513	397	287					

All of the above leases were guaranteed by Mr. Widjaja, which will be released and replaced by corporate guarantees by the Company upon completion of the Proposed Restructuring. The present value of the total minimum lease payments increased from approximately S$0.7 million as at 31 December 2016 to approximately S$1.0 million as at 31 December 2017 due to the increase in the number of motor vehicles leased. The present value of the total minimum lease payments decreased from approximately S$1.0 million as at 31 December 2017 to approximately S$0.8 million as at 31 December 2018 primarily due to the repayment of leases during the year ended 31 December 2018. The present value of the total minimum lease payments decreased from approximately S$0.8 million as at 31 December 2018 to approximately S$0.7 million as at 31 May 2019 and approximately S$0.5 million as at 30 September 2019 primarily due to the repayment of leases during the five months ended 31 May 2019 and the nine months ended 30 September 2019, respectively.

In September 2019, the Target Group drew down approximately S$0.4 million of term loan to finance the setting up of a new factory in Malaysia. After 30 September 2019 and up to the Latest Practicable Date, the Target Group further drew down approximately S$1.0 million of term loan for such purpose.

Other than the aforesaid addition borrowings, the proposed Directors confirm that there has been no material change in the Target Group's indebtedness from 30 September 2019 to the date of this circular.

Save as disclosed in the section headed "Financial Information of the Target Group – Indebtedness" in this circular, the Target Group did not have, at the closure of business on 30 September 2019, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL COMMITMENTS

The Target Group had the following capital commitments as at the dates indicated:

	As at 31 December			**As at 31 May**
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Capital expenditure contracted for but not provided for in respect of the acquisition of property, plant and equipment	1,799	–	71	77

The Target Group's capital expenditure contracted for but not provided for in respect of acquisition of property, plant and equipment and investment properties as at 31 December 2016, 2017 and 2018 and 31 May 2019 was approximately S$1.8 million, nil, S$71,000 and S$77,000, respectively. In November 2016, the Target Group entered into a sale and purchase agreement relating to the acquisition of a parcel of land near its existing Production Plant in Johor Bahru, Malaysia for a consideration of approximately RM6.7 million (equivalent to approximately S$2.2 million). Such acquisition was completed in February 2017. The Target Group used its own cash resources to settle the consideration.

CONTRACT LIABILITIES

The Target Group had the following contract liabilities as at the dates indicated:

	As at 31 December			**As at 31 May**
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Billings in advance of performance	–	–	7	22

During the year ended 31 December 2018, the Target Group received an upfront franchise fee of S$600,000 under the First Franchise Agreement which was entered into in November 2017. The fee is related to a franchise right that is not distinct from the ongoing services that the Target Group provides to Franchisee A. Such contract liability is recognised as upfront franchise fee and is released over the franchise period from which Franchisee A begins to use and benefits from the licence. On 25 October 2018, the parties agreed to temporarily suspend the exclusivity element in the First Franchise Agreement from 25 October 2018 to 30 June 2019. During the Track Record Period, the S$600,000 upfront franchisee fee received was used to set off with the trade receivable due from Franchisee A. Subsequently, the First Franchise Arrangement was terminated on 30 June 2019.

During the three years ended 31 December 2018 and the five months ended 31 May 2019, no revenue was recognised in the reporting period that was included in the contract liability balance as at the beginning of the reporting period. In addition, there was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior reporting period.

Revenue in the amount of approximately S$1,000 recognised in the profit or loss in the five months ended 31 May 2019 was included in the contract liability balance at the beginning of the reporting period. In addition, there was no revenue recognised in the current reporting period that was related to performance obligation that was satisfied in a prior reporting period.

During the three years ended 31 December 2018 and the five months ended 31 May 2019, there was no income expected to be recognised after one year from the amount of billings in advance of performance.

OPERATING LEASE ARRANGEMENTS

Target Group as lessor

The Target Group leases its investment properties to earn rental income. The following table sets forth the future minimum lease receivables under non-cancellable operating leases as at the dates indicated:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Within one year	618	17	206	440
After 1 year but within 2 years	601	–	174	426
After 2 years but within 3 years	489	–	159	227
	1,708	17	539	1,093

Target Group as lessee

During the Track Record Period and up to 1 September 2017, the Target Group rented equipments and machinery from Amazana Capital for its operations. For details, please refer to Note 35 to the financial statements in the Accountants' Report as contained in Appendix I to this circular. The following table sets forth the future minimum lease payments under non-cancellable operating leases as at the dates indicated:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Not later than one year	31	–	–	–

CAPITAL EXPENDITURES

During the Track Record Period, the Target Group's capital expenditures have principally consisted of (i) property, plant and equipment; and (ii) investment properties. It incurred cash outflows on capital expenditures for the purchase of property, plant and equipment in the total amounts of approximately S$3.5 million, S$3.1 million, S$0.5 million, S$45,000 and S$65,000 for the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively. For the remaining seven months ending 31 December 2019, the Target Group expects to incur cash outflows on capital expenditures of approximately S$1.3 million.

OFF-BALANCE SHEET TRANSACTION

As at the Latest Practicable Date, the Target Group did not have any material off-balance sheet transactions or arrangements.

FINANCIAL INSTRUMENTS

The Target Group has not entered into any other financial instruments for hedging purposes.

EVENTS AFTER THE REPORTING PERIOD

The Target Group obtained a S$5.7 million term loan from a bank in Singapore which carries an interest rate of 1.1% per annum above the lending bank's cost of funds for interest period of one month. The term loan is for a period of 15 years and granted to partially fund the setting up of a manufacturing plant in a factory erected or to be erected on a land owned by the Target Group in Malaysia. The term loan is secured by (i) the land and building(s) erected or to be erected thereon HS(M) 3432 PTD 103041 MK Senai, Daerah Kulai, Negeri Johor, Malaysia in the name of JOE Green Precast, i.e. the land parcel for the new production plant; (ii) personal guarantees provided by Mr. Widjaja and Ms. Lim; and corporate guarantee provided by the Target Company. The aforementioned personal guarantees by Mr. Widjaja and Ms. Lim will be released upon completion of the Proposed Restructuring. As at the Latest Practicable Date, approximately S$1.4 million of the term loan has been drawn down. In June 2019, the Target Group issued a letter of award to a contractor for the production plant and it is expected that the construction of the production plant will be completed by the second quarter of 2020. Save as aforesaid, the Target Group has no significant subsequent events.

ASSETS AND LIABILITIES

The following tables set forth the Target Group's assets and liabilities as at the dates indicated:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Non-Current assets				
Intangible assets	–	228	249	219
Property, plant and equipment	16,664	17,917	16,556	15,837
Investment properties	22,130	22,045	22,350	22,350
Deposit for acquisition of property, plant and equipment	547	12	–	–
Deferred tax assets	164	471	251	221
Total Non-current Assets	39,505	40,673	39,406	38,627
Current Assets				
Inventories	1,263	1,063	1,113	1,702
Trade and other receivables	5,235	5,821	7,492	7,084
Amounts due from related companies	42	12	–	–
Tax recoverable	144	1,195	683	884
Pledged bank deposits	79	86	89	89
Bank balances and cash	6,083	4,595	5,885	2,994
Total Current Assets	12,846	12,772	15,262	12,753
Current Liabilities				
Trade and other payables	3,842	2,734	2,358	1,827
Contract liabilities	–	–	7	22
Amounts due to directors	1,960	2,889	1,224	603
Amount due to a related company	132	128	–	–
Lease liabilities	187	253	266	271
Bank borrowings	31,418	6,990	25,981	25,520
Tax payable	910	611	251	198
Dividend payable	–	–	–	1,000
Total Current Liabilities	38,449	13,605	30,087	29,441
Net Current Liabilities	(25,603)	(833)	(14,825)	(16,688)
Total Assets less Current Liabilities	13,902	39,840	24,581	21,939
Non-current Liabilities				
Lease liabilities	531	781	513	397
Bank borrowings	–	22,953	4,746	4,599
Deferred tax liabilities	495	582	669	664
Rental deposits received	–	–	–	98
Total Non-current Liabilities	1,026	24,316	5,928	5,758
NET ASSETS	12,876	15,524	18,653	16,181

DISCUSSION OF SELECTED BALANCE SHEET ITEMS

Property, plant and equipment

Property, plant and equipment consisted primarily of freehold land, buildings, leasehold improvements, plant and machinery, furniture and equipment, motor vehicles and construction in progress. As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Target Group's property, plant and equipment amounted to approximately S$16.7 million, S$17.9 million, S$16.6 million and S$15.8 million, respectively. Property, plant and equipment increased from approximately S$16.7 million as at 31 December 2016 to approximately S$17.9 million as at 31 December 2017 due to the completion of the acquisition of a parcel of land near the Target Group's existing production plant in Johor Bahru, Malaysia in February 2017. The decrease in property, plant and equipment from approximately S$17.9 million as at 31 December 2017 to approximately S$16.6 million was primarily due to the depreciation charge of approximately S$1.9 million during the year ended 31 December 2018. The decrease in property, plant and equipment from approximately S$16.6 million as at 31 December 2018 to approximately S$15.8 million as at 31 May 2019 was primarily due to the depreciation charge of approximately S$0.7 million during the five months ended 31 May 2019.

Investment properties

Investment properties relates to the properties in 50 Macpherson Road, Singapore purchased by JOE Green Pte. in January 2015 at a consideration of S$26,000,000 (excluding Goods and Services Tax).

Deposit for acquisition of property, plant and equipment

Deposit for acquisition of property, plant and equipment relates to prepayment for the purchase of machinery and land in Malaysia. As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Target Group's deposit for acquisition of property, plant and equipment amounted to approximately S$0.5 million, S$12,000, nil and nil, respectively. Deposit for acquisition of property, plant and equipment decreased from approximately S$0.5 million as at 31 December 2016 to approximately S$12,000 as at 31 December 2017 was mainly due to the completion of the acquisition of a parcel of land near its existing production plant in Johor Bahru, Malaysia at a consideration of approximately RM6.7 million in February 2017 where the relevant deposit paid for the acquisition was subsequently utilised.

Trade and other receivables

The following table sets forth the breakdown of the Target Group's trade and other receivables (net of allowance for doubtful debts) as at the dates indicated:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Trade receivables	4,736	4,881	6,820	6,497
Less: Allowance for doubtful debts	(69)	(75)	(60)	(64)
	4,667	4,806	6,760	6,433
Other receivables	74	475	2	3
Utility and other deposits	106	46	49	67
Prepayments	59	272	443	546
GST recoverable	329	222	238	35
	5,235	5,821	7,492	7,084

Trade and other receivables comprised trade receivables, other receivables, utility and other deposits, prepayments and GST recoverable. Trade and other receivables increased from approximately S$5.2 million as at 31 December 2016 to approximately S$5.8 million as at 31 December 2017 mainly due to the recognition of sales to Indonesia in late 2017 which has a credit period of 60 days and was not fully settled as at 31 December 2017. Trade and other receivables further increased from approximately S$5.8 million as at 31 December 2017 to approximately S$7.5 million as at 31 December 2018 primarily due to the increase in revenue during the year ended 31 December 2018. Trade and other receivables decreased from approximately S$7.5 million as at 31 December 2018 to approximately S$7.1 million as at 31 May 2019 primarily due to the decrease in trade receivables from approximately S$6.8 million as at 31 December 2018 to approximately S$6.5 million as at 31 May 2019 as a result of a decrease in revenue during the five months ended 31 May 2019.

Subsequent to 31 May 2019 and as at the Latest Practicable Date, subsequent settlement received in relation to trade receivables amounted to approximately S$6.1 million, representing approximately 94.6% of the trade receivables (net of allowance for doubtful debts) as at 31 May 2019.

Prepayments mainly comprise deposits paid for purchase of spare parts by the Target Group. Prepayments increased from approximately S$59,000 as at 31 December 2016 to approximately S$0.3 million as at 31 December 2017 as a result of the increase in purchase of spare parts by the Target Group in 2017. Prepayments increased from approximately S$0.3

million as at 31 December 2017 to approximately S$0.4 million as at 31 December 2018 primarily due to the increase in the upfront prepayment for purchase of spare parts during the relevant period. Prepayments increased from approximately S$0.4 million as at 31 December 2018 to approximately S$0.5 million as at 31 May 2019 primarily due to an increase in prepayments made for purchase of raw materials.

An ageing analysis of trade receivables as at the end of each of the years/period, based on the invoice date, is as follows:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Up to 90 days	4,285	4,535	6,340	2,823
91 to 180 days	242	69	221	3,356
181 to 365 days	69	58	91	105
Over 365 days	71	144	108	149
	4,667	4,806	6,760	6,433

The Target Group typically allows credit term up to 60 days to its customers, depending on the negotiation. Customers generally settle their outstandings to the Target Group around 60 to 75 days from the date of invoice. Trade receivables are non-interest bearing.

The ageing analysis of trade receivables (net of allowance for doubtful debts) that are not impaired is as follows:

	As at 31 December	
	2016	**2017**
	S$'000	*S$'000*
Neither past due nor impaired	1,674	2,902
Up to 90 days past due	2,675	1,688
91 to 180 days past due	192	36
181 to 365 days past due	65	48
Over 365 days past due	61	132
	4,667	4,806

Prior to 1 January 2018, included in the trade receivables are debts which are past due, for which the Target Group has not provided for impairment loss as the directors of the Target Company consider that the default is low after considering the creditworthiness and repayment history of the debtors and settlement after the end of each reporting period. Trade receivables which are neither overdue nor impaired are considered fully recoverable. The tables below provide information about the exposure to the credit risk and the expected credit losses for trade receivables which are assessed based on provision matrix as at the dates indicated:

	As at 31 December 2018		
	Gross carrying amount	**Expected credit loss rate**	**Loss allowance**
	S$'000	*S$'000*	*S$'000*
Not past due	5,496	–	–
Within 90 days past due	1,202	3.6%	43
91 days to 180 days past due	39	8.3%	3
181 days to 365 days past due	52	10.8%	6
Over 365 days past due	31	25.2%	8
	6,820		60

	As at 31 May 2019		
	Gross carrying amount	**Expected credit loss rate**	**Loss allowance**
	S$'000	*S$'000*	*S$'000*
Not past due	1,696	–	–
Within 90 days past due	1,469	3.6%	53
91 days to 180 days past due	3,288*(Note)*	8.3%	6
181 days to 365 days past due	40	10.8%	4
Over 365 days past due	4	25.2%	1
	6,497		64

Note: The balance included an amount of approximately S$3.2 million due from a customer which has been overdue by more than 90 days. Subsequent to 31 May 2019, the aforementioned customer made a partial settlement of S$837,000 and on 15 July 2019, the Target Group sold and assigned the remaining outstanding balance of approximately S$2.4 million without recourse to an independent financial institution. Since aforementioned overdue amount has been fully recovered, no written off has been made and no expected credit loss has been provided for in respect of the overdue amount due from that customer.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, trade receivables of approximately S$3.0 million, S$1.9 million, S$1.3 million and S$4.7 million, respectively, were past due but not impaired.

The movement in the provision for impairment of trade receivables is as follows:

	Year ended 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
At the beginning of the year/period	–	69	75	60
Impairment loss recognised	69	6	39	4
Uncollectible amount written off	–	–	(54)	–
At the end of the year/period	69	75	60	64

For the three years ended 31 December 2018 and the five months ended 31 May 2019, impairment loss of approximately nil, nil and approximately S$54,000 and nil, respectively, were written off as uncollectible amount. These were mainly due to the management's assessment of the credit quality of the customers and the collectability of such trade receivables based on past experience. Apart from the above, the proposed Directors are of the view that no further provision is necessary in respect of the overdue balances that were not impaired as there has not been a significant change in the credit quality of the customers. During the Track Record Period, the Target Group did not experience material impairment to its trade receivables.

	Year ended 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
Trade receivables turnover days	71	88	98	177

Note: Trade receivables turnover days are calculated by dividing average trade receivables by revenue for the relevant period and multiplying 365 days for a year or 151 days for five months, while average trade receivables are obtained by dividing the sum of trade receivables at the beginning of the period and the end of the period by two.

For the three years ended 31 December 2018 and the five months ended 31 May 2019, the trade receivables turnover days were approximately 71 days, 88 days, 98 days and 177 days, respectively. The increase in trade receivables turnover days from approximately 71 days for the year ended 31 December 2016 to approximately 88 days for the year ended 31 December 2017 was due to the Target Group has taken up larger orders during the Track Record Period whereby the Target Group's customers more frequently withhold the payment of retention sum until the completion of the projects. Furthermore, the decrease in revenue for the year ended 31 December 2017 and the sales to Indonesia in late 2017 which has a credit period of 60 days and was not fully settled as at 31 December 2017 also accounted for the further increase in trade receivables turnover days for the year ended 31 December 2017. The increase in trade receivables turnover days to approximately 98 days for the year ended 31 December 2018 was primarily because of the Target Group recorded more sales in late 2018 as compared to the other periods in 2018 and such credit sales which mainly have a credit period of 60 days were not fully settled as at 31 December 2018. The significant increase in trade receivables turnover days to approximately 177 days for the five months ended 31 May 2019 was primarily because one of the Target Group's major customers (with a credit period of 60 days) was yet to settle its trade receivables with the Target Group within the credit period as at 31 May 2019. Subsequent to 31 May 2019, the aforementioned customer made a partial settlement of S$837,000 and on 15 July 2019, the Target Group sold and assigned the remaining outstanding balance of approximately S$2.4 million without recourse to an independent financial institution. The overdue amount from that customer was fully recovered as at the Latest Practicable Date.

Amounts due to directors

The following table set forth the analysis of the amounts due to directors as at the dates indicated:

	As at 31 December			**As at 31 May**
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Ms. Lim	–	3	–	–
Mr. Widjaja	1,960	2,886	1,224	603
	1,960	2,889	1,224	603

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the respective balances of approximately S$2.0 million, S$2.9 million, S$1.2 million and S$0.6 million due to directors, namely Mr. Widjaja and Ms. Lim, were non-trade related, unsecured, interest free and repayable on demand. All amounts due to directors shall be repaid before completion of the Proposed Restructuring.

Trade and other payables

Trade and other payables comprised trade payables, accruals, other payables, rental deposits received and other tax payables. Trade and other payables as at 31 December 2016, 2017 and 2018 and 31 May 2019 were approximately S$3.8 million, S$2.7 million, S$2.4 million and S$1.8 million, respectively, of which a breakdown is set out below:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Trade payables	890	691	682	721
Accruals	896	1,385	1,140	1,015
Other payables	1,603	518	377	69
Rental deposits received	201	8	68	22
Goods and services tax payables	252	132	91	–
	3,842	2,734	2,358	1,827

The ageing analysis of trade payables as at the reporting dates is as follows:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Up to 90 days	871	680	676	715
91 to 365 days	19	11	6	6
	890	691	682	721

Trade payables decreased from approximately S$0.9 million as at 31 December 2016 to approximately S$0.7 million as at 31 December 2017 and remained steady at approximately S$0.7 million as at 31 December 2018 and 31 May 2019. The fluctuations in trade payables over the Track Record Period was primarily due to the timing difference in making payments to the Target Group's suppliers. The Target Group's trade payables are non-interest bearing and the credit period granted by the suppliers is on average 30 days after issuance of invoice. Approximately S$0.7 million, representing approximately 98.9% of the trade payables of approximately S$0.7 million as at 31 May 2019 had been subsequently settled as at the Latest Practicable Date.

Accruals relates to outstanding payable expenses in respect of non-trade items, which increased from approximately S$0.9 million as at 31 December 2016 to approximately S$1.4 million as at 31 December 2017, mainly due to the outstanding amount of transaction expenses for the Acquisition and the Share Offer. Accruals decreased to approximately S$1.1 million as at 31 December 2018 and further to approximately S$1.0 million as at 31 May 2019.

Other payables relates to outstanding payable amounts in respect of non-trade items which decreased from approximately S$1.6 million as at 31 December 2016 to approximately S$0.5 million as at 31 December 2017 and further to approximately S$0.4 million as at 31 December 2018 and S$69,000 as at 31 May 2019, mainly due to settlement of outstanding payables for acquisition of property, plant and equipment.

	Year ended 31 December			Five months ended 31 May
	2016	**2017**	**2018**	**2019**
Trade payables turnover days	25	35	27	34

Note: Trade payables turnover days are calculated by dividing average trade payables by cost of sales for the relevant period and multiplying 365 days for a year or 151 days for five months, while average trade payables are obtained by dividing the sum of trade payables at the beginning of the period and the end of the period by two.

For the three years ended 31 December 2018 and the five months ended 31 May 2019, the trade payables turnover days were approximately 25 days, 35 days, 27 days and 34 days, respectively. The increase in trade payables turnover days from approximately 25 days for the year ended 31 December 2016 to approximately 35 days for the year ended 31 December 2017 was primarily due to the grant of credit period from one of the Target Group's major suppliers since the beginning of 2016. Furthermore, the decrease in cost of sales as a result of the decrease in revenue also accounted for the increase in trade payables turnover days for the year ended 31 December 2017. The Target Group's trade payables turnover days for the year ended 31 December 2018 decreased to approximately 27 days which is within the average credit period granted by the Target Group's suppliers. The Target Group's trade payables turnover days for the five months ended 31 May 2019 increased to approximately 34 days primarily due to (i) the decrease in the cost of sales for the five months ended 31 May 2019; and (ii) the increase in trade payables as at 31 May 2019 as the Target Group increased its purchases near the period end of the five months ended 31 May 2019 in view of its upcoming production schedule.

Inventories

The following table sets forth, as at the dates indicated, a summary of the Target Group's balance of inventories:

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Raw materials	76	170	144	239
Spare parts	443	374	563	742
Finished goods	744	519	406	721
	1,263	1,063	1,113	1,702

The Target Group does not keep inventory for its customised wall panels as all of them are made to order. The Target Group in general maintains an inventory level of between (i) 14 to 21 days for its standardised wall panels; (ii) 14 to 21 days for Joint Bonding Adhesive; and (iii) 3 to 12 months for other wall panel system accessories. There was an increase in the inventory level of raw materials from approximately S$76,000 as at 31 December 2016 to approximately S$170,000 as at 31 December 2017 in view of the sales orders to be delivered in early 2018. However, the inventory level for finished goods decreased from approximately S$0.7 million as at 31 December 2016 to approximately S$0.5 million as at 31 December 2017 as a sizeable order for wall panel system was delivered in late 2017, resulting in a relatively stable overall balance of inventories as at 31 December 2017 when compared to that as at 31 December 2016. The Target Group's inventory remained fairly stable at approximately S$1.1 million as at 31 December 2017 and 2018. The Target Group's inventory increased to approximately S$1.7 million as at 31 May 2019 due to the Target Group's production of standardised precast concrete wall panels in advance in order to meet the expected fulfillment of the sales orders to be delivered in the second half of 2019 which could be evidenced by the increase in the value of backlog as at 31 May 2019. The Target Group considered that it was more advantageous to produce the panels in advance in order to avoid or reduce the possibility of (a) excessive production schedule over the optimal capacity and additional manpower costs incurred for overtime; and (b) possible delays in delivery to customers.

Among the inventory of approximately S$1.7 million as at 31 May 2019, approximately S$1.1 million, representing approximately 63.3% of which, had been subsequently utilised as at the Latest Practicable Date.

The following table sets forth, for the periods indicated, the average inventory turnover days of the Target Group:

	Year ended 31 December			Five months ended 31 May
	2016	**2017**	**2018**	**2019**
Inventory turnover days	35	52	43	69

Note: Inventory turnover days equal the average inventory divided by cost of sales multiplied by 365 days for a year or 151 days for five months. Average inventory is the sum of the inventory at the beginning of the period and the inventory at the end of the period divided by two.

For the three years ended 31 December 2018 and the five months ended 31 May 2019, the inventory turnover days were approximately 35 days, 52 days, 43 days and 69 days, respectively. The increase in inventory turnover days from approximately 35 days for the year ended 31 December 2016 to approximately 52 days for the year ended 31 December 2017 was primarily due to (i) a decrease in cost of sales which was in line with a decrease in revenue; and (ii) the Target Group maintained a relatively stable amount of inventory in view of the sales order to be delivered in early 2018. Inventory turnover days decreased to approximately 43 days for the year ended 31 December 2018 was primarily due to an increase in cost of sales while the inventory balance was maintained at a relatively stable level. The Target Group's inventory turnover days for the five months ended 31 May 2019 increased to approximately 69 days primarily due to the increase in inventory balance as at 31 May 2019 in view of the sales orders to be delivered in the second half of 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Target Group has historically financed its working capital, capital expenditure and other capital requirements principally through a combination of internally generated cash flows and bank loans. The Target Group's sources of short-term liquidity requirement include cash balances and cash generated from its operations, which are used to repay its short-term debts and fulfil its working capital requirements. The Target Group's long-term liquidity requirements include the repayment of long-term bank borrowings. The Target Group plans to finance its future expansion and development plans with cash generated from its operations and, when necessary, bank and other borrowings.

It is the Target Group's management's objective to regulate its liquidity and capital structure on a continuing basis to ensure that the Target Group has sufficient resources to substantiate its daily operations and implement its strategic plans.

While the Target Group recorded net cash used in operating activities during the five months ended 31 May 2019, the Target Group has been monitoring its working capital closely and will continue to adopt the following measures to improve its operating cashflow position going forward:

(i) the directors and the chief financial officer of the Target Group will closely monitor the Target Group's cash receipts and payment schedule by conducting financial review and preparing sales and cash flow forecasts on a regular basis for budgeting its short to medium term cash payment obligations, so as to minimise the shortfall risk in its operating cash, especially during times when the market is volatile;

(ii) the Target Group will incorporate stricter internal control measures in monitoring its inventory level by conducting regular review on inventory report and arranging stock count on a quarterly basis, and whenever necessary, in order to minimise the risk of piling up excessive level of inventory; and

(iii) the Target Group will conduct a review on its credit policy and, if applicable, renegotiate the payment terms with its suppliers and the credit term offered to its customers, so as to shorten its cash conversion cycle.

Cash flows

The following table is a condensed summary of the combined statements of cash flows for the periods indicated:

	Year ended 31 December			**Five months ended 31 May**	
	2016	**2017**	**2018**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Operating profit before working capital changes	11,267	5,444	7,016	1,460	630
Net cash generated from/(used in) operating activities	10,290	3,668	4,276	2,285	(85)
Net cash used in investing activities	(3,233)	(3,021)	(597)	(63)	(59)
Net cash used in financing activities	(8,297)	(2,150)	(2,391)	(726)	(2,739)
Net (decrease)/increase in cash and cash equivalents	(1,240)	(1,503)	1,288	1,496	(2,883)

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Cash and cash equivalents at the beginning of the year/period	7,331	6,083	4,595	4,595	5,885
Effect of foreign exchange rate change	(8)	15	2	21	(8)
Cash and cash equivalents at the end of the year/period represented by bank balances and cash	6,083	4,595	5,885	6,112	2,994

Cash generated from/(used in) operating activities

Cash generated from operating activities primarily consisted of profit before taxation adjusted for non-cash items, such as recovery of an amount due from a related company, impairment loss on trade receivables, impairment loss on other receivables, amortisation of intangible assets, depreciation of property, plant and equipment, write back of long outstanding trade and other payables, loss on disposal of property, plant and equipment, valuation gain/loss on investment properties, loss on revaluation of properties upon transfer to investment properties, finance costs, interest income and net exchange gain/loss. The Target Group derives cash flow from operations principally from its revenue. Its cash outflow used in operations is principally for payment to its suppliers, labour costs and working capital needs.

For the year ended 31 December 2016, the net cash generated from operating activities of the Target Group was approximately S$10.3 million. The net cash from operating activities was mainly attributable to operating profit before working capital changes of approximately S$11.3 million, adjusted for net working capital inflow of approximately S$0.8 million and taxation paid of approximately S$1.8 million. The net working capital inflow was primarily attributable to the increase in trade and other payables of approximately S$1.6 million because of the grant of credit period from one of the Target Group's major suppliers since the beginning of 2016 and the one-off transaction expenses of approximately S$1.3 million for the year ended 31 December 2016 for the Acquisition and the Share Offer.

For the year ended 31 December 2017, the net cash generated from operating activities of the Target Group was approximately S$3.7 million. The net cash from operating activities was mainly attributable to operating profit before working capital changes of approximately S$5.4 million, adjusted for net working capital outflow of approximately S$0.2 million and taxation paid of approximately S$1.6 million.

For the year ended 31 December 2018, the net cash generated from operating activities of the Target Group was approximately S$4.3 million. The net cash from operating activities was mainly attributable to operating profit before working capital changes of approximately

S$7.0 million, adjusted for net working capital outflow of approximately S$2.1 million and taxation paid of approximately S$0.6 million. The net working capital outflow was primarily attributable to the increase in trade and other receivables of approximately S$1.8 million for the year ended 31 December 2018.

For the five months ended 31 May 2018, the net cash generated from operating activities of the Target Group was approximately S$2.3 million. The net cash from operating activities was mainly attributable to operating profit before working capital changes of approximately S$1.5 million, adjusted for net working capital inflow of approximately S$1.2 million and taxation paid of approximately S$0.3 million. The net working capital inflow was primarily attributable to the decrease in trade and other receivables of approximately S$1.2 million for the five months ended 31 May 2018.

For the five months ended 31 May 2019, the net cash used in operating activities of the Target Group was approximately S$85,000. While the Target Group recorded operating profit before working capital changes of approximately S$0.6 million for the five months ended 31 May 2019, the movements in net working capital outflow of approximately S$0.6 million and taxation paid of approximately S$0.1 million have led to the net cash used in operating activities during the five months ended 31 May 2019. The net working capital outflow was primarily attributable to an increase in inventories of approximately S$0.6 million and a decrease in trade and other payables of approximately S$0.4 million for the five months ended 31 May 2019. The increase in the Target Group's inventory level as at 31 May 2019 was due to the Target Group's production of standardised precast concrete wall panels in advance in order to meet the expected fulfillment of sales orders in the second half of the financial year ending 31 December 2019 which could be evidenced by the increase in the value of backlog as at 31 May 2019. The Target Group considered that it was more advantageous to produce the panels in advance in order to avoid or reduce the possibility of (a) excessive production schedule over the optimal capacity and additional manpower costs incurred for overtime; and (b) possible delays in delivery to customers.

Cash used in investing activities

Cash used in investing activities primarily consisted of purchases of property, plant and equipment for operation purpose and purchase of intangible assets.

For the year ended 31 December 2016, the net cash used in investing activities of the Target Group was approximately S$3.2 million, which was mainly attributable to purchases of property, plant and equipment for operation purpose of approximately S$3.5 million.

For the year ended 31 December 2017, the net cash used in investing activities of the Target Group was approximately S$3.0 million, which was mainly attributable to purchases of property, plant and equipment for operation purpose of approximately S$3.1 million.

For the year ended 31 December 2018, the net cash used in investing activities of the Target Group was approximately S$0.6 million, which was mainly attributable to purchases of property, plant and equipment for operation purpose of approximately S$0.5 million.

For the five months ended 31 May 2018, the net cash used in investing activities of the Target Group was approximately S$63,000, which was mainly attributable to purchases of property, plant and equipment for operation purpose of approximately S$45,000.

For the five months ended 31 May 2019, the net cash used in investing activities of the Target Group was approximately S$59,000, which was mainly attributable to purchases of property, plant and equipment for operation purpose of approximately S$65,000 which was partially offset by interest received of approximately S$6,000.

Cash used in financing activities

Cash used in financing activities primarily consisted of new bank loans raised and advances from directors. Its cash outflow used in financing activities is principally for dividend payment, interest payment, repayment of bank loans and repayments to directors.

For the year ended 31 December 2016, the net cash used in financing activities of the Target Group was approximately S$8.3 million, which was mainly attributable to net proceeds from bank loans of S$4.0 million. The cash used in financing activities came from (i) dividend payment of approximately S$10.2 million; (ii) repayments to directors of approximately S$1.0 million; and (iii) interest payment on bank borrowings of approximately S$0.9 million.

For the year ended 31 December 2017, the net cash used in financing activities of the Target Group was approximately S$2.2 million, which was mainly attributable to (i) interest paid on bank borrowings of approximately S$1.3 million; and (ii) repayment of bank loans of approximately S$1.6 million.

For the year ended 31 December 2018, the net cash used in financing activities of the Target Group was approximately S$2.4 million, which was mainly attributable to (i) repayment of bank loans of approximately S$25.7 million; (ii) repayments to directors of approximately S$1.7 million; and (iii) interest paid on bank borrowings of approximately S$1.1 million, which was partially offset by new bank loans raised of approximately S$26.4 million.

For the five months ended 31 May 2018, the net cash used in financing activities of the Target Group was approximately S$0.7 million, which was mainly attributable to (i) repayments to directors of approximately S$1.6 million; and (ii) interest paid on bank borrowings of approximately S$0.6 million, which was partially offset by the net proceeds from bank loans of approximately S$1.6 million.

For the five months ended 31 May 2019, the net cash used in financing activities of the Target Group was approximately S$2.7 million, which was mainly attributable to (i) dividend payment of S$1.0 million; (ii) advances to directors of approximately S$0.6 million; (iii) repayment of bank loans of approximately S$0.6 million; and (iv) interest paid on bank borrowings of approximately S$0.4 million.

KEY FINANCIAL RATIOS

The table below sets out a summary of our key financial ratios as at the dates or for the periods indicated:

	As at/For the year ended 31 December			As at/For the five months ended 31 May
	2016	2017	2018	2019
Current ratio[(Note 1)]	0.3	0.9	0.5	0.4
Quick ratio[(Note 2)]	0.3	0.9	0.5	0.4
Gearing ratio[(Note 3)]	2.5	2.0	1.7	1.9
Return on total assets[(Notes 4 and 8)]	13.0%	4.3%	5.8%	N/A
Return on equity[(Notes 5 and 8)]	52.8%	14.8%	17.1%	N/A
Gross profit margin[(Note 6)]	64.8%	58.1%	57.2%	45.2%
Net profit margin[(Notes 7 and 8)]	27.4%	11.8%	14.8%	N/A

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective period end.

2. Quick ratio is calculated based on the total current assets less inventories divided by the total current liabilities as at the respective period end.

3. Gearing ratio is calculated based on the total borrowings (bank borrowing and lease liabilities) divided by the total equity as at the respective period end.

4. Return on total assets is calculated by profit for the year/period divided by the total assets as at the respective period end and multiplied by 100%.

5. Return on equity is calculated by profit for the year/period divided by the total equity as at the respective period end and multiplied by 100%.

6. Gross profit margin is calculated by the gross profit for the year/period divided by the revenue for the respective period and multiplied by 100%.

7. Net profit margin is calculated by net profit for the year/period divided by the revenue for the respective period and multiplied by 100%.

8. The Target Group recorded net loss for the five months ended 31 May 2019.

Current ratio

The Target Group's current ratio increased from approximately 0.3 time as at 31 December 2016 to approximately 0.9 time as at 31 December 2017 was primarily due to the decrease in the current liabilities portion of bank borrowings from S$31.4 million as at 31 December 2016 to approximately S$7.0 million as at 31 December 2017 as the Target Group has obtained waivers from the United Overseas Bank and RHB Islamic Bank Berhad in March

2017 in connection with historical incidents of breach of loan covenants and re-classified such portion of loans which are not repayable within one year in the amount of approximately S$23.0 million as non-current liabilities. The Target Group's current ratio decreased to approximately 0.5 time as at 31 December 2018 primarily due to the new banking facilities drew down by the Target Group in March 2018 for repayment of certain existing bank loans. As such new banking facilities contain a repayment on demand clause, they are classified as current liabilities of the Target Group. The Target Group's current ratio decreased further to approximately 0.4 time as at 31 May 2019 primarily due to a decrease in bank balances and cash from approximately S$5.9 million as at 31 December 2018 to approximately S$3.0 million as at 31 May 2019.

Quick ratio

The Target Group's quick ratio increased from approximately 0.3 time as at 31 December 2016 to approximately 0.9 time as at 31 December 2017. The increase was primarily due to the decrease in the current liabilities portion of bank borrowings from S$31.4 million as at 31 December 2016 to approximately S$7.0 million as at 31 December 2017 as the Target Group has obtained waivers from the United Overseas Bank and RHB Islamic Bank Berhad in March 2017 in connection with historical incidents of breach of loan covenants has and re-classified such portion of loans which are not repayable within one year in the amount of approximately S$23.0 million as non-current liabilities. The Target Group's quick ratio decreased to approximately 0.5 time as at 31 December 2018 primarily due to the new banking facilities drew down by the Target Group in March 2018 for repayment of certain existing bank loans. As such new banking facilities contain a repayment on demand clause, they are classified as current liabilities of the Target Group. The Target Group's quick ratio decreased further to approximately 0.4 time as at 31 May 2019 primarily due to a decrease in bank balances and cash from approximately S$5.9 million as at 31 December 2018 to approximately S$3.0 million as at 31 May 2019.

Gearing ratio

The Target Group's gearing ratio decreased from approximately 2.5 as at 31 December 2016 to approximately 2.0 as at 31 December 2017 primarily due to (i) the increase in equity from approximately S$12.9 million as at 31 December 2016 to approximately S$15.5 million as at 31 December 2017; and (ii) the decrease in aggregate bank borrowings from approximately S$31.4 million as at 31 December 2016 to approximately S$29.9 million as at 31 December 2017. The Target Group's gearing ratio decreased to approximately 1.7 as at 31 December 2018 primarily due to the increase in equity from approximately S$15.5 million as at 31 December 2017 to approximately S$18.7 million as at 31 December 2018. The Target Group's gearing ratio increased to approximately 1.9 as at 31 May 2019 primarily due to the decrease in equity from approximately S$18.7 million as at 31 December 2018 to approximately S$16.2 million as at 31 May 2019. The decrease in equity was mainly as a result of the declaration of dividend in the amount of S$2.0 million during the five months ended 31 May 2019.

Return on total assets

The Target Group's return on total assets was approximately 13.0%, 4.3% and 5.8% as at 31 December 2016, 2017 and 2018, respectively. The decrease in return on total assets from approximately 13.0% as at 31 December 2016 to approximately 4.3% as at 31 December 2017 was primarily due to (i) a decrease in revenue 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; and (ii) the increase in the recognition of one-off transaction expenses in connection with the Acquisition and the Share Offer of approximately S$1.3 million for the year ended 31 December 2016 to approximately S$2.0 million for the year ended 31 December 2017. The Target Group's return on total assets increased to approximately 5.8% primarily due to the increase in revenue 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 and the decrease in the recognition of one-off transaction expenses in connection with the Acquisition and the Share Offer of approximately S$2.0 million for the year ended 31 December 2017 to approximately S$0.9 million for the year ended 31 December 2018. The Target Group recorded a net loss of approximately S$0.4 million for the five months ended 31 May 2019 resulting from (i) the decrease in gross profit and gross profit margin during the five months ended 31 May 2019; and (ii) the Target Group recorded non-recurring transaction expenses of approximately S$0.6 million for the five months ended 31 May 2019.

Return on equity

The Target Group's return on equity was approximately 52.8%, 14.8% and 17.1% as at 31 December 2016, 2017 and 2018, respectively. The decrease in return on equity from approximately 52.8% as at 31 December 2016 to approximately 14.8% as at 31 December 2017 was primarily due to (i) a decrease in revenue 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; and (ii) the increase in the recognition of one-off transaction expenses in connection with the Acquisition and the Share Offer of approximately S$1.3 million for the year ended 31 December 2016 to approximately S$2.0 million for the year ended 31 December 2017. The Target Group's return on equity increased to approximately 17.1% as at 31 December 2018 was primarily due to the increase in revenue 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 and the decrease in the recognition of one-off transaction expenses in connection with the Acquisition and the Share Offer of approximately S$2.0 million for the year ended 31 December 2017 to approximately S$0.9 million for the year ended 31 December 2018. The Target Group recorded a net loss of approximately S$0.4 million for the five months ended 31 May 2019 resulting from (i) the decrease in gross profit and gross profit margin during the five months ended 31 May 2019; and (ii) the Target Group recorded non-recurring transaction expenses of approximately S$0.6 million for the five months ended 31 May 2019.

Please refer to the section headed "Financial Information of the Target Group – Review of Historical Results of Operations" in this circular for a discussion of the factors affecting the Target Group's gross profit margin and net profit margin during the Track Record Period.

NET CURRENT ASSETS/LIABILITIES

	As at 31 December			As at 31 May	As at 30 September
	2016	2017	2018	2019	2019
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(audited)	(unaudited)
CURRENT ASSETS					
Inventories	1,263	1,063	1,113	1,702	1,825
Trade and other receivables	5,235	5,821	7,492	7,084	7,384
Amounts due from related companies	42	12	–	–	–
Tax recoverable	144	1,195	683	884	893
Pledged bank deposits	79	86	89	89	89
Bank balances and cash	6,083	4,595	5,885	2,994	3,871
Total current assets	12,846	12,772	15,262	12,753	14,062
CURRENT LIABILITIES					
Trade and other payables	3,842	2,734	2,358	1,827	3,731
Contract liabilities	–	–	7	22	–
Amounts due to directors	1,960	2,889	1,224	603	39
Amount due to a related company	132	128	–	–	–
Lease liabilities	187	253	266	271	258
Bank borrowings *(Note)*	31,418	6,990	25,981	25,520	25,538
Tax payable	910	611	251	198	309
Dividend payable	–	–	–	1,000	–
Total current liabilities	38,449	13,605	30,087	29,441	29,875
Net current liabilities	(25,603)	(833)	(14,825)	(16,688)	(15,813)

Note: As at 31 December 2016, 2017, 2018, 31 May 2019 and 30 September 2019, bank borrowings in the amount of approximately S$29.8 million, S$5.4 million, S$22.5 million, S$22.0 million and S$21.6 million which contained repayment on demand clause or in breach and with period of repayment after one year are classified as current liabilities respectively. If the above mentioned bank borrowings are excluded from current liabilities as the proposed Directors do not expect them to be required for repayment within 12 months, the Target Group would have adjusted net current assets position as follows: net current assets of approximately S$4.2 million, S$4.6 million, S$7.7 million, S$5.3 million and S$5.8 million as at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, respectively.

The Target Group recorded net current liabilities of approximately S$25.6 million, S$0.8 million, S$14.8 million, S$16.7 million and S$15.8 million as at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, respectively.

Net current liabilities as at 31 December 2017 amounted to approximately S$0.8 million which primarily consists of bank borrowings of approximately S$7.0 million, of which approximately S$5.4 million represents bank borrowings due for repayment after one year but were classified as current liabilities as they contained repayment on demand clause. Net current liabilities decreased from approximately S$25.6 million as at 31 December 2016 to approximately S$0.8 million as at 31 December 2017, which was primarily due to the decrease in the current liabilities portion of bank borrowings from S$31.4 million as at 31 December 2016 to approximately S$7.0 million as at 31 December 2017 as the Target Group has obtained waivers from the United Overseas Bank and RHB Islamic Bank Berhad in March 2017 in connection with historical incidents of breach of loan covenants and re-classified such portion of loans which are not repayable within one year in the amount of approximately S$23.0 million as non-current liabilities.

Net current liabilities increased from approximately S$0.8 million as at 31 December 2017 to approximately S$14.8 million as at 31 December 2018, which was primarily due to new banking facilities drew down by the Target Group in March 2018 for repayment of certain existing bank loans. As the prevailing interest rate for the new banking facilities, being 1.68%, is lower than the then prevailing interest rate for the old bank loans, being 6.5%, the proposed Directors consider that it is commercially reasonable to replace the old bank loans with the new banking facilities despite the new banking facilities contain a repayment on demand clause. Such bank borrowings are classified as current liabilities of the Target Group.

Net current liabilities increased from approximately S$14.8 million as at 31 December 2018 to approximately S$16.7 million as at 31 May 2019, which was primarily due to the decrease in bank balances and cash from approximately S$5.9 million as at 31 December 2018 to approximately S$3.0 million as at 31 May 2019.

Net current liabilities decreased from approximately S$16.7 million as at 31 May 2019 to approximately S$15.8 million as at 30 September 2019.

In view of the net current liabilities position during the Track Record Period and as at 30 September 2019, the Target Group has adopted the following liquidity management measures to improve its net current liabilities position:

(a) the Target Group has appointed Mr. Thomas Wong as its chief risk officer who is responsible for monitoring the liquidity position of the Target Group on a regular basis. Mr. Thomas Wong is required to report the Target Group's liquidity position as well as the effectiveness of its liquidity management measures including but not limited to monitoring the payment received from trade debtors, assessing the financial resources available and cash generated from operations to the board of directors of the Target Group on a monthly basis;

(b) the Target Group has strengthened its internal control measures in accordance with the Target Group's internal control advisers' recommendation so as to ensure the ongoing compliance with loan covenants to minimise the possibility where long-term liabilities will be required to be repaid on demand. Please refer to the disclosure in the section headed "Financial Information of the Target Group – Indebtedness – Loan covenants" in this circular for further details in relation to the measures adopted by the Target Group to ensure due observance of loan covenants; and

(c) the Target Group will also consider to negotiate with available banks to obtain long term borrowings which do not contain repayment on demand clause but at the same time bear a low interest rate.

WORKING CAPITAL

During the Track Record Period, the Target Group met its working capital needs principally through a combination of internally generated cash flows and bank loans. The Target Group manages its cash flow and working capital by closely monitoring and managing, among other things, (i) the level of its trade payables and receivables; and (ii) its ability to obtain external financing. The Target Group also reviews future cash flow requirements and assesses its ability to meet debt repayment schedules and adjust its investment and financing plans, if necessary, to ensure that the Target Group maintains sufficient working capital to support its business operations and expansion plans.

As at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, the Target Group recorded net current liabilities of approximately S$25.6 million, S$0.8 million, S$14.8 million, S$16.7 million and S$15.8 million, respectively. The net current liabilities as at 31 December 2016 was primarily due to the breach of covenants included in the credit facilities from the United Overseas Bank and the RHB Islamic Bank Berhad, as mentioned in the paragraph headed "Loan covenants" in this section. Although the Target Group had obtained waivers from the United Overseas Bank on 28 March 2017 and from the RHB Islamic Bank Berhad on 9 March 2017 regarding the breach of covenants respectively, the loans obtained from both banks were classified as current liabilities as at 31 December 2016 accordingly. As a result of the waivers, such portion of loans which are not repayable within one year were re-classified as non-current liabilities as at 31 December 2017. Furthermore, the Target Group's bank loans which contained repayment on demand clause and with repayment schedules after one year were classified as current liabilities in the Target Group's combined statements of financial position.

As at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, amount of approximately S$29.8 million, S$5.4 million, S$22.5 million, S$22.0 million and S$21.6 million which contained repayment on demand clause or in breach and with period of repayment after one year are classified as current liabilities respectively. The proposed Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment but allow such borrowings to be repaid in accordance with their respective repayment term as of the dates indicated below:

	As at 31 December			**As at 31 May**	**As at 30 September**
	2016	**2017**	**2018**	**2019**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)	(audited)	(unaudited)
Bank borrowings due for repayment after one year but classified as current liabilities *(note)*:					
More than one year but not exceeding two years	1,544	207	1,117	1,101	1,105
More than two years but not exceeding five years	3,681	684	3,281	3,322	3,348
More than five years	24,546	4,540	18,078	17,581	17,194
	29,771	5,431	22,476	22,004	21,647

Note: The amounts due are based on the specific repayment terms set out in the banking facilities letters and ignore the effect of any repayment on demand clause or in breach.

If the above mentioned bank borrowings are excluded from current liabilities as the proposed Directors do not expect them to be required for repayment within 12 months, the Target Group would have adjusted net current assets position as follows: net current assets of approximately S$4.2 million, S$4.6 million, S$7.7 million, S$5.3 million and S$5.8 million as at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 September 2019, respectively.

During the Track Record Period and up to the Latest Practicable Date, the proposed Directors confirm that neither demand for early or immediate loan repayment has been received from banks by the Target Group.

Based on the foregoing and taking into account the financial resources available to the Target Group, including the expected net cash to be generated from the Target Group's operating activities, the proposed Directors are of the opinion and the Sole Sponsor concurs that the Target Group has sufficient working capital required for its operations at present and for at least the next 12 months from the date of this circular.

PROPERTY VALUATION

Knight Frank Petty Limited, an independent property valuer to the Target Company, has valued the properties held by the Target Group as at 30 September 2019. The texts of its letter, summary of valuation and the valuation certificates are set out in Appendix IV to this circular.

The following table sets forth the reconciliation between the net book value of the relevant properties as at 31 May 2019 as extracted from the Accountants' Report on the Target Group set forth in Appendix I to this circular and the property valuation report of the Enlarged Group as set forth in Appendix IV to this circular as at 30 September 2019:

	S$'000
Net book value of the Target Group's property interests as at 31 May 2019	32,003
Movement from 1 June 2019 to 30 September 2019 *(unaudited)*	
– Depreciation	(22)
– Foreign exchange difference	29
Net book value of the Target Group's property interests as at 30 September 2019 *(unaudited)*	32,010
Net valuation surplus	3,460
Valuation of the relevant properties as at 30 September 2019 as set forth in the property valuation report included in Appendix IV to this circular *(Note)*	35,470

Note: The market value of the relevant properties situated in Singapore and Malaysia as at 30 September 2019 as set forth in the property valuation report included in Appendix IV to this circular amounted to approximately S$25.3 million and RM31.0 million, respectively. Conversion of RM into S$ is based on the approximate exchange rate of RM1 to S$0.3299. Such exchange rate is for the purpose of illustration only.

RELATED PARTY TRANSACTIONS

For details of the Target Group's related party transactions, please refer to the paragraph headed "Amounts due to directors" in this section above and Notes 20, 23, 24 and 33 to financial statements in the Accountants' Report as contained in Appendix I to this circular.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

The Target Group is exposed to various types of market risks in the ordinary course of its business, including interest rate risk, foreign currency risk, credit risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. The Target Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risk and to create value for the Target Group. During the Track Record Period and up to the Latest Practicable Date, the Target Group has not entered into any other financial instruments for hedging purpose.

For further details, please refer to Note 32 to the Accountants' Report on the Target Group included in Appendix I to this circular.

CONTINGENT LIABILITY

The Target Group had no material contingent liabilities as at 31 May 2019 and there is no material change in contingent liabilities up to the Latest Practicable Date. It is not involved in any current material legal proceedings, nor is it aware of any pending or potential material legal proceedings involving it. If the Target Group is involved in such material legal proceedings, it would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

DIVIDENDS

Dividends may be paid out of distributable profits as permitted under applicable law, subject to the Articles. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in operations. There can be no assurance that the Target Group will be able to declare or distribute any dividend in the amount set out in any of its plans or at all.

On 5 January 2016 and 3 March 2016, JOE Green Pte declared final dividends of S$100,000 and S$100,000, respectively, totalling S$200,000, in respect of the year ended 30 September 2014 and such dividends were paid to the then shareholders during the year ended 31 December 2016. On 7 March 2016, 3 May 2016 and 1 July 2016, JOE Green Pte. declared interim dividends of S$1,000,000, S$100,000 and S$3,000,000 respectively, totalling S$4,100,000 in respect of the year ended 31 December 2015 and such dividends were paid to the then shareholders during the year ended 31 December 2016. On 1 July 2016, Joe Green Pte. declared interim dividends of S$1,000,000 in respect of the year ended 31 December 2016 and such dividends were paid to the then shareholders during the year ended 31 December 2016. On 31 March 2016, JOE Green Precast declared dividends of RM14,600,000 (equivalent to S$4,865,000) in respect of the year ended 31 December 2015 and paid such dividends to the then shareholders during the year ended 31 December 2016. During the years ended 31 December 2017 and 2018, the Target Group did not declare any dividend. On 6 May 2019, JOE Green MKT Singapore declared final dividends of S$2.0 million in respect of the year ended 31 December 2018, of which S$1.0 million has been paid to the then shareholder in May 2019 and the remaining S$1.0 million dividends has been settled in August 2019. Such historical dividend distributions should not be used as a reference or basis to determine the amount of dividends, if any, that may be declared or paid by the Target Group in the future.

The Target Group does not currently have a dividend payment plan, policy or any pre-determined dividend payout ratio. A decision to declare or to pay any dividends in the future, and the amount of any dividends, depend on a number of factors, including results of operations, financial condition, the payments by the subsidiaries of cash dividends to the Target Group, future prospects and other factors that the proposed Directors may consider important.

Any distributable profits that are not distributed in any given year may be retained and be made available for distribution in subsequent years. For those profits distributed as dividends, such portion of profits will not be available for use in the Target Group's business operations. There can also be no assurance that the Target Group will be able to declare or distribute any dividend in the amount set out in any of its plans or at all. Future declaration of dividends may or may not reflect the historical declarations of dividends and will be at the absolute discretion of the Board.

The payment of dividends could be subject to restrictive undertakings under the bank loan facility documents entered into by the Target Group. For details, please refer to the paragraph headed "Loan covenants" in this section.

DISTRIBUTABLE RESERVES

As at 31 May 2019, the amount of retained earnings of the Target Group was approximately S$11.3 million. The distributable reserve of the Target Group will be increased by any net profit earned, including the distribution from subsidiaries, or decreased by any distributions made, in subsequent periods.

AUDITORS

Crowe (HK) CPA Limited shall be the auditors of the Enlarged Group upon completion of the Proposed Restructuring.

TRANSACTION EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, and other expenses relating to the Acquisition and the Share Offer, are estimated to be approximately HK$83.9 million in aggregate paid or to be paid by the Enlarged Group. Among the estimated total transaction expenses of approximately HK$83.9 million, approximately HK$1.7 million of which is directly attributable to the issue of Reserved Shares that will be accounted for as a deduction from equity upon issuance of the Reserved Shares as it incurred. Transaction expenses of approximately HK$8.3 million, HK$13.1 million, HK$8.4 million and HK$3.7 million had been charged to the profit or loss for the year ended 31 December 2016 and before, the year ended 31 December 2017 and 2018 and the five months ended 31 May 2019, respectively, and the remaining transaction expenses of approximately HK$10.2 million and HK$38.5 million are expected to be charged to the profit or loss of the Enlarged Group for the seven months ending 31 December 2019 and the year ending 31 December 2020 respectively. The substantial portion of the estimated total transaction expenses is non-recurring in nature.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The unaudited pro forma adjusted consolidated net tangible assets and the unaudited pro forma adjusted consolidated net tangible assets per share of the Enlarged Group as at 30 June 2019 are set out in the section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix III to this circular.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The proposed Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would have given rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD AND NO MATERIAL ADVERSE CHANGE

The proposed Directors confirm that (i) there has been no material adverse change in (a) the general economic and market condition, legal, industry and operating environment in which the Target Group operates that materially and adversely affected its financial or operating position or prospects of the Target Group; and (b) the financial or trading position or outlook of the Target Group since 31 May 2019, being the date to which the latest financial information of the Target Group was made up and recorded in the Accountants' Report of the Target Group set out in Appendix I to this circular, and up to the date of this circular, and (ii) no event has occurred since 31 May 2019 that would materially and adversely affect the information shown in the Accountants' Report of the Target Group set out in Appendix I to this circular.

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following (i) the Capital Reorganisation becoming effective; (ii) the Share Offer; and (iii) the issue of the Consideration Shares will be as follows:

(i) As at the Latest Practicable Date

Authorised share capital

Shares		*US$*
10,000,000,000	Shares of US$0.00001 each	100,000.00

Issued and paid-up share capital

Shares		*US$*
5,603,859,393	Shares of US$0.00001 each	56,038.59

(ii) Immediately following (i) the Capital Reorganisation becoming effective; (ii) the Share Offer; and (iii) the issue of the Consideration Shares

Authorised share capital

Shares		*US$*
5,000,000,000	New Shares of US$0.0004 each	2,000,000.00

Issued and paid-up share capital

Shares		*US$*
140,096,484	New Shares of US$0.0004 each immediately upon the Capital Reorganisation becoming effective	56,038.59
840,578,904	New Shares of US$0.0004 each to be issued and allotted under the Share Offer (including 420,289,452 New Shares held by placees under the Investors' Placing)	336,231.56
1,821,254,292	New Shares of US$0.0004 each to be issued and allotted under the Acquisition (excluding 420,289,452 New Shares held by placees under the Investors' Placing)	728,501.72
2,801,929,680		1,120,771.87

Since 18 October 2013, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company or bought-back by the Company. The Company did not buy back any Share during the 12 months period immediately preceding the Latest Practicable Date. No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

As at the Latest Practicable Date, other than the Convertible Bonds, no shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the SO Shares and the Consideration Shares.

RANKING

When fully paid and allotted, the SO Shares and the Consideration Shares will rank pari passu in all respects among themselves, including all rights to dividend and distributions which may be declared, made or paid by the Company, voting and interest in capital, with the New Shares in issue (after the Capital Reorganisation becoming effective) as at the respective date of allotment and issue thereof.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at least 25% of the Company's total issued share capital must at all times be held by the public.

The Proposed Restructuring involved among other things, the Capital Reorganisation, the Creditors Schemes, the Share Offer and the Acquisition. As part of the Share Offer, 420,289,452 Investors' Placing Shares would be offered for sale by the Investors to restore the public float of the Company under the Investors' Placing, representing approximately 15% of the enlarged issued share capital of the Company upon completion of the Proposed Restructuring. The Investors' Placing under the Share Offer would be inter-conditional to the completion of the Capital Reorganisation, the Creditors Schemes and the Acquisition. For further details, please refer to the section headed "Information about the Proposed Restructuring" in this circular.

The placees under the Placing and their respective ultimate beneficial owners shall be third parties independent of the Company and not connected with the Company and its connected persons (as defined in the Listing Rules).

Following the completion of the Placing, none of the placees under the Placing will become a substantial shareholder (as defined in the Listing Rules) of the Company.

Following completion of the Proposed Restructuring, not less than 980,675,388 New Shares will be held in the hands of the public, representing 35% of the issued share capital of the Company immediately after the completion of the Share Offer and the Acquisition. Accordingly, the Company shall restore the 25% minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules.

UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and to the Company that he/she/it shall not, and shall procure that the relevant registered holders shall not, without the prior written consent of the Stock Exchange:

(a) except for the offer for sale in the circular, in the period commencing on the date of this circular and ending on the date (the "**End Date**") which is six months from the date of Resumption, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, as referred to in Note 2 to Rule 10.07(2) of the Listing Rules) in respect of, any of the shares in the Company of which he/she/it is shown by this circular to be the beneficial owner;

(b) except for the offer for sale in the circular, in the period of six months commencing from the End Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, as referred to in Note 2 to Rule 10.07(2) of the Listing Rules) in respect of, any of the shares of the Company if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholder would cease to be a controlling shareholder of the Company; and

(c) within the period commencing on the date of this circular and ending on the date which is 12 months from the date of Resumption, he/she/it will:

    (i) when he/she/it pledges or charges any securities or interests in any securities of the Company beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities of the Company so pledged or charged; and

    (ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of the Company will be disposed of, immediately inform the Company of such indications.

SPECIFIC MANDATE

A resolution will be proposed at the EGM for the Shareholders, minority Shareholders, or Independent Shareholders, as the case may be, to approve the grant of a specific mandate to the Board to allot and issue the SO Shares and the Consideration Shares.

For further details of the specific mandate to allot and issue the SO Shares and the Consideration Shares, please refer to the section headed "Letter from the Provisional Liquidators" in this circular.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, the Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken.

All or any of the special rights attached to the share of the Company or any class of shares of the Company may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

For more details, please refer to "Appendix VI – Summary of the constitution of the Company and the Cayman Islands Company Law".

As at the Latest Practicable Date, the following persons had an interest (or long position) or short position in the Shares or the underlying Shares as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Capacity	Number of Shares/ underlying shares interested(Note 1)	Approximate % of the Company's issued share capital	*Notes*
Mr. Suo Lang Duo Ji	Interest of controlled corporations and beneficial owner	1,875,846,510(L)	33.4	*(2)*
Rich Pass International Ltd.	Interest of controlled corporation	1,068,445,707(L)	19.0	*(3)*
Ascend Concept Technology Limited	Beneficial owner	1,068,445,707(L)	19.0	
Nice Ace Technology Limited	Beneficial owner	807,396,731(L)	14.4	

Immediately upon Completion and after restoration of the public float, the following persons will have an interest (or long position) or short position in the shares or underlying shares of the Company which would be recorded in the register required to be kept under section 336 of the SFO and would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Capacity	Number of Shares/ underlying shares interested(Note 1)	Approximate % of the Company's issued share capital	*Notes*
Mr. Widjaja	Interest of controlled corporation, interest of spouse and interest held jointly with other persons	1,821,254,292 (L)	65.0%	*(4) and (5)*
Ms. Lim	Interest of controlled corporation, interest of spouse and interest held jointly with other persons	1,821,254,292 (L)	65.0%	*(4) and (6)*
Ms. Limarto	Interest of controlled corporation and interest held jointly with other persons	1,821,254,292 (L)	65.0%	*(4) and (7)*
Amazana Investments	Interest held jointly with other persons and beneficial owner	1,821,254,292 (L)	65.0%	*(4)*

Name of shareholder	Capacity	Number of Shares/ underlying shares interested (Note 1)	Approximate % of the Company's issued share capital	*Notes*
Amazana Equity	Interest held jointly with other persons and beneficial owner	1,821,254,292 (L)	65.0%	*(4)*
Amazana Ventures	Interest held jointly with other persons and beneficial owner	1,821,254,292 (L)	65.0%	*(4)*

Notes:

(1) The Letter "L" denotes a long position in the Shares and/or underlying Shares.

(2) These Shares represent (i) 1,068,445,707 Shares held by Ascend Concept Technology Limited ("**Ascend Concept**"); (ii) 807,396,731 Shares held by Nice Ace Technology Limited ("**Nice Ace**"); and (iii) 4,072 Shares held by Mr. Suo Lang Duo Ji as beneficial owner. Both Ascend Concept and Nice Ace are companies wholly-owned by Mr. Suo Lang Duo Ji and therefore Mr. Suo Lang Duo Ji is deemed by virtue of the SFO to be interested in the Shares held by Ascend Concept and Nice Ace.

(3) Ascend Concept is a direct wholly-owned subsidiary of Rich Pass International Ltd. ("**Rich Pass**") and therefore Rich Pass is deemed by virtue of the SFO to be interested in the Shares held by Ascend Concept.

(4) Pursuant to the Deed of AIC Confirmation entered into among Mr. Widjaja, Ms. Lim, Ms. Limarto, Amazana Investments, Amazana Equity and Amazana Ventures, Mr. Widjaja, Ms. Lim and Ms. Limarto had been parties acting in concert since 1 January 2016, and that Mr. Widjaja, Ms. Lim, Ms. Limarto, Amazana Investments, Amazana Equity and Amazana Ventures will continue to be parties acting in concert until the date of any written termination by them, details of which are set out in the section headed "Relationship with Controlling Shareholders – Acting in concert arrangements" in this circular. As such, immediately upon Resumption, Mr. Widjaja, Ms. Lim, Ms. Limarto, Amazana Investments, Amazana Equity and Amazana Ventures will together control 65.0% of the enlarged issued share capital of the Company.

(5) Mr. Widjaja is the sole shareholder of Amazana Investments and the spouse of Ms. Lim. He is therefore deemed to be interested in the Shares held by Amazana Investments and by Ms. Lim by virtue of the SFO.

(6) Ms. Lim is the sole shareholder of Amazana Equity and the spouse of Mr. Widjaja. She is therefore deemed to be interested in the Shares held by Amazana Equity and by Mr. Widjaja by virtue of the SFO.

(7) Ms. Limarto is the sole shareholder of Amazana Ventures. She is therefore deemed to be interested in the Shares held by Amazana Ventures by virtue of the SFO.

Save as disclosed above, the Provisional Liquidators and the proposed Directors of the Company were not aware, as at the Latest Practicable Date, of any person who will have an interest (or long position) or short position in the shares or underlying shares of the Company which would be recorded in the register required to be kept under section 336 of the SFO and would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS AND JOINT PROVISIONAL LIQUIDATORS OF CHINA LUMENA NEW MATERIALS CORP. (IN PROVISIONAL LIQUIDATION) AND DIRECTORS OF KINGSWAY CAPITAL LIMITED

Introduction

We report on the historical financial information of Joe Green Capital Limited ("Joe Green") and its subsidiaries (together, the "Joe Green Group") set out on pages I-4 to I-67 which comprises the combined statements of financial position of the Joe Green Group as at 31 December 2016, 2017 and 2018 and 31 May 2019, the statement of financial position of Joe Green as at 31 December 2017 and 2018 and 31 May 2019, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows, for each of the three years ended 31 December 2018 and five months ended 31 May 2019 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-67 forms an integral part of this report, which has been prepared for inclusion in the circular of China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") dated 29 November 2019 (the "Circular") in connection with the proposed acquisition of Joe Green.

Directors' responsibility for the Historical Financial Information

The directors of Joe Green are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of Joe Green determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Joe Green, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Joe Green Group's combined financial position as at 31 December 2016, 2017 and 2018 and 31 May 2019, of Joe Green's financial position as at 31 December 2017 and 2018 and 31 May 2019 and of the Joe Green Group's combined financial performance and combined cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Joe Green Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the five months ended 31 May 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of Joe Green are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about dividends paid by Joe Green's subsidiaries and states that no dividend has been paid by Joe Green in respect of the Relevant Periods.

No statutory historical financial statements for Joe Green

No statutory financial statements have been prepared for Joe Green since its date of incorporation.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 November 2019

Lam Cheung Shing
Practising Certificate Number P03552

A. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Joe Green Group for the Relevant Periods (the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") and were audited by Crowe (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Singapore dollars ("SGD") and all values are rounded to the nearest thousand (SGD'000) except where otherwise indicated.

Combined statements of profit or loss and other comprehensive income

		Year ended 31 December			Five months ended 31 May	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
		SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
					(Unaudited)	
Revenue	*6*	24,847	19,552	21,529	7,114	5,650
Cost of sales		(8,755)	(8,197)	(9,215)	(3,431)	(3,094)
Gross profit		16,092	11,355	12,314	3,683	2,556
Other revenue	*7*	772	716	177	47	140
Other net gains	*7*	357	592	209	22	39
Selling and distribution expenses		(1,972)	(1,796)	(2,497)	(855)	(737)
Administrative expenses		(5,350)	(7,025)	(5,122)	(2,295)	(2,062)
Valuation (loss)/gain on investment properties		(440)	(85)	305	305	–
Loss on revaluation of properties upon transfer to investment properties		–	(51)	–	–	–
Finance costs	*8*	(967)	(1,355)	(1,112)	(571)	(409)
Profit/(loss) before taxation	9	8,492	2,351	4,274	336	(473)
Income tax	*10*	(1,694)	(53)	(1,084)	(304)	101
Profit/(loss) for the year/period		6,798	2,298	3,190	32	(372)

	Note	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2018	Five months ended 31 May 2018	Five months ended 31 May 2019
		SGD'000	*SGD'000*	*SGD'000*	*SGD'000* *(Unaudited)*	*SGD'000*
Other comprehensive income/(loss):						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations		(167)	350	(61)	185	(100)
Other comprehensive income/(loss) for the year/period		(167)	350	(61)	185	(100)
Total comprehensive income/(loss) for the year/period		6,631	2,648	3,129	217	(472)
Attributable to:						
Owners of Joe Green		6,631	2,648	3,129	217	(472)
Non-controlling interests		–	–	–	–	–
Total comprehensive income/(loss) for the year/period		6,631	2,648	3,129	217	(472)

Combined statements of financial position

	Note	The Joe Green Group At 31 December 2016 SGD'000	2017 SGD'000	2018 SGD'000	At 31 May 2019 SGD'000
NON-CURRENT ASSETS					
Intangible assets	14	–	228	249	219
Property, plant and equipment	15	16,664	17,917	16,556	15,837
Investment properties	16	22,130	22,045	22,350	22,350
Deposit for acquisition of property, plant and equipment	17	547	12	–	–
Deferred tax assets	28	164	471	251	221
TOTAL NON-CURRENT ASSETS		39,505	40,673	39,406	38,627
CURRENT ASSETS					
Inventories	18	1,263	1,063	1,113	1,702
Trade and other receivables	19	5,235	5,821	7,492	7,084
Amounts due from related companies	20	42	12	–	–
Tax recoverable		144	1,195	683	884
Pledged bank deposits	21	79	86	89	89
Bank balances and cash	21	6,083	4,595	5,885	2,994
TOTAL CURRENT ASSETS		12,846	12,772	15,262	12,753
CURRENT LIABILITIES					
Trade and other payables	22	3,842	2,734	2,358	1,827
Contract liabilities	27	–	–	7	22
Amounts due to directors	23	1,960	2,889	1,224	603
Amount due to a related company	24	132	128	–	–
Lease liabilities	25	187	253	266	271
Bank borrowings	26	31,418	6,990	25,981	25,520
Tax payable		910	611	251	198
Dividend payable	12	–	–	–	1,000
TOTAL CURRENT LIABILITIES		38,449	13,605	30,087	29,441
NET CURRENT LIABILITIES		(25,603)	(833)	(14,825)	(16,688)
TOTAL ASSETS LESS CURRENT LIABILITIES		13,902	39,840	24,581	21,939
NON-CURRENT LIABILITIES					
Lease liabilities	25	531	781	513	397
Bank borrowings	26	–	22,953	4,746	4,599
Deferred tax liabilities	28	495	582	669	664
Rental deposits received		–	–	–	98
TOTAL NON-CURRENT LIABILITIES		1,026	24,316	5,928	5,758
NET ASSETS		12,876	15,524	18,653	16,181
CAPITAL AND RESERVES					
Share capital	29	–	–	–	–
Reserves	30	12,876	15,524	18,653	16,181
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF JOE GREEN		12,876	15,524	18,653	16,181
Non-controlling interests		–	–	–	–
TOTAL EQUITY		12,876	15,524	18,653	16,181

Statement of financial position of Joe Green

		At 31 December		At 31 May
		2017	**2018**	**2019**
	Note	*SGD'000*	*SGD'000*	*SGD'000*
NON-CURRENT ASSETS				
Investment in a subsidiary	*36*	–	–	–
CURRENT LIABILITIES				
Amount due to a director		–	(4)	(4)
Amount due to a subsidiary		(5)	(5)	(5)
TOTAL CURRENT LIABILITIES		(5)	(9)	(9)
TOTAL ASSETS LESS CURRENT LIABILITIES		(5)	(9)	(9)
NET LIABILITIES		(5)	(9)	(9)
EQUITY				
Share capital	*29*	–	–	–
Reserves		(5)	(9)	(9)
TOTAL DEFICIT		(5)	(9)	(9)

Combined statements of changes in equity

	Attributable to owners of Joe Green						
	Share capital	**Capital reserve**	**Exchange reserve**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total equity**
	SGD'000	*SGD'000* *(note 30)*	*SGD'000* *(note 30)*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
At 1 January 2016	–	6,283	(1,424)	11,551	16,410	–	16,410
Profit for the year	–	–	–	6,798	6,798	–	6,798
Other comprehensive loss for the year	–	–	(167)	–	(167)	–	(167)
Total comprehensive income for the year	–	–	(167)	6,798	6,631	–	6,631
Dividend recognised as distribution *(note 12)*	–	–	–	(10,165)	(10,165)	–	(10,165)
At 31 December 2016 and 1 January 2017	–	6,283	(1,591)	8,184	12,876	–	12,876
Profit for the year	–	–	–	2,298	2,298	–	2,298
Other comprehensive income for the year	–	–	350	–	350	–	350
Total comprehensive income for the year	–	–	350	2,298	2,648	–	2,648
At 31 December 2017 and 1 January 2018	–	6,283	(1,241)	10,482	15,524	–	15,524
Profit for the year	–	–	–	3,190	3,190	–	3,190
Other comprehensive loss for the year	–	–	(61)	–	(61)	–	(61)
Total comprehensive income for the year	–	–	(61)	3,190	3,129	–	3,129
At 31 December 2018	–	6,283	(1,302)	13,672	18,653	–	18,653

	Attributable to owners of Joe Green						
	Share capital	**Capital reserve**	**Exchange reserve**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total equity**
	SGD'000	*SGD'000* *(note 30)*	*SGD'000* *(note 30)*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
At 1 January 2019	–	6,283	(1,302)	13,672	18,653	–	18,653
Loss for the period	–	–	–	(372)	(372)	–	(372)
Other comprehensive loss for the period	–	–	(100)	–	(100)	–	(100)
Total comprehensive loss for the period	–	–	(100)	(372)	(472)	–	(472)
Dividend recognised as distribution *(note 12)*	–	–	–	(2,000)	(2,000)	–	(2,000)
At 31 May 2019	–	6,283	(1,402)	11,300	16,181	–	16,181
(Unaudited)							
At 1 January 2018	–	6,283	(1,241)	10,482	15,524	–	15,524
Profit for the period	–	–	–	32	32	–	32
Other comprehensive income for the period	–	–	185	–	185	–	185
Total comprehensive income for the period	–	–	185	32	217	–	217
At 31 May 2018	–	6,283	(1,056)	10,514	15,741	–	15,741

Combined statements of cash flows

		Year ended 31 December			Five months ended 31 May	
		2016	**2017**	**2018**	**2018**	**2019**
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
					(Unaudited)	
Cash flows from operating activities						
Profit/(loss) before taxation		8,492	2,351	4,274	336	(473)
Adjustments for:						
Recovery of an amount due from a related company	*33(b)*	–	(315)	–	–	–
Impairment loss on trade receivables	*19(c)*	69	6	39	11	4
Impairment loss on other receivables	*9*	–	108	103	66	–
Amortisation of intangible assets	*9*	–	9	50	16	30
Depreciation of property, plant and equipment	*9*	1,474	1,889	1,912	801	742
Write back of long outstanding trade and other payables	*7*	–	–	(77)	(77)	–
(Gain)/loss on disposal of property, plant and equipment	*7*	(190)	(280)	1	–	–
Valuation loss/(gain) on investment properties	*16*	440	85	(305)	(305)	–
Loss on revaluation of properties upon transfer to investment properties		–	51	–	–	–
Finance costs	*8*	967	1,355	1,112	571	409
Interest income	*7*	(10)	(6)	(15)	(1)	(6)
Net exchange loss/(gain)		25	191	(78)	42	(76)
Operating profit before working capital changes		11,267	5,444	7,016	1,460	630
Movements in working capital:						
(Increase)/decrease in inventories		(866)	226	(47)	(441)	(593)
(Increase)/decrease in trade and other receivables		78	(381)	(1,812)	1,193	400
Increase/(decrease) in trade and other payables		1,610	(13)	(271)	(202)	(431)
Increase in contract liabilities		–	–	7	600	15
Cash generated from operations		12,089	5,276	4,893	2,610	21
Malaysia income tax paid		(1,040)	(790)	(34)	(26)	(22)
Singapore income tax paid		(759)	(818)	(583)	(299)	(84)
Net cash generated from/(used in) operating activities		10,290	3,668	4,276	2,285	(85)

		Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
	Note	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
					(Unaudited)	
Cash flows from investing activities						
Interest received	*7*	10	6	15	1	6
Proceeds from sale of property, plant and equipment		298	342	–	–	–
Purchase of property, plant and equipment		(3,503)	(3,137)	(538)	(45)	(65)
Purchase of intangible assets		–	(227)	(71)	(19)	–
Increase in pledged bank deposits		(38)	(5)	(3)	–	–
Net cash used in investing activities		(3,233)	(3,021)	(597)	(63)	(59)
Cash flows from financing activities						
Dividend paid	*12*	(10,165)	–	–	–	(1,000)
Interest paid on bank borrowings	*8*	(946)	(1,299)	(1,069)	(551)	(395)
New bank loans raised		5,641	–	26,449	26,449	–
Repayment of bank loans		(1,623)	(1,587)	(25,678)	(24,826)	(588)
(Repayments to)/advances from directors		(978)	845	(1,679)	(1,569)	(631)
(Repayments to)/advances from related companies		(62)	16	(116)	(105)	–
Recovery of an amount advanced to a related company previously written off	*7*	–	315	–	–	–
Capital element of lease rentals paid		(143)	(384)	(255)	(104)	(111)
Interest element of lease rentals paid	*8*	(21)	(56)	(43)	(20)	(14)
Net cash used in financing activities		(8,297)	(2,150)	(2,391)	(726)	(2,739)
Net (decrease)/increase in cash and cash equivalents		(1,240)	(1,503)	1,288	1,496	(2,883)
Cash and cash equivalents at the beginning of the year/period		7,331	6,083	4,595	4,595	5,885
Effect of foreign exchange rate change		(8)	15	2	21	(8)
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	*21*	6,083	4,595	5,885	6,112	2,994

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Joe Green Capital Limited ("Joe Green") was incorporated in the British Virgin Islands as an exempted company with limited liability on 24 March 2017. The addresses of the registered office and principal place of business of Joe Green are located at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG1110.

Joe Green is an investment holding company. The principal activities of its subsidiaries are the manufacturing and trading of building materials and the provision of design services (the "Business").

The Historical Financial Information is presented in Singapore dollars ("SGD"), which is also the functional currency of Joe Green.

2. GROUP REORGANISATION AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Prior to the commencement of the reorganisation (the "Reorganisation") as described below, the Business had been operated by Joe Green Pte. Ltd. ("Joe Green Pte."), Joe Green Marketing Pte. Ltd. (formerly known as "Forever Tafcom International Pte. Ltd.") ("Joe Green Marketing Pte."), Joe Green Precast Sdn. Bhd. ("Joe Green Precast Sdn"), and Joe Green Marketing Sdn. Bhd. ("Joe Green Marketing Sdn.") (collectively, the "Operating Companies"). All the Operating Companies had been controlled by Mr. Boediman Widjaja ("Mr. Widjaja"), Madam Insinirawati Limarto ("Ms. Lim") and Madam Incunirawati Limarto ("Ms. Limarto") (together referred to as the "Controlling Equity Holders").

Pursuant to the Reorganisation, all of the Operating Companies were transferred to Joe Green now comprising the Joe Green Group. Details of the Reorganisation are set out below:

(a) On 24 March, 2017, Joe Green was incorporated in the British Virgin Islands as an exempted company with limited liability. Joe Green is authorised to issue a maximum of 50,000 ordinary shares with no par value. On 24 March, 2017, 3 shares were allotted and issued to the Controlling Equity Holders. Upon the completion of the allotment and issue, Joe Green was owned as to 33.3%, 33.3% and 33.3% by Mr. Widjaja, Ms. Lim and Ms. Limarto, respectively.

(b) On 24 March, 2017, Joe Green Pacific Limited ("Joe Green Pacific") was incorporated in the British Virgin Islands as an exempted company with limited liability. Joe Green Pacific is authorised to issue a maximum of 50,000 ordinary shares with no par value. On 24 March 2017, 1 share was issued and allotted to Linktopz Entertainment Limited ("Linktopz").

(c) On 24 March, 2017, Joe Green Prominent Limited ("Joe Green Prominent") was incorporated in the British Virgin Islands as an exempted company with limited liability. Joe Green Prominent is authorised to issue a maximum of 50,000 ordinary shares with no par value. On 24 March 2017, 1 share was issued and allotted to Linktopz.

(d) On 24 March, 2017, Joe Green Summit Limited ("Joe Green Summit") was incorporated in the British Virgin Islands as an exempted company with limited liability. Joe Green Summit is authorised to issue a maximum of 50,000 ordinary shares with no par value. On 24 March 2017, 1 share was issued and allotted to Linktopz.

(e) On 24 March, 2017, Joe Green Gratia Limited ("Joe Green Gratia") was incorporated in the British Virgin Islands as an exempted company with limited liability. Joe Green Gratia is authorised to issue a maximum of 50,000 ordinary shares with no par value. On 24 March 2017, 1 share was issued and allotted to Linktopz.

(f) Linktopz was incorporated in Hong Kong on 15 October 2014 with limited liability and is owned as to 33.3% by Mr. Widjaja, as to 33.3% by Ms. Lim and as to 33.3% by Mr. Lau Ching Kei respectively.

(g) On 24 March, 2017, Joe Green acquired the entire issued share capital of Linktopz from Mr. Widjaja, Ms. Lim and Mr. Lau Ching Kei for a nominal cash consider of HK$1, HK$1 and HK$1 respectively.

(h) On 22 November 2019, through a share swap agreement, Joe Green acquired the entire equity interest in each of Joe Green Pte., Joe Green Precast Sdn., Joe Green Marketing Pte. and Joe Green Marketing Sdn. through Joe Green Pacific, Joe Green Prominent, Joe Green Summit and Joe Green Gratia from Mr. Widjaja, Ms. Lim and Ms. Limarto, respectively, in consideration of and in exchange for the allotments of 48 shares, 47 shares and 2 shares by Joe Green credited as fully paid to Mr. Widjaja, Ms. Lim and Ms. Limarto respectively.

The Joe Green Group resulting from the above mentioned reorganisation is regarded as a continuing entity and the Historical Financial Information of the Joe Green Group have been prepared as if Joe Green had been the holding company of Linktopz and its subsidiaries throughout the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019 ("the Relevant Periods") and based on the accounting policies set out in note 4.

The Reorganisation was completed on 22 November 2019 and since then, Joe Green became the holding company of the companies comprising the Joe Green Group (the "Combined Entities"). The Combined Entities and Joe Green are under the common control of the Controlling Equity Holders before and after the Reorganisation. Therefore, the acquisition of the Combined Entities is accounted for as a business combination under common control by applying the principle of merger accounting.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Joe Green Group for the Relevant Periods include the results, changes in equity and cash flows of the Combined Entities as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, where that is a shorter period.

The combined statements of financial position of the Joe Green Group as at 31 December 2016, 2017, 2018 and 31 May 2019 have been prepared to present the assets and liabilities of the Combined Entities as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation where applicable.

All material intra-group transactions and balances have been eliminated on combination.

Except for Linktopz, all of the above subsidiaries are indirectly held by Joe Green. All of the above subsidiaries are limited liability companies incorporated in their respective places of incorporation.

Going concern

As at 31 May 2019, the Joe Green Group's current liabilities exceeded its current assets by SGD16,688,000. In preparing the Historical Financial Information, the directors of Joe Green have given careful consideration to the going concern status of the Joe Green Group. The liquidity of the Joe Green Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Notwithstanding the fact that the Joe Green Group had breached certain financial covenants in the year ended 31 December 2016, the Joe Green Group obtained a waiver and written consent from banks in March 2017, the details of which have been disclosed in note 26 and, as such, the banks continue to provide financing to the Joe Green Group. As at 31 May 2019, the Joe Green Group's certain bank loans contained a repayment on demand clause and these loans with repayment schedules after one year were classified as current liabilities. The directors of Joe Green do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment but they will allow such borrowings to be repaid in accordance with their repayment schedules. In this connection, the directors of Joe Green believe that adequate funding is available to fulfil the Joe Green Group's short-term obligations and capital expenditure requirements.

As at 31 May 2019, the Joe Green Group had banking facilities from several banks up to approximately SGD30,119,000. The directors believe that, based on experience to date, these facilities will continue to be available in the future. Accordingly, the directors believe that it is appropriate to prepare the Historical Financial Information on a going concern basis without including any adjustments that would be required should Joe Green and the Joe Green Group fail to continue as a going concern.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Joe Green Group has consistently applied all new and revised IFRSs including IFRS 15 Revenue from Contracts with Customers and amendment to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers, International Accounting Standards ("IASs"), amendments and interpretations issued by the International Accounting Standards Board ("IASB") which are effective for the accounting periods beginning on 1 January 2018 throughout the Relevant Periods except that the Joe Green Group adopted IFRS 9 Financial Instruments from 1 January 2018 and IFRS 16 Leases from 1 January 2019. The financial information for the years ended 31 December 2016 and 2017 is reported under IAS 39 Financial Instruments: Recognition and Measurement. The financial information for the years ended 31 December 2016, 2017 and 2018 is reported under IAS 17 Leases. The accounting policies under IFRS 9, IAS 39, IFRS 16 and IAS 17 are set out in note 4. Upon application of IFRS 15, the Joe Green Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Further details are set out in notes 4 and 6.

The application of IFRS 9, IFRS 15 and IFRS 16 has no impact on the combined financial position and financial performance of the Joe Green Group.

Adoption of IFRS 9 "Financing Instruments"

On 1 January 2018, the Joe Green Group has applied IFRS 9 "*Financial Instruments*" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Joe Green Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening retained earnings and other components of equity, without restating comparative information.

As at 1 January 2018, the directors reviewed and assessed the Joe Green Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effect in accordance with the requirements of IFRS 9 and concluded that no additional credit loss allowance is required.

Adoption of IFRS 16 "Leases"

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged. IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Joe Green Group has initially applied IFRS 16 as from 1 January 2019. The Joe Green Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Joe Green Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Joe Green Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Joe Green Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. For an explanation of how the Joe Green Group applies lessee accounting, see note 4(d).

Since the Joe Green Group was not a lessee under operating leases as at 31 December 2018, there are no additional capitalisation of leases and recognition of lease liabilities in the combined financial statements as at 1 January 2019.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Joe Green Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances.

Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

c. Lessor accounting

The Joe Green Group leases out the investment property as the lessor of operating leases. The accounting policies applicable to the Joe Green Group as a lessor remain substantially unchanged from those under IAS 17. The adoption of IFRS 16 does not have a significant impact on the Joe Green Group's financial statements in this regard.

The adoption of IFRS 16 has no significant impact on the financial statements of the Joe Green Group as compared to that of IAS 17 because the Joe Green Group is not a lessee under operating lease as at 31 December 2018 and the accounting policies applicable to the Joe Green Group as a lessor remain substantially unchanged from those under IAS 17.

At the date of this report, the IASB has issued the following new and amendments to IFRSs that are not yet effective. The Joe Green Group has not early adopted these new and amendments to IFRSs.

IFRS 17	Insurance Contracts[1]
Amendments to IAS 1 and IAS 8	Definition of Material[3]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2020, with earlier applications permitted.

4 Effective for business combinations for which the acquisition date is on or after 1 January 2020 and to asset acquisition that occurs on or after the beginning of that period.

The Joe Green Group is in process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. The directors of Joe Green considered that the application of the amendments to IFRSs, IASs and new interpretation is unlikely to have a material impact on the Joe Green Group's financial position and performance as well as disclosure in the future.

4. SIGNIFICANT ACCOUNTING POLICES

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, except for investment properties that are measured at fair value at the end of each reporting period as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Joe Green Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

(a) Basis of combination

The Historical Financial Information incorporates the financial information of the entities controlled by Joe Green or its subsidiaries. Control is achieved when Joe Green:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Joe Green Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The financial statements of the subsidiaries are prepared for the same reporting date as Joe Green, using consistent accounting policies.

Combination of a subsidiary begins when Joe Green obtains control over the subsidiary until control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of Joe Green and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Joe Green and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Joe Green Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Joe Green Group are eliminated in full on combination.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

(b) Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(c) Revenue recognition

Revenues are primarily derived from the manufacturing and selling of building materials and the provision of design services during the Relevant Periods. Revenue is recognised when control over a product or service is transferred to a customer at the amount of promised consideration to which the Joe Green Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Sale of goods

The Joe Green Group sells the building materials to its customers. Revenue from product sales is recognized at a point in time when control of goods has transferred, being when the customer takes possession of and accepts the products.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Joe Green Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Joe Green Group's policy for recognition of revenue from operating leases is described in note 4(d) below.

Franchise fees income

The services provided in exchange for upfront franchise fees are highly interrelated with the franchise right and are not distinct from the ongoing services that the Joe Green Group provide to the franchisees. Upfront franchise fees are recognised as revenue over the terms of the franchise agreements. Revenue for these upfront franchise fees are recognised on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the license. Continuing fees which are based upon a percentage of franchisee sales with minimum payments are recognised when those sales occur.

Design fees income

Revenue from the provision of design services is recognised at a point in time when the customer obtains control of the service, being when the design services are completed under the terms of each engagement.

(d) Leasing

At inception of a contract, the Joe Green Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Joe Green Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Joe Green Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Joe Green Group enters into a lease in respect of a low-value asset, the Joe Green Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 4(e) and 4(h)), except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 4(f);

– right-of-use assets related to leasehold land and buildings where the group is the registered owner of the leasehold interest are carried at fair value; and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Joe Green Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Joe Green Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Joe Green Group presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and presents lease liabilities separately in the combined statement of financial position.

(B) Policy applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Joe Green Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Joe Green Group's general policy on borrowing costs (see note 4(n) below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

As a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Joe Green Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Joe Green Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(e) Property, plant and equipment

Property, plant and equipment including right-of-use assets arising from leases of underlying plant and equipment (see note 4(d)) are stated in the combined statements of financial position at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(f) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Joe Green Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

The investment property is transferred to property, plant and equipment at fair value when there is change in use evidenced by the commencement of own-occupation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(g) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(h) Impairment of tangible and intangible assets

At the end of each reporting period, the Joe Green Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Joe Green Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years/periods. A reversal of an impairment loss is recognised as income immediately.

(i) Contract assets and contract liabilities

A contract asset is recognised when the Joe Green Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 4(j) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Joe Green Group recognises the related revenue. A contract liability would also be recognised if the Joe Green Group has an unconditional right to receive consideration before the Joe Green Group recognises the related revenue.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(j) Financial instruments

Initial recognition

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Under IAS 39

Financial assets are classified as loans and receivables.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets prior to 1 January 2018

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets carried at amortised cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Joe Green Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Under IFRS 9

Classification of financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

All recognised financial assets of the Joe Green Group that are within the scope of IFRS 9 (including other receivables, amounts due from related companies, bank deposit and bank balance and cash) are subsequently measured at amortised costs.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss using the effective interest method and is included in the "other revenue" line item.

Impairment of financial assets after 1 January 2018

Impairment under ECL model

The Joe Green Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, amounts due from related parties, bank deposit and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The Joe Green Group always recognises lifetime ECL for trade receivables and measures the lifetime ECL on a collective basis for portfolios of trade receivables that share similar economic risk characteristics. The ECL on these financial assets are estimated using a provision matrix, that is, analysis of trade-related receivables by aging and applying a probability-weighted estimate of the credit losses within the relevant time band. The probability-weighted estimate of the credit losses is determined based on the Joe Green Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where appropriate.

For all other financial instruments, the Joe Green Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Joe Green Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Joe Green Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Joe Green Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Joe Green Group's debtors operate, obtained from financial analysts and governmental bodies, as well as the consideration of various external sources of actual and forecast economic information that relate to the Joe Green Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Joe Green Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Joe Green Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Joe Green Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default (that is, no default history), (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Joe Green Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Joe Green Group, in full (without taking into account any collaterals held by the Joe Green Group).

The Joe Green Group also considers that default has occurred when the instrument is more than 90 days past due unless the Joe Green Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (that is, the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Joe Green Group in accordance with the contract and all the cash flows that the Joe Green Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of Joe Green reviewed and assessed the Joe Green Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of IFRS 9. No additional impairment allowance has been recognised at the initial application.

Credit-impaired financial assets

Financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Joe Green Group writers off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over one year, whichever is earlier. Financial assets written off may still be subject to enforcement activities under the Joe Green Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised directly in profit or loss.

Derecognition of financial assets

The Joe Green Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On the derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities subsequently measured at amortised cost

Financial liabilities (including trade and other payables, amounts due to related companies, amount due to directors and borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Joe Green Group derecognises financial liabilities when, and only when the Joe Green Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of financial liabilities derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(k) Inventories and other contract costs

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment or intangible assets.

Incremental costs of obtaining a contract are those costs that the Joe Green Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained, for example, an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Joe Green Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Joe Green Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised.

(l) Provisions

Provisions are recognised when the Joe Green Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Joe Green Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(m) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised in the respective functional currency (that is, the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the combined financial statements, the assets and liabilities of the Joe Green Group's foreign operation is translated into the presentation currency of the Joe Green Group (that is, SGD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Joe Green Group in respect of services provided by employees up to the reporting date.

Defined contribution retirement plans

Defined contribution retirement plans are post-employment benefit plans under which the Joe Green Group pays fixed contributions into separate entities such as Singapore's Central Provident Fund on a mandatory, contractual or voluntary basis. The Joe Green Group has no further payment obligations once the contributions have been paid. The Joe Green Group's contributions to defined contribution plans are recognised in the financial year when they are due.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Joe Green Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Joe Green Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Joe Green Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

(q) Trade and other receivables

A receivable is recognised when the Joe Green Group has an unconditional right to receive the consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 4(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Joe Green Group if that person:

(i) has control or joint control over the Joe Green Group;

(ii) has significant influence over the Joe Green Group; or

(iii) is a member of the key management personnel of the Joe Green Group or the Joe Green Group's parent.

(b) An entity is related to the Joe Green Group if any of the following conditions applies:

(i) The entity and the Joe Green Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Joe Green Group or an entity related to the Joe Green Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Joe Green Group or to the Joe Green Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the board of directors for the purposes of allocating resources to, and assessing the performance of, the Joe Green Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Joe Green Group's accounting policies, which are described in note 4, the directors of Joe Green are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

The following is the critical judgements that the directors have made in the process of applying the Joe Green Group's accounting policies and that has a significant effect on the amount recognised in the Historical Financial Information.

Impairment of assets

Prior to 1 January 2018

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Joe Green Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

After 1 January 2018

The Joe Green Group uses a provision matrix to calculate ECL for the trade receivables. The provision matrix is based on the Joe Green Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Joe Green Group's trade receivable is disclosed in note 19.

Fair value of investment properties

Investment properties are carried in the combined statement of financial position at fair value. The fair value was based on valuation of these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Joe Green Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the combined statement of profit or loss.

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Joe Green Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets

When assessing whether there will be sufficient future taxable profits available against which the deductible temporary differences can be utilised, the Joe Green Group recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, using tax rates that would apply in the period when the asset would be utilised. In determining the amount of deferred tax assets, the Joe Green Group exercises judgements about the estimated timing and amount of future taxable profits, and of the tax rates applicable in the future according to the existing tax policies and other relevant regulations. Differences between such estimates and the actual timing and amount of future taxable profits and the actual applicable tax rates affect the amount of deferred tax assets that should be recognised.

Revenue recognition

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the basis of revenue recognition in accordance with IFRSs. To determine the proper revenue recognition method for contracts, the directors evaluate whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires judgment, and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

For building materials contracts, the customer contracts with the Joe Green Group to provide distinct goods within a contract, such as building materials for their projects. The vast majority of the contracts with customers for building materials include only one performance obligation, the delivery of building materials themselves. For a franchise agreement, the Joe Green Group grants the franchisee the rights and license to development and operate JOE Green production plant in Indonesia. In addition, the Joe Green Group also provides services on site selection, assisting the franchisee to establish and operate the franchise business, training and technical support and other ongoing services. The directors determine that the licensing of the intellectual property is not distinct from the ongoing services and therefore not be accounted for as a separate performance obligation. The upfront franchise fee received will be recognized over the terms of the franchise agreement on a straight-line basis when the franchisee can begin to use and benefit from the license.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from each of the relevant reporting date.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Joe Green Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation. At 31 December 2016, 2017 and 2018 and 31 May 2019, the carrying amount of property, plant and equipment other than freehold land and construction in progress was SGD12,063,000, SGD11,126,000, SGD9,549,000 and SGD8,954,000 respectively.

Impairment of trade receivables

Estimated impairment of trade receivables

Prior to 1 January 2018, the management assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. If there is objective evidence that an impairment loss on trade receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, including unbilled revenue where the actual collection of receivables upon billing to customers are less than expected, an impairment loss may arise.

As at 31 December 2016 and 2017, the carrying amount of trade receivables was SGD4,667,000 and SGD4,806,000 (net of allowance for doubtful debts of SGD69,000 and SGD75,000), respectively.

Starting from 1 January 2018, the Joe Green Group recognises lifetime ECL for trade receivables, using a provision matrix based on the Joe Green Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Joe Green Group in accordance with the contract and all the cash flows that the Joe Green Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise. As at 31 December 2018 and 31 May 2019, the carrying amount of trade receivable was SGD6,760,000 (net of allowance for doubtful debts of SGD60,000) and SGD6,433,000 (net of allowance for doubtful debts of SGD64,000).

6. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Joe Green Group are the manufacturing and trading of building materials and provision of related services. Revenue consists of sales of goods to external customers and design fee income from external customers.

(i) Disaggregation of revenue from contracts with customers by products and services line is as follows:

	Year ended 31 December			**Five months ended 31 May**	
	2016	**2017**	**2018**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*
Sales of goods	24,847	19,392	21,308	7,114	5,518
Design fee income	–	160	221	–	132
	24,847	19,552	21,529	7,114	5,650

Disaggregation of revenue from contracts with customers by timing of revenue recognition and by geographic markets is disclosed in note 6(b)(i).

(ii) The Joe Green Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for building materials such that information about revenue that the Joe Green Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of building materials that had an original expected duration of one year or less is not disclosed.

(b) Segment information

The board of directors is the chief operating decision maker. The Joe Green Group's principal activity is manufacturing and trading of building materials and the provision of related services. Close to the end of the year ended 31 December 2017, the Joe Green Group commenced its franchise business. As the franchise business had not yet contributed to the Joe Green Group's revenue and the manufacturing and trading of building materials constituted to over 90% of the Joe Green Group's revenue, results and assets, no further analysis thereof is presented. The board of directors of the Joe Green Group assesses the performance of the reportable segment based on the revenue and gross profit for the year of the Joe Green Group as presented in the combined statement of profit or loss and other comprehensive income. No segmental analysis of the Joe Green Group's assets and liabilities is regularly provided to the board of directors of the Joe Green Group for review.

(i) Geographical information

The following is an analysis of geographical location of the Joe Green Group's revenue from external customers and non-current assets. The geographical location of customers is based on the location of the customers. The Joe Green Group's non-current assets include property, plant and equipment, intangible assets, investment properties and deposits for acquisitions of property, plant and equipment. The geographical locations of non-current assets are based on the physical location of the assets, in case of property, plant and equipment, investment properties and deposits for acquisitions of property, plant and equipment and the location of the operation to which they are allocated, in case of intangible assets.

	Singapore	**Malaysia**	**Indonesia**	**Cambodia**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Year ended 31 December 2016					
Revenue from external customers, recognised at a point in time	24,208	639	–	–	24,847
Non-current assets	27,689	11,652	–	–	39,341

	Singapore	**Malaysia**	**Indonesia**	**Cambodia**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Year ended 31 December 2017					
Revenue from external customers, recognised at a point in time	17,027	512	2,013	–	19,552
Non-current assets	27,124	13,078	–	–	40,202

	Singapore	**Malaysia**	**Indonesia**	**Cambodia**	**Total**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Year ended 31 December 2018					
Revenue from external customers, recognised at a point in time	13,047	1,828	5,509	1,145	21,529
Non-current assets	26,771	12,384	–	–	39,155

	Singapore SGD'000 (Unaudited)	Malaysia SGD'000 (Unaudited)	Indonesia SGD'000 (Unaudited)	Cambodia SGD'000 (Unaudited)	Total SGD'000 (Unaudited)
Five months ended 31 May 2018					
Revenue from external customers, recognised at a point in time	5,670	601	263	580	7,114

	Singapore SGD'000	Malaysia SGD'000	Indonesia SGD'000	Cambodia SGD'000	Total SGD'000
Five months ended 31 May 2019					
Revenue from external customers, recognised at a point in time	5,024	626	–	–	5,650
Non-current assets	26,515	11,891	–	–	38,406

(ii) Information about major customers

Revenues from customers contributed 10% or more of the Joe Green Group's total revenue during the Relevant Periods are as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	SGD'000	SGD'000	SGD'000	SGD'000 (Unaudited)	SGD'000
Customer A in Indonesia	–	1,933	4,827	–	–

During the year ended 31 December 2017, the revenue from Customer A comprises of the sales of goods of SGD1,853,000 and design fee income of SGD80,000.

During the year ended 31 December 2018, the revenue from Customer A comprises of the sales of goods of SGD4,737,000 and design fee income of SGD90,000.

7. OTHER REVENUE AND OTHER NET GAINS

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*
Other revenue					
Interest income from banks	10	6	15	1	6
Total interest income on financial assets not at fair value through profit or loss	10	6	15	1	6
Operating lease rental income from investment properties	747	694	136	44	125
Sundry income	15	16	26	2	9
	772	716	177	47	140
Other net gains					
Net foreign exchange gain/(loss)	167	(3)	(3)	(55)	39
Gain/(loss) on disposal of property, plant and equipment *(Note a)*	190	280	(1)	–	–
Write back of long outstanding trade and other payables	–	–	77	77	–
Recovery of an amount due from a related company *(Note b)*	–	315	–	–	–
Recovery of goods and services tax	–	–	136	–	–
	357	592	209	22	39

Notes:

(a) The gain on disposal of property, plant and equipment of SGD280,000 for the year ended 31 December 2017 included a gain of SGD266,000 on the disposal of used machinery for the installation of concrete wall panels to Customer A.

(b) The amount represents cash received from PT Rhemacom Distribusi, a company owned by Mr. Widjaja during the year ended 31 December 2017. Prior to the Relevant Periods, the Joe Green Group wrote off the amount due from PT Rhemacom Distribusi as the directors considered that the amount due was irrecoverable.

8. FINANCE COSTS

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*
Interest on bank borrowings	946	1,299	1,069	551	395
Interest on lease liabilities	21	56	43	20	14
	967	1,355	1,112	571	409

9. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging/(crediting):

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*
Employee benefit expenses					
– Salaries and other allowances	3,844	3,825	3,855	1,572	1,514
– Contribution to retirement benefit scheme	128	121	119	51	52
Total staff costs	3,972	3,946	3,974	1,623	1,566
Recovery of an amount due from a related company	–	(315)	–	–	–
Impairment loss on trade receivables	69	6	39	11	4
Impairment loss on other receivables	–	108	103	66	–
Auditors' remuneration	242	322	424	164	97
Cost of inventories	8,755	8,184	9,184	3,431	3,069
Cost of services	–	13	31	–	25
Direct operating expenses incurred on investment properties	249	179	180	67	115
Operating lease payments previously classified as operating leases under IAS 17	75	48	–	–	–
Amortisation of intangible assets	–	9	50	16	30
Depreciation of property, plant and equipment					
– owned assets	1,259	1,427	1,495	627	568
– right-of-use assets	215	462	417	174	174
	1,474	1,889	1,912	801	742

10. INCOME TAX

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*
Current tax – Singapore					
Provision for the year/period	941	518	224	31	32
Current tax – Malaysia					
Provision/(tax credit) for the year/period	659	(233)	555	143	107
Over provision in previous years	–	–	–	–	(266)
	659	(233)	555	143	(159)
Deferred tax					
Origination and reversal of temporary differences	112	(232)	305	130	26
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(18)	–	–	–	–
	94	(232)	305	130	26
Income tax expenses/(credit)	1,694	53	1,084	304	(101)

The Joe Green Group is not subject to any income tax in the British Virgin Islands pursuant to the rules and regulations in the jurisdiction.

No Hong Kong profits tax has been provided for in the Historical Financial Information as the subsidiary in Hong Kong has no assessable profits for the Relevant Periods.

The subsidiaries in Singapore are subject to Singapore income tax at the rate of 17% for the Relevant Periods.

For the year of assessment of 2016, the income tax rate in Malaysia was reduced from 25% to 24% and remained unchanged thereafter. The change resulted in a gain of SGD18,000 related to the re-measurement of deferred tax assets and liabilities of the subsidiaries in Malaysia being recognised during the year ended 31 December 2016. In December 2016, Joe Green Precast Sdn. applied to Malaysian Investment Development Authority ("MIDA") for automation capital allowance in respect of newly acquired machinery. The application was subject to evaluation by the relevant government authorities in Malaysia. In May 2017, Joe Green Precast Sdn. was granted the approval by MIDA. Upon receipt of the approval, the Joe Green Group recognised the automation capital allowance in the year ended 31 December 2017. As a result, the income tax for Joe Green Precast Sdn. for the year ended 31 December 2017 became a tax credit.

The tax charge for the Relevant Periods can be reconciled to the profit/(loss) before taxation as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*
Profit/(loss) before taxation	8,492	2,351	4,274	336	(473)
Tax at applicable statutory tax rates	1,662	415	878	107	(38)
Tax effect of expenses not deductible for tax purpose	535	652	336	304	142
Tax effect on non-taxable income	–	(2)	(92)	(54)	(2)
Tax effect of deductible temporary differences previously not recognised	(157)	93	78	31	85
Tax effect on stepped income exemption	(52)	(52)	(62)	(13)	(12)
Tax effect on tax incentive	(231)	(975)	(11)	(65)	(3)
Tax effect on tax rebates	(42)	(30)	(20)	(4)	–
Effect on change in tax rate	(18)	–	–	–	–
Over provision in previous years	–	–	–	–	(266)
Others	(3)	(48)	(23)	(2)	(7)
Income tax expenses/(credit) for the year/period	1,694	53	1,084	304	(101)

Details of deferred taxation are set out in note 28.

11. DIRECTORS' AND CHIEF EXECUTIVE EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's emoluments

Details of emoluments paid or payable to the directors and the chief executive of Joe Green (including emoluments for their services as key management of the group entities prior to becoming the directors of Joe Green) by the group entities during the Relevant Periods, are set out as follows:

Year ended 31 December 2016

Name of directors	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Mr. Widjaja#	–	180	10	190
Ms. Lim	–	180	10	190
Ms. Limarto	–	114	12	126
	–	474	32	506

Year ended 31 December 2017

Name of directors	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Mr. Widjaja#	–	114	8	122
Ms. Lim	–	114	10	124
Ms. Limarto	–	172	17	189
	–	400	35	435

Year ended 31 December 2018

Name of directors	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Mr. Widjaja#	–	48	6	54
Ms. Lim	–	48	8	56
Ms. Limarto	–	93	12	105
	–	189	26	215

Five months ended 31 May 2018

Name of directors	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Mr. Widjaja#	–	20	3	23
Ms. Lim	–	20	4	24
Ms. Limarto	–	40	5	45
	–	80	12	92

Five months ended 31 May 2019

Name of directors	Fees	Salaries and allowances	Contribution to retirement benefit scheme	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Mr. Widjaja#	–	20	3	23
Ms. Lim	–	20	3	23
Ms. Limarto	–	40	5	45
	–	80	11	91

\# Mr. Widjaja is the chief executive officer of Joe Green during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Joe Green Group to the directors and the chief executive as an inducement to join or upon joining the Joe Green Group or as compensation for loss of office. No director waived any emoluments during the Relevant Periods.

(b) Five highest paid employees

Of the five individuals with the highest emolument for the years ended 31 December 2016 and 2017, three of them are directors whose emoluments are disclosed in note 11(a). Of the five individuals with the highest emolument for the year ended 31 December 2018 and the five months ended 31 May 2018 and 2019, one of them is a director whose emoluments are disclosed in note 11(a). The aggregate of emoluments in respect of the remaining two individuals for the years ended 31 December 2016 and 2017 and the remaining four individuals for the year ended 31 December 2018 and the five months ended 31 May 2018 and 2019 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*
Salaries and other benefits	244	259	316	151	146
Contributions to retirement benefit scheme	23	27	21	10	10
	267	286	337	161	156

Their emoluments were within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018 (Unaudited)	2019
Nil to HK$1,000,000	1	1	4	4	4
HK$1,000,001 to HK$1,500,000	1	1	–	–	–
	2	2	4	4	4

12. DIVIDENDS

No dividends have been paid or declared by Joe Green since the date of its incorporation.

Prior to the Reorganisation, the subsidiaries had declared dividends to their then shareholders as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*
Declared by Joe Green Marketing Pte.	–	–	–	–	2,000
Declared by Joe Green Pte.	5,300	–	–	–	–
Declared by Joe Green Precast Sdn.	4,865	–	–	–	–
Total	10,165	–	–	–	2,000

On 5 January 2016 and 3 March 2016, Joe Green Pte declared final dividends of SGD100,000 and SGD100,000, respectively, totalling SGD200,000, in respect of the year ended 30 September 2014 and such dividends were paid to the then shareholders during the year ended 31 December 2016.

On 7 March 2016, 3 May 2016 and 1 July 2016, Joe Green Pte. declared interim dividends of SGD1,000,000, SGD100,000 and SGD3,000,000 respectively, totalling SGD4,100,000 in respect of the year ended 31 December 2015 and such dividends were paid to the then shareholders during the year ended 31 December 2016.

On 1 July 2016, Joe Green Pte. declared interim dividends of SGD1,000,000 in respect of the year ended 31 December 2016 and such dividends were paid to the then shareholders during the year ended 31 December 2016.

On 31 March 2016, Joe Green Precast Sdn. declared interim dividends of RM14,600,000 (equivalent to SGD4,865,000) in respect of the year ended 31 December 2015 and paid such dividends to the then shareholders during the year ended 31 December 2016. Such distribution was made without the prior written consent from a bank and this constituted to a breach of the restrictive undertaking under the banking facilities agreement. Upon discovery of the breach, Joe Green Precast Sdn obtained the written consent from the bank on 9 March 2017.

On 6 May 2019, Joe Green Marketing Pte. declared final dividends of SGD2,000,000 in respect of the year ended 31 December 2018 and an amount of SGD1,000,000 was paid to the then shareholders during the five months ended 31 May 2019. The unpaid dividend of SGD1,000,000 was recorded as dividend payable as at 31 May 2019 and was subsequently paid in August 2019 to the then shareholders.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful for the purpose of this report.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Joe Green Group Reorganisation and the preparation of the results of the Joe Green Group for the Relevant Periods is on a combined basis as disclosed in note 2.

14. INTANGIBLE ASSETS

	Trademarks	Computer softwares	Total
	SGD'000	*SGD'000*	*SGD'000*
Cost:			
At 1 January 2016, 31 December 2016 and 1 January 2017	–	–	–
Additions			
– internal development	113	–	113
– acquisitions	10	114	124
At 31 December 2017 and 1 January 2018	123	114	237
Additions			
– acquisitions	–	71	71
At 31 December 2018 and 31 May 2019	123	185	308
Accumulated amortisation:			
At 1 January 2016, 31 December 2016 and 1 January 2017	–	–	–
Charge for the year	–	9	9
At 31 December 2017 and 1 January 2018	–	9	9
Charge for the year	–	50	50
At 31 December 2018	–	59	59
Charge for the period	–	30	30
At 31 May 2019	–	89	89
Carrying amount:			
At 31 December 2016	–	–	–
At 31 December 2017	123	105	228
At 31 December 2018	123	126	249
At 31 May 2019	123	96	219

The amortisation charge for the years ended 31 December 2017 and 2018 and the five months ended 31 May 2018 and 2019 is included in "administrative expenses" in the combined statements of profit or loss and other comprehensive income.

Trademarks represented the licenses for the use of the brand names "Joe Green" and its accessories which take the form of sign, symbol, name, logo or any combination thereof.

The directors of Joe Green are of the opinion that the trademarks have indefinite useful lives due to the following reasons:

(i) the trademarks have been in use and will continue to be used for the long term; and

(ii) the Joe Green Group has incurred and intends to continue to incur advertising and promotion expenses, which are charged to profit or loss when incurred, to maintain and increase the market value of its trademarks.

The computer softwares are amortized on a straight-line basis over 3 years.

15. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Freehold land *SGD'000*	Buildings *SGD'000*	Leasehold improvements *SGD'000*	Plant and machinery *SGD'000*	Furniture and equipment *SGD'000*	Motor vehicles *SGD'000*	Construction in progress *SGD'000*	Total *SGD'000*
Cost:								
At 1 January 2016	4,644	3,178	10	4,713	1,283	1,907	948	16,683
Exchange adjustments	(43)	(63)	(1)	(159)	(15)	(16)	–	(297)
Additions	–	73	38	1,821	734	1,722	–	4,388
Reclassification	–	–	–	948	–	–	(948)	–
Disposals	–	–	–	–	(5)	(376)	–	(381)
At 31 December 2016 and 1 January 2017	4,601	3,188	47	7,323	1,997	3,237	–	20,393
Exchange adjustments	101	59	–	136	14	14	–	324
Additions	2,149	9	7	544	277	335	–	3,321
Disposals	–	–	–	–	(142)	(606)	–	(748)
Transfer to investment properties	(2,605)	(325)	–	–	–	–	–	(2,930)
Transfer from investment properties	2,545	325	–	–	–	–	–	2,870
At 31 December 2017 and 1 January 2018	6,791	3,256	54	8,003	2,146	2,980	–	23,230
Exchange adjustments	10	7	–	16	2	2	–	37
Additions	–	–	–	177	19	117	206	519
Disposals	–	–	–	–	(3)	–	–	(3)
At 31 December 2018 and 1 January 2019	6,801	3,263	54	8,196	2,164	3,099	206	23,783
Exchange adjustments	(17)	(12)	–	(27)	(3)	(3)	(1)	(63)
Additions	–	–	–	10	3	1	51	65
Transfer	–	–	–	–	–	157	(157)	–
At 31 May 2019	6,784	3,251	54	8,179	2,164	3,254	99	23,785
Accumulated depreciation:								
At 1 January 2016	–	170	8	1,561	262	602	–	2,603
Exchange adjustments	–	(5)	–	(52)	(5)	(13)	–	(75)
Charge for the year	–	66	11	611	308	478	–	1,474
Disposals	–	–	–	–	–	(273)	–	(273)
At 31 December 2016 and 1 January 2017	–	231	19	2,120	565	794	–	3,729
Exchange adjustments	–	6	–	60	5	12	–	83
Charge for the year	–	63	12	723	475	616	–	1,889
Disposals	–	–	–	–	(102)	(277)	–	(379)
Transfer to investment properties	–	(9)	–	–	–	–	–	(9)
At 31 December 2017 and 1 January 2018	–	291	31	2,903	943	1,145	–	5,313
Exchange adjustments	–	1	–	2	–	1	–	4
Charge for the year	–	64	12	825	443	568	–	1,912
Disposals	–	–	–	–	(2)	–	–	(2)
At 31 December 2018 and 1 January 2019	–	356	43	3,730	1,384	1,714	–	7,227
Exchange adjustments	–	(1)	–	(16)	(1)	(3)	–	(21)
Charge for the period	–	27	3	342	140	230	–	742
At 31 May 2019	–	382	46	4,056	1,523	1,941	–	7,948
Carrying amount:								
At 31 December 2016	4,601	2,957	28	5,203	1,432	2,443	–	16,664
At 31 December 2017	6,791	2,965	23	5,100	1,203	1,835	–	17,917
At 31 December 2018	6,801	2,907	11	4,466	780	1,385	206	16,556
At 31 May 2019	6,784	2,869	8	4,123	641	1,313	99	15,837

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land and construction in progress are not depreciated	
Buildings	2%
Plant and machinery	10%
Leasehold improvements	20% – $33^1/_3$%
Furniture and equipment	10% – $33^1/_3$%
Motor vehicles	20%

As at 31 December 2016, 2017 and 2018 and 31 May 2019, certain building structures with a carrying amount of SGD1,159,000, SGD1,158,000, SGD1,139,000 and SGD1,125,000, respectively, in Malaysia and used for production purpose are without certificate of completion and compliance. The directors are of the view that those building structures are temporary structures and no certificate of completion and compliance is required. In March 2017, the Joe Green Group obtained an approval from Majlis Perbandaran Kulai (Kulai Town Council) which approve the Joe Green Group to make temporary permit applications for those building structures with certain conditions. The temporary permit must be renewed every year. The directors are of the opinion that the Joe Green Group is able to comply with the conditions and renew the temporary permit each year. In this regard, the directors consider that the Joe Green Group is able to continue to use those building structures for production purpose in the future and therefore no impairment is considered necessary.

As at 31 December 2016, 2017, 2018 and 31 May 2019, the freehold land with a total carrying amount of SGD4,601,000, SGD4,583,000, SGD4,588,000 and SGD4,579,000, respectively, were pledged to secure banking facilities granted to the Joe Green Group.

As at 31 December 2016, 2017, 2018 and 31 May 2019, the buildings with a carrying amount of SGD2,957,000, SGD2,965,000, SGD2,907,000 and SGD2,869,000, respectively, were pledged to secure banking facilities granted to the Joe Green Group.

(b) Right-of-use assets

(i) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December			**31 May**
	2016	**2017**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Motor vehicles	1,170,000	1,606,000	1,189,000	1,015,000

(ii) The analysis of expense item in relation to leases recognised in profit or loss is as follows:

	31 December			**31 May**	
	2016	**2017**	**2018**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
				(Unaudited)	
Depreciation charge of right-of-use assets	215	462	417	174	174
Interest in lease liabilities	21	56	43	20	14
Total minimum lease payments for lease previously classified as operating lease under IAS 17	75	48	–	–	–

16. INVESTMENT PROPERTIES

	SGD'000
At fair value	
At 1 January 2016	22,570
Fair value adjustment	(440)
At 31 December 2016 and 1 January 2017	22,130
Transfer from property, plant and equipment	2,870
Transfer to property, plant and equipment	(2,870)
Fair value adjustment	(85)
At 31 December 2017 and 1 January 2018	22,045
Fair value adjustment	305
At 31 December 2018 and 31 May 2019	22,350

During the year ended 31 December 2017, the Joe Green Group moved its office to an investment property originally rented out to third parties and leased out its former office to a third party. Pursuant to such change, the former office with a carrying amount of SGD2,921,000 was transferred to investment properties at a fair value of SGD2,870,000 and resulted in a loss on revaluation of properties of SGD51,000 upon being transfer to investment properties. The fair value before transfer of the new office of SGD2,870,000 was transferred from investment properties to property, plant and equipment. The fair value of the properties at the date of change of use was estimated by the directors after consultation with the professional valuer.

The Joe Green Group's property interests held to earn rentals accounted for as investment properties are measured using the fair value model.

At 31 December 2016, 2017, 2018 and 31 May 2019, investment properties with a total carrying amount of SGD22,130,000, SGD22,045,000, SGD22,350,000 and SGD22,350,000 respectively were pledged to secure banking facilities granted to the Joe Green Group.

Notes:

(a) Fair value hierarchy

The following table presents the fair value of the Joe Green Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December	Fair value at 31 May	Fair value measurements at the end of the reporting period categorised into		
			Level 1	Level 2	Level 3
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Recurring fair value measurement					
Investment properties:					
Industrial – Singapore					
2016	22,130	NA	–	–	22,130
2017	22,045	NA	–	–	22,045
2018	22,350	NA	–	–	22,350
2019	NA	22,350	–	–	22,350

During the years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Joe Green Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Joe Green Group's investment properties were revalued as at 31 December 2016, 2017, 2018 and 31 May 2019. The valuations of investment properties located in Singapore were carried out by Knight Frank Petty Limited, the firm of independent professional qualified valuer with recent experience in the location and category of properties being valued. The Joe Green Group's financial controller has discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

(b) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range	Relationship of unobservable inputs to fair value
Investment properties Industrial – Singapore	Direct comparison method	Premium/(discount) to transaction price (to reflect location, age and maintenance)	2016: 1% to 21% 2017: 1% to 21% 2018: 2% to 22% 2019: (23%) to 22%	The higher the adjusted transaction price, the higher the fair value

The fair value of investment properties located in Singapore is determined using market comparison approach by reference to recent sale prices of comparable properties on a price per square feet or metre basis, adjusted for a premium or discount specific to the quality of the Joe Green Group's properties compared to the recent sales. Higher premium for higher quality properties will result in a higher fair value measurement.

There has been no change in the valuation technique used throughout the Relevant Periods.

The valuation losses on investment properties of SGD440,000 and SGD85,000 for the years ended 31 December 2016 and 2017 and valuation gain on investment properties of SGD305,000 and SGD305,000 for the year ended 31 December 2018 and the five months ended 31 May 2018, respectively were recognised in the combined statements of profit or loss and other comprehensive income.

17. DEPOSIT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

On 21 November 2016, Joe Green Precast Sdn. entered into an agreement to acquire a piece of land in Malaysia for development of a new production plant. The total consideration for the land was RM6,712,000 (equivalent to SGD2,165,000), of which RM1,342,000 (equivalent to SGD433,000) was paid up to 31 December 2016 and included in the deposit for acquisition of property, plant and equipment of SGD547,000 as at 31 December 2016. The balance of RM5,370,000 (equivalent to SGD1,732,000) was paid in February 2017.

18. INVENTORIES

	At 31 December			At 31 May
	2016	2017	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Raw materials	76	170	144	239
Spare parts	443	374	563	742
Finished goods	744	519	406	721
	1,263	1,063	1,113	1,702

19. TRADE AND OTHER RECEIVABLES

	At 31 December			At 31 May
	2016	2017	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Trade receivables	4,736	4,881	6,820	6,497
Less: allowance for doubtful debts	(69)	(75)	(60)	(64)
	4,667	4,806	6,760	6,433
Other receivables	74	475	2	3
Utility and other deposits	106	46	49	67
Prepayments	59	272	443	546
Goods and services tax recoverable	329	222	238	35
	5,235	5,821	7,492	7,084

(a) Ageing analysis

The Joe Green Group allows credit period of up to 60 days to its customers. The following is an ageing analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of each reporting period.

	At 31 December			At 31 May
	2016	2017	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Up to 90 days	4,285	4,535	6,340	2,823
91 to 180 days	242	69	221	3,356
181 to 365 days	69	58	91	105
Over 365 days	71	144	108	149
	4,667	4,806	6,760	6,433

Before accepting any new customer, the Joe Green Group has assessed the potential customer's credit quality and defined credit limit to each customer on an individual basis. Limits attributed to customers are reviewed when necessary. The majority of the Joe Green Group's trade receivables that are past due but not impaired have no history of default on repayment. As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Joe Green Group did not charge interest nor hold any collateral over the balances.

Prior to 1 January 2018, in determining the recoverability of a trade receivable, the Joe Green Group considered any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period and no impairment was considered necessary for those balances which were not past due at each reporting date.

Starting from 1 January 2018, the Joe Green Group applied a simplified approach to provide the expected credit losses prescribed by IFRS 9. The impairment methodology is set out in Note 4.

As part of the Joe Green Group's credit risk management, the Joe Green Group uses debtors' aging to assess the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The table below provides information about the exposure to credit risk and ECL for trade receivables which are assessed based on a provision matrix as at 31 December 2018 and 31 May 2019:

	Gross carrying amount		Expected credit loss rate		Loss allowance	
	31 December 2018	31 May 2019	31 December 2018	31 May 2019	31 December 2018	31 May 2019
	SGD'000	*SGD'000*			*SGD'000*	*SGD'000*
Not past due	5,496	1,696	–	–	–	–
Within 90 days past due	1,202	1,469	3.6%	3.6%	43	53
91 days to 180 days past due	39	3,288*	8.3%	8.3%	3	6
181 days to 365 days past due	52	40	10.8%	10.8%	6	4
Over 365 days past due	31	4	25.2%	25.2%	8	1
	6,820	6,497			60	64

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The directors have reviewed the settlements from customers since 31 December 2018 which were updated to the date of this report and considered that there are no significant changes in the specific credit risks of the trade debtors. After taken into account the general economic condition and forecast direction of conditions, the directors considered that it was appropriate to adopt the same expected credit loss rates to calculate the expected credit loss on the trade receivables as at 31 December 2018 and 31 May 2019.

* The balance included an amount of SGD3,216,000 due from Customer A which has been overdue by more than 90 days. Subsequent to 31 May 2019, a partial settlement of SGD837,000 was made by Customer A. On 15 July 2019, the Joe Green Group sold and assigned the remaining outstanding balance of SGD2,379,000 without recourse to a third party. Since the outstanding has been fully recovered, no expected credit loss has been provided for on the overdue amount by Customer A.

(b) Trade receivables that are not impaired

The ageing analysis of the trade receivables that were neither individually nor collectively considered to be impaired, based on due date, is as follows:

	At 31 December	
	2016	**2017**
	SGD'000	*SGD'000*
Neither past due nor impaired	1,674	2,902
Up to 90 days past due	2,675	1,688
91 to 180 days past due	192	36
181 to 365 days past due	65	48
Over 365 days past due	61	132
	4,667	4,806

Prior to 1 January 2018, included in the trade receivables balance were debts which were past due, for which the Joe Green Group has not provided for impairment loss as the directors of Joe Green considered that the default risk was low after considering the creditworthiness and repayment history of the debtors and settlement after the end of each reporting period. Trade receivables which are neither overdue nor impaired are considered fully recoverable.

(c) Impairment of trade receivables

The movement in the allowance for impairment during the reporting period was as follows:

	Year ended 31 December			Five months ended 31 May
	2016	**2017**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
At the beginning of the year/period	–	69	75	60
Impairment loss recognised	69	6	39	4
Uncollectible amount written off	–	–	(54)	–
At the end of the year/period	69	75	60	64

20. AMOUNTS DUE FROM RELATED COMPANIES

	At 31 December			At 31 May	Maximum debit balance outstanding during Year ended 31 December			Five months ended 31 May
	2016	**2017**	**2018**	**2019**	**2016**	**2017**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Amazana Gratia Pte Ltd (formerly known as Atara Gallery Collection Pte Ltd)	20	12	–	–	20	22	12	–
Amazana Capital Sdn. Bhd.	22	–	–	–	69	22	–	–
	42	12	–	–				

The amounts due from related companies were non-trade nature. The balances were unsecured, interest-free and repayable on demand.

21. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances carried interest at market rates ranging from 0% to 1.4% per annum as at 31 December 2016, 2017 and 2018 and 31 May 2019.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the bank deposits amounted to SGD79,000, SGD86,000 and SGD89,000 and SGD89,000, respectively, were pledged for the banking facilities and bank guarantees given to a utility company and local custom department. The pledged bank deposits as at 31 December 2016, 2017, 2018 and 31 May 2019 carried interests at prevailing market interest rates of 3.10% to 3.30%, 3.10% to 3.30%, 3.15% to 3.35% and 3.15% to 3.35% per annum, respectively.

22. TRADE AND OTHER PAYABLES

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Trade payables	890	691	682	721
Accruals	896	1,385	1,140	1,015
Other payables	1,603	518	377	69
Rental deposits received	201	8	68	22
Goods and services tax payable	252	132	91	–
	3,842	2,734	2,358	1,827

The average credit period for purchase of goods was 30 days. The following is an ageing analysis of the trade payables, based on the invoice date, at the end of each reporting period.

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Up to 90 days	871	680	676	715
91 to 365 days	19	11	6	6
	890	691	682	721

23. AMOUNTS DUE TO DIRECTORS

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Ms. Lim	–	3	–	–
Mr. Widjaja	1,960	2,886	1,224	603
	1,960	2,889	1,224	603

The amounts due to directors were non-trade related, unsecured, interest free and repayable on demand.

24. AMOUNT DUE TO A RELATED COMPANY

	At 31 December			At 31 May
	2016	2017	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Eben Pinah Cornerstone Pte Ltd – non-trade	132	128	–	–

The amount due to a related company was unsecured, interest-free and repayable on demand.

25. LEASE LIABILITIES

The Joe Green Group leases certain motor vehicles during the Relevant Periods. At the end of the reporting period, the total future minimum lease payments and their present value were as follows:

	Minimum lease payments					Present value of minimum lease payments				
	At 31 December			At 1 January	At 31 May	At 31 December			At 1 January	At 31 May
	2016	2017	2018	2019	2019	2016	2017	2018	2019	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Amounts payable:										
Within one year	218	298	299	299	298	187	253	266	266	271
In the second year	186	298	292	292	264	162	271	274	274	251
In the third to fifth years	395	541	244	244	148	369	510	239	239	146
Total minimum lease payments	799	1,137	835	835	710	718	1,034	779	779	668
Future finance charges	(81)	(103)	(56)	(56)	(42)					
Total present value of lease payables	718	1,034	779	779	668					
Portion classified as current liabilities	(187)	(253)	(266)	(266)	(271)					
Non-current portion	531	781	513	513	397					

As at 31 December 2016, 2017, 2018 and 31 May 2019, the obligations under finance leases carried fixed interest rates at 4.48% to 5.70% per annum, 4.15% to 5.70% per annum, 4.15% to 5.70% per annum and 4.15% to 5.70% per annum respectively.

The Joe Green Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which was previously classified as operating leases under IAS 17. Since the Joe Green Group only had leases previously classified as finance leases as at 1 January 2019, the adoption of IFRS 16 had no impact on the combined financial statements as at 1 January 2019.

26. BANK BORROWINGS

	At 31 December 2016	2017	2018	At 31 May 2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Amount repayable within one year	1,647	1,559	3,505	3,516
More than one year but not exceeding two years	1,544	1,168	1,430	1,421
More than two years but not exceeding five years	3,681	3,929	4,328	4,388
More than five years	24,546	23,287	21,464	20,794
	31,418	29,943	30,727	30,119
Less: amounts shown under current liabilities				
Portion of bank loans due for repayment within one year	–	(1,338)	(297)	(302)
Portion of bank loans due for repayment within one year which either contains a repayment on demand clause or in breach of covenants	(1,647)	(221)	(3,208)	(3,214)
Portion of bank loans due for repayment after one year which either contains a repayment on demand clause or in breach of covenants *(note i)*	(29,771)	(5,431)	(22,476)	(22,004)
	(31,418)	(6,990)	(25,981)	(25,520)
Amounts shown under non-current liabilities	–	22,953	4,746	4,599

Note i: None of the portion of bank loans due for repayment after one year which contain a repayable on demand clause and that is classified as a current liability is expected to be settled within one year.

	Note	At 31 December 2016	2017	2018	At 31 May 2019
		SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Loan A	*(a)*	841	434	–	–
Loans B	*(b)*	5,824	5,652	–	–
Loan C	*(c)*	19,307	18,547	–	–
Loan D	*(d)*	5,446	5,310	5,043	4,901
Loan E	*(e)*	–	–	18,316	17,979
Loan F	*(f)*	–	–	5,368	5,239
Loan G	*(g)*	–	–	2,000	2,000
		31,418	29,943	30,727	30,119

Notes:

(a) Loan A is bearing interest at the higher of 2.5% over 3 month SWAP offer rate per annum or 2.5% over 3 month cost of funds per annum, whichever is higher for the first to third years, and 0.75% over the current commercial financing rate per annum offered by a bank in Singapore for the fourth to fifth years. The loan is secured by a property owned by Mr. Widjaja and Ms. Lim; and joint and several guarantees of SGD2,000,000 provided by Mr. Widjaja and Ms. Lim. During the year ended 31 December 2016, Joe Green Pte. was in breach of certain financial covenants under the banking facility agreement. As such, Loan A was classified as current liabilities accordingly. On 28 March 2017, Joe Green Pte. has successfully obtained a waiver from the bank and thereafter the amount of Loan A would not be repayable within one year was classified as non-current liabilities. Loan A was fully repaid by the proceeds from Loan E during the year ended 31 December 2018.

(b) Loans B are bearing interest at 3.65% below the non-residential mortgage board rate ("NMBR") per annum offered by a bank in Singapore for the first year, at 3.35% below the NMBR per annum for the second year, at 2.05% below the NMBR per annum for the third year and 0.75% below the NMBR per annum thereafter. They are secured by another property owned by Mr. Widjaja and Ms. Lim and guarantees of SGD6,513,000 provided by Mr. Widjaja and Ms. Lim. Except for SGD2,500,000 used for working capital, the balance of Loans B was used to refinance the personal loans of Mr. Widjaja and Ms. Lim prior to 1 January 2016. Loans B were fully repaid by the proceeds from Loan F during the year ended 31 December 2018.

(c) Loan C is bearing interest at 3.22% below the commercial financing rate ("CFR") per annum offered by a bank in Singapore for the first year, 2.92% below the CFR per annum for the second year, 2.12% below the CFR per annum for the third year and 0.75% over the CFR per annum thereafter. The loan is secured by the investment properties and land and buildings owned by the Joe Green Group; legal assignment of rental proceeds charge over rental account to be executed of all current and future rental income from the investment properties and land and buildings; a second legal mortgage over a property owned by Mr. Widjaja and Ms. Lim and joint and several guarantees of SGD20,800,000 provided by Mr. Widjaja and Ms. Lim. During the year ended 31 December 2016, Joe Green Pte. was in breach of certain financial covenants under the banking facility agreement. As such, Loan C was classified as current liabilities. On 28 March 2017, Joe Green Pte., has successfully obtained a wavier from the bank and thereafter the amount of Loan C would not be repayable within one year was classified as non-current liabilities. Loan C was fully repaid by the proceeds from Loan E during the year ended 31 December 2018.

(d) Loan D is bearing interest at 2% below the Islamic Base Rate (IBR) per annum offered by a bank in Malaysia and denominated in Malaysia Ringgit. The loan is secured by the land and buildings owned by the Joe Green Group and guarantees of RM18,000,000 provided by Mr. Widjaja and Ms. Lim. As mentioned in note 12, Joe Green Precast Sdn declared and paid interim dividends during the year ended 31 December 2016 without obtaining a prior written consent from the bank as required under the banking facilities agreement. Subsequent to 31 December 2016, Joe Green Precast Sdn obtained a written consent from the bank on 9 March 2017 and thereafter, the amount of Loan D that would not be repayable within one year was classified as non-current liabilities.

(e) Loan E is bearing interest at 3.82% per annum below the NMBR for the first year, 3.52% per annum below the NMBR for the second year, 2.02% per annum below the NMBR for the third year, and 1% per annum below the NMBR thereafter. The loan is secured by the investment properties and land and buildings owned by the Joe Green Group; legal assignment of rental proceeds from the investment properties and land and buildings; and joint and several guarantees of SGD6,513,000 provided by Mr. Widjaja and Ms. Lim. Loan E was used to repay the Loan A and Loan C above.

(f) Loan F is bearing interest at 1.50% per annum above the cost of funds for the interest period of 1, 2 or 3 months. The loan is secured by the investment properties and land and buildings owned by the Joe Green Group; legal assignment of rental proceeds from the investment properties and land and buildings; and joint and several guarantees of SGD6,513,000 provided by Mr. Widjaja and Ms. Lim. Loan F was used to repay the Loans B above.

(g) Loan G is bearing interest at 1.50% per annum above the cost of funds for the interest period of 1, 2 or 3 months. The loan is secured by the investment properties and land and buildings owned by the Joe Green Group; legal assignment of rental proceeds from the investment properties and land and buildings; and joint and several guarantees of SGD6,513,000 provided by Mr. Widjaja and Ms. Lim. The proceeds from the loan was used for working capital purpose.

27. CONTRACT LIABILITIES

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Billings in advance of performance	–	–	7	22

During the year ended 31 December 2018, the Joe Green Group received an upfront franchise fee of SGD600,000 under a franchise agreement. The fee is related to a franchise right that is not distinct from the ongoing services that the Joe Green Group provides to the franchisee. A contract liability is recognised for upfront franchise fee and is released over the franchise period from which the franchisee can begin to use and benefit from the license. On 25 October 2018, the franchisee and the Joe Green Group agreed to suspense the exclusive right to be granted by the Joe Green Group to the franchisee until 30 June 2019, or any other date mutually agreed upon by both parties. Subsequently, the SGD600,000 – upfront franchisee fee received was used to set off with the trade receivable due from Customer A, i.e the franchisee. On 30 June 2019, the Joe Green Group issued a termination notice to the franchisee as the franchisee was unable to fulfill its obligations set out in the franchise agreement.

During the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2018, there was no revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the report period. In addition, there was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior reporting period.

During the five months ended 31 May 2019, there was revenue of SGD1,000 recognised in the profit or loss that was included in contract liability balance at the beginning of the reporting period. In addition, there was no revenue recognised in current period that related to performance obligation that were satisfied in a prior period.

During the Relevant Periods, there was no income expected to be recognised after one year from the amount of billings in advance of performance.

28. DEFERRED TAX

(a) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the combined statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from

	Accelerated tax depreciation	Unutilised tax loss	Others	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
At 1 January 2016	395	(131)	(15)	249
Charge to profit or loss	(27)	131	8	112
Effect on change in tax rate	(18)	–	–	(18)
Exchange realignment	(12)	–	–	(12)
At 31 December 2016 and 1 January 2017	338	–	(7)	331
Charge to profit or loss	(300)	–	68	(232)
Exchange realignment	10	–	2	12
At 31 December 2017 and 1 January 2018	48	–	63	111
Charge to profit or loss	432	–	(127)	305
Exchange realignment	2	–	–	2
At 31 December 2018 and 1 January 2019	482	–	(64)	418
Charge to profit or loss	(26)	(71)	123	26
Exchange realignment	(1)	–	–	(1)
At 31 May 2019	455	(71)	59	443

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December			At 31 May
	2016	2017	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Deferred tax assets	(164)	(471)	(251)	(221)
Deferred tax liabilities	495	582	669	664
	331	111	418	443

(b) Deferred tax assets and liabilities not recognised

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Joe Green Group had no significant potential unprovided deferred tax assets and liabilities not recognised.

29. SHARE CAPITAL

	Joe Green Number of Shares	SGD'000
Issued and fully paid:		
Ordinary Shares, upon incorporation and at 31 December 2017 and 2018 and 31 May 2019	3	–*

* (Less than SGD'000)

On 24 March 2017, Joe Green was incorporated in the British Virgin Islands as an exempted company with limited liability. Joe Green is authorised to issue 50,000 ordinary shares with no par value. On 24 March 2017, 3 shares were allotted and issued to Mr. Widjaja, Ms. Lim and Ms. Limarto.

30. RESERVES

(a) Capital reserve

The capital reserve of the Joe Green Group as at 1 January 2016 represented the nominal values of the share capital of Joe Green Pte., Joe Green Precast Sdn., Joe Green Marketing Pte. and Joe Green Marketing Sdn..

The capital reserve of the Joe Green Group as at 31 December 2016 and 1 January 2017 represented the nominal values of the share capital of Linktopz, Joe Green Pte. Joe Green Precast Sdn., Joe Green Marketing Pte. and Joe Green Marketing Sdn..

The capital reserve of the Joe Green Group as at 31 December 2017 and 2018 and 31 May 2019 represented the nominal values of the share capital of the entities within the Joe Green Group.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(m).

31. CAPITAL RISK MANAGEMENT

The Joe Green Group manages its capital to ensure that entities in the Joe Green Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Joe Green Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Joe Green Group consists of equity attributable to owners of Joe Green, comprising share capital, retained earnings and other reserves.

The directors review the capital structure periodically. As part of this review, the directors assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through the issue of new shares, as well as the raising of bank borrowings.

The Joe Green Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt is calculated as bank loans and lease liabilities less pledged bank deposits and cash and cash equivalents as shown in the combined statements of financial position. Total equity comprises all components of equity. The Joe Green Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting period were as follows:

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Bank borrowings *(note 26)*	31,418	29,943	30,727	30,119
Lease liabilities *(note 25)*	718	1,034	779	668
	32,136	30,977	31,506	30,787
Less: Cash and cash equivalents *(note 21)*	(6,083)	(4,595)	(5,885)	(2,994)
Pledged bank deposits *(note 21)*	(79)	(86)	(89)	(89)
Net debt	25,974	26,296	25,532	27,704
Total Equity	12,876	15,524	18,653	16,181
Gearing ratio	201.7%	169.4%	136.9%	171.2%

The Joe Green Group has initially applied IFRS 16 using the modified retrospective approach. Since the Joe Green Group was not the lessee under the operating leases as at 1 January 2019, there was no additional lease liabilities arising under IFRS 16 and the gearing ratio remained unchanged as at 1 January 2019.

32. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Financial assets				
Loans and receivables:				
Trade and other receivables	4,847	5,327	6,811	6,503
Amounts due from related companies	42	12	–	–
Pledged bank deposits	79	86	89	89
Bank balances and cash	6,083	4,595	5,885	2,994
	11,051	10,020	12,785	9,586

	At 31 December			At 31 May
	2016	2017	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Financial liabilities				
Financial liabilities held at amortised cost:				
Trade and other payables	3,590	2,602	2,267	1,827
Amounts due to directors	1,960	2,889	1,224	603
Amount due to a related company	132	128	–	–
Lease liabilities	718	1,034	779	668
Bank borrowings	31,418	29,943	30,727	30,119
	37,818	36,596	34,997	33,217

(ii) Financial risk management objectives and policies

The Joe Green Group's management monitors and manages the financial risks relating to the operations of the Joe Green Group by analysing exposures by the degree and magnitude of identified risks. These risks include market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk.

There has been no change to the types of the Joe Green Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

Interest rate risk management

The Joe Green Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 21) and variable-rate bank borrowings as at 31 December 2016, 2017 and 2018 and 31 May 2019 (note 26). The lease liabilities (note 25) are at fixed interest rate and subject to fair value interest rate risk at the end of the reporting period. The Joe Green Group's cash flow interest rate risk mainly resulted from fluctuations in market interest rate.

Interest rate risk sensitivity analysis

The Joe Green Group does not anticipate there is any significant impact on the bank balances because the interest rates of bank deposits are not expected to change significantly.

The sensitivity analysis below has been determined based on the exposure to interest rate on bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting periods were outstanding for the whole year/period.

A 100 basis point increases/decrease is used for bank borrowings and represent management's assessment of reasonably possible changes in interest rates. If interest rates had a 100 basis points increase/decrease and all other variables were held constant, the Joe Green Group's profit after tax for the years ended 31 December 2016, 2017 and 2018 would decrease/increase by SGD257,000, SGD245,000 and SGD251,000, respectively and the loss after tax for the five months ended 31 May 2019 would increase/decrease by SGD103,000. The directors do not expect a significant increase of interest rate.

In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the year/period end exposure does not reflect the exposure during the Relevant Periods.

Foreign currency risk management

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency of the entity to which they relate. The Joe Green Group currently does not have a foreign currency hedging policy. However, the directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Joe Green Group's foreign currency denominated monetary assets and liabilities at the reporting date is as follows:

	Renminbi ("RMB")			
	At 31 December			At 31 May
	2016	2017	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Other payables	320	17	–	–
Amount due to a director	1,141	1,095	–	–
	1,461	1,112	–	–

	United States Dollar ("USD")			
	At 31 December			At 31 May
	2016	2017	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Bank balances and cash	7	6	307	25

Foreign currency sensitivity analysis

The following table details the Joe Green Group's sensitivity to a 5% increase or decrease in RMB and USD and for the years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2019 which is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the director's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number indicates an increase in after tax profit and increase in after tax loss and negative number indicates a decrease in after tax profit and decrease in after tax loss for the Relevant Periods where the foreign currencies strengthen 5% against the functional currency of the respective group entity. For a 5% weakening of the foreign currencies against the functional currency of the respective group entity, there would be an equal and opposite impact.

	Effect on after tax profit For the year ended 31 December			Effect on after tax loss Five months ended 31 May
	2016	2017	2018	2019
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
RMB	(73)	(56)	–	–
USD	–	–	15	(1)

In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year/period end exposure does not reflect the exposure during the Relevant Periods.

Credit risk management

Under IAS 39 and IFRS 9

As at the respective reporting dates, the Joe Green Group's maximum exposure to credit risk which will cause a financial loss to the Joe Green Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

The Joe Green Group has certain concentration of credit risk in relation to its trade receivables as follows:

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
Amount due from the largest debtor as a percentage to total trade receivables	16%	34%	62%	50%
Total amount due from the five largest debtors as a percentage to total trade receivables	38%	60%	74%	63%

Other than the above, the Joe Green Group does not have other significant concentration of credit risk.

Under IAS 39

The Joe Green Group has implemented the following procedures to minimise its credit risk:

(i) A delegated team is responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

(ii) Management reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors consider that the Joe Green Group's credit risk on trade receivables is significantly reduced. In addition, the Joe Green Group keeps exploring new customers to diversify and strengthen its customer base and thus, reduce the concentration of credit risk.

In order to minimize the credit risk on other receivables and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of Joe Green believe that there is no material credit inherent in the Joe Green Group's outstanding balances of other receivables. In addition, the credit risk on amounts due from related parties are reduced as the Joe Green Group can closely monitor the repayment of the related parties.

Under IFRS 9

Starting from 1 January 2018, the Joe Green Group reassess the lifetime ECL for trade receivables at the end of each reporting period to ensure that adequate impairment losses are made for significant increases in the likelihood or risk of a default occurring since initial recognition. In this regard, management of the Joe Green Group considers that the Joe Green Group's credit risk is significantly reduced.

For the other receivables, the Joe Green Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under the lifetime ECL method based on the Joe Green Group's assessment on the risk of the default of the counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the directors, who have built an appropriate liquidity risk management framework to meet the Joe Green Group's short, medium and long-term funding and liquidity management requirements. The directors manage liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity table

The following table details the Joe Green Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Joe Green Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	On demand or within 1 year	Over 1 year but less than 5 years	More than 5 years	Total undiscounted cash flow	Carrying amount
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
At 31 December 2016					
Financial liabilities					
Trade and other payables	3,590	–	–	3,590	3,590
Amounts due to directors	1,960	–	–	1,960	1,960
Amount due to a related company	132	–	–	132	132
Lease liabilities	218	581	–	799	718
Bank borrowings	31,418	–	–	31,418	31,418
	37,318	581	–	37,899	37,818
At 31 December 2017					
Financial liabilities					
Trade and other payables	2,602	–	–	2,602	2,602
Amounts due to directors	2,889	–	–	2,889	2,889
Amount due to a related company	128	–	–	128	128
Lease liabilities	298	839	–	1,137	1,034
Bank borrowings	8,405	9,327	26,317	44,049	29,943
	14,322	10,166	26,317	50,805	36,596
At 31 December 2018					
Financial liabilities					
Trade and other payables	2,267	–	–	2,267	2,267
Amounts due to directors	1,224	–	–	1,224	1,224
Lease liabilities	299	536	–	835	779
Bank borrowings	26,241	2,228	4,082	32,551	30,727
	30,031	2,764	4,082	36,877	34,997
At 31 May 2019					
Financial liabilities					
Trade and other payables	1,827	–	–	1,827	1,827
Amounts due to directors	603	–	–	603	603
Lease liabilities	298	412	–	710	668
Bank borrowings	25,773	2,219	3,835	31,827	30,119
	28,501	2,631	3,835	34,967	33,217

The above table has been drawn up based on the undiscounted cash flows of financial liabilities (including principal and interest cash flows) based on the earliest date on which the Joe Green Group can be required to pay (including principal and interest cash flows).

Bank loans with a repayment on demand clause or in breach of covenants are included in the "on demand or within 1 year" time band in the above maturity analysis. As at 31 December 2016, 2017, 2018 and 31 May 2019, the aggregate undiscounted cash flows of these bank loans amounted to SGD49,234,000, SGD8,438,000, SGD35,321,000 and SGD34,668,000 respectively. Taking into account the Joe Green Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within 18 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Bank loans with a repayment on demand clause or in breach based on scheduled repayments

	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash outflows	Carrying amount
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
31 December 2016	2,847	3,181	8,281	34,925	49,234	31,418
31 December 2017	461	461	1,382	6,134	8,438	5,652
31 December 2018	3,760	1,868	5,968	23,725	35,321	25,684
31 May 2019	3,800	1,932	6,014	22,922	34,668	25,218

Fair value measurements of financial instruments

The Joe Green Group's financial instruments, which are carried at cost or amortised cost and included in current assets and liabilities such as bank balances and cash, trade and other receivables, trade and other payables, lease liabilities and bank borrowings are not materially different from their fair values as at 31 December 2016, 2017, 2018 and 31 May 2019 because of the short-term maturity. The difference between the fair values and carrying amount of the financial instruments included in non-current liabilities is insignificant.

33. MATERIAL RELATED PARTIES TRANSACTIONS

The directors of Joe Green are of the view that the following parties/companies are related parties that had transactions or balances with the Joe Green Group during the Relevant Periods.

(a) Name and Relationship

Name of related parties	Relationship with the Joe Green Group
Mr. Widjaja	Director and one of the controlling shareholders
Ms. Lim	Director and one of the controlling shareholders
Ms. Limarto	Director and one of the controlling shareholders
Amazana Gratia Pte. Ltd ("Amazana Gratia") (formerly named as Atara Gallery Collection Pte. Ltd)	Beneficiary owned and controlled by Ms. Lim
Amazana Capital Sdn. Bhd. ("Amazana Capital")	Beneficiary owned and controlled by Mr. Widjaja and Ms. Lim
Eben Pinah Cornerstone Pte Ltd. ("Eben Pinah")	Beneficiary owned and controlled by Mr. Widjaja and Ms. Lim
PT Rhemacom, Distribusi ("PT Rhemacom")	Beneficiary owned and controlled by Mr. Widjaja

(b) The directors of Joe Green are of the opinion that all the related party transactions have been transacted under terms as negotiated with the related parties.

(i) During the years ended 31 December 2016 and 2017, the Joe Green Group had subcontracting fees of SGD808,000 and SGD427,000, respectively, payable to Amazana Capital. The subcontracting service has been terminated as at 1 July 2017.

(ii) During the years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2019, the Joe Green Group has made use of a property owned by Mr. Widjaja and Ms. Lim, as a warehouse free of charge.

(iii) The Joe Green Group's bank borrowings and general banking facilities as at 31 December 2016, 2017, 2018 and 31 May 2019 were secured by guarantees provided by Mr. Widjaja and Ms. Lim in total of SGD36,719,000, SGD36,834,000, SGD12,449,000 and SGD12,426,000 respectively and properties owned by them.

(iv) As at 31 December 2016, 2017, 2018 and 31 May 2019, Mr. Widjaja and Ms. Lim have provided the personal guarantees for the lease liabilities of SGD718,000, SGD1,034,000, SGD779,000 and SGD668,000 respectively.

(v) As at 1 January 2016, Joe Green Precast Sdn. has provided a corporate guarantee to a financial institution for the borrowings of SGD35,000 drawn by Amazana Capital. Such bank borrowings were fully repaid during the year ended 31 December 2016 and the corporate guarantee was released accordingly.

(vi) During the years ended 31 December 2016 and 2017, the Joe Green Group paid leasing expenses of SGD75,000 and SGD48,000, respectively, for the leasing of machinery from Amazana Capital.

(vii) During the year ended 31 December 2017, the Joe Green Group acquired the trademark "Joe Green" from Amazana Gratia at a consideration of SGD10,000. The consideration was settled through the current account with Amazana Gratia.

(viii) During the year ended 31 December 2017, the Joe Green Group recovered an amount of SGD315,000 from PT Rhemacom which had been written off prior to the Relevant Periods.

(c) Outstanding balances with related parties

The Joe Green Group had outstanding balances with related parties. The details of which are disclosed in notes 20, 23 and 24.

(d) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Joe Green Group and of Joe Green either directly or indirectly.

Remuneration for key management personnel of the Joe Green Group, including amounts paid to Joe Green's directors and certain of the highest paid employees as disclosed in note 11, is as follows:

	Year ended 31 December			**Five months ended 31 May**	
	2016	**2017**	**2018**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*
Salaries and other benefits	656	659	367	145	161
Contributions to retirement benefit scheme	45	62	48	21	21
	701	721	415	166	182

Total remuneration is included in "staff costs" (see note 9).

34. RETIREMENT BENEFITS PLANS

The Joe Green Group's employees employed in Singapore are required to join the Central Provident Fund Scheme ("CPF Scheme"). For the years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2019, the Joe Green Group's contributions to the CPF Scheme were made in accordance with 17%, 17%, 17% and 17% of monthly salary with a cap of SGD6,000, SGD6,000, SGD6,000 and SGD6,000 as prescribed by the Central Provident Fund Ordinance of Singapore. During the years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2018 and 2019, the retirement benefit contributions under the CPF Scheme charged to profit or loss were approximately SGD98,000, SGD95,000, SGD89,000 and SGD38,000 and SGD35,000 respectively.

The employees of the Joe Green Group's subsidiaries in Malaysia are members of the state-managed retirement benefit scheme the Employees Provident Fund (the "EPF Scheme") operated by the Malaysia government. The subsidiaries are required to contribute a certain percentage of payroll costs to the EPF Scheme. The only obligation of the Joe Green Group with respect to the retirement benefit scheme is to make the specified contributions. During the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2018 and 2019, the retirement benefit scheme contributions under the EPF Scheme charged to profit or loss were approximately SGD30,000, SGD26,000, SGD30,000 and SGD13,000 and SGD17,000 respectively.

35. COMMITMENTS

(a) At the end of each reporting period, there were total future minimum lease payments/receivables under non-cancellable operating leases which fall due as follows:

(i) As lessor

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Within 1 year	618	17	206	440
After 1 year but within 2 years	601	–	174	426
After 2 year but within 3 years	489	–	159	227
	1,708	17	539	1,093

Operating leases relate to the investment properties owned by the Joe Green Group with lease terms of between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by the Joe Green Group from its investment properties and direct operating expenses arising on the investment properties for the Relevant Periods are set out in notes 7 and 9 respectively.

(ii) As lessee

	At 31 December		
	2016	**2017**	**2018**
	SGD'000	*SGD'000*	*SGD'000*
Not later than one year	31	–	–

Operating lease payments include rentals payable by the Joe Green Group for its equipment. Lease terms for equipment range from 1 to 3 years with fixed rental.

(b) Capital commitments outstanding at the end of each reporting period not provided for in the financial statements were as follows:

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Capital expenditure contracted for but not provided for in respect of the acquisition of property, plant and equipment	1,799	–	71	77

36. INVESTMENT IN A SUBSIDIARY

Joe Green	At 31 December		At 31 May
	2017	**2018**	**2019**
	SGD'000	*SGD'000*	*SGD'000*
Unlisted shares, at cost of HK$3	–	–	–

Particulars of the subsidiaries are disclosed in note 37 to the Historical Financial Information.

37. PARTICULARS OF SUBSIDIARIES

At the date of this report, Joe Green has direct and indirect interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital	Equity attributable to Joe Green				Principal activities
				At 31 December			At 31 May	
				2016	2017	2018	2019	
				%	%	%	%	
Directly held:								
Linktopz Entertainment Limited	Hong Kong	15 October 2014	3 ordinary shares	67	100	100	100	Investment holding
Indirectly held:								
Joe Green Pte. Ltd.	Singapore	19 Sept 2006	Singapore dollar SGD3,292,000	100	100	100	100	General contractors and general wholesale trade of building materials
Joe Green Marketing Pte. Ltd.	Singapore	28 May 1994	SGD100,000	100	100	100	100	Wholesale of structural clay and concrete products
Joe Green Precast Sdn. Bhd.	Malaysia	6 Sept 2010	Ringgit Malaysia ("RM") 7,000,000	100	100	100	100	Manufacture and sale of green concrete panel
Joe Green Marketing Sdn. Bhd.	Malaysia	7 June 2013	RM500,000	100	100	100	100	Marketing and distribution of precast panel and related activities
Joe Green Pacific Limited	BVI	24 March 2017	1 ordinary share	N/A	100	100	100	Investment holding
Joe Green Prominent Limited	BVI	24 March 2017	1 ordinary share	N/A	100	100	100	Investment holding
Joe Green Summit Limited	BVI	24 March 2017	1 ordinary share	N/A	100	100	100	Investment holding
Joe Green Gratia Limited	BVI	24 March 2017	1 ordinary share	N/A	100	100	100	Investment holding

All the above companies are private limited liability companies incorporated in their respective places of incorporation.

No audited statutory financial statements have been prepared for Joe Green and its subsidiaries incorporated in the BVI since the date of incorporation as there is no statutory audit requirement in the BVI. We have reviewed all relevant transactions of Joe Green and these subsidiaries since their respective date of incorporation and carried out such procedures as we considered necessary for inclusion in the Circular.

The statutory financial statements of entities now comprising Joe Green Group for each of the three years ended 31 December 2018, or since the respective dates of their incorporation/establishment, where there is a shorter period which were audited by the respective certified public accountants in Hong Kong, Singapore or Malaysia during the Relevant Periods are as follows:

Name of entities	**Periods covered**	**Auditors**
Joe Green Pte.	For the year ended 31 December 2016	Verity Partners
	For the year ended 31 December 2017	Verity Partners
	For the year ended 31 December 2018	Verity Partners
Joe Green Marketing Pte.	For the year ended 31 December 2016	Verity Partners
	For the year ended 31 December 2017	Verity Partners
	For the year ended 31 December 2018	Verity Partners
Joe Green Precast Sdn.	For the year ended 31 December 2016	Koo & Co.
	For the year ended 31 December 2017	Crowe Horwath AF1018
	For the year ended 31 December 2018	Crowe AF1018
Joe Green Marketing Sdn.	For the year ended 31 December 2016	Ganesh Kumar & Co.
	For the year ended 31 December 2017	Crowe Horwath AF1018
	For the year ended 31 December 2018	Crowe AF1018
Linktopz	For the year ended 31 December 2016	Rays Chan & Co.
	For the year ended 31 December 2017	Rays Chan & Co.
	For the year ended 31 December 2018	Rays Chan & Co.

The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated or established.

38. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Joe Green Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Joe Green Group's combined statements of cash flows as cash flows from financing activities.

	Bank borrowings	Lease liabilities	Amount due to a related company	Amounts due from related companies	Amounts due to directors	Dividend payable	Total
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
At 1 January 2016	27,400	382	173	(20)	2,977	–	30,912
Financing cash flows	4,018	(143)	(40)	(22)	(978)	(10,165)	(7,330)
Non-cash changes							
Inception of finance leases	–	479	–	–	–	–	479
Exchange adjustments	–	–	(1)	–	(39)	–	(40)
Dividends declared *(Note 12)*	–	–	–	–	–	10,165	10,165
At 31 December 2016 and 1 January 2017	31,418	718	132	(42)	1,960	–	34,186
Financing cash flows	(1,587)	(384)	(4)	20	845	–	(1,110)
Non-cash changes							
Inception of finance leases	–	699	–	–	–	–	699
Exchange adjustments	112	1	–	–	84	–	197
Consideration for acquisition of intangible assets	–	–	–	10	–	–	10
At 31 December 2017 and 1 January 2018	29,943	1,034	128	(12)	2,889	–	33,982
Financing cash flows	771	(255)	(128)	12	(1,679)	–	(1,279)
Non-cash changes							
Exchange adjustments	13	–	–	–	14	–	27
At 31 December 2018	30,727	779	–	–	1,224	–	32,730
At 1 January 2019	30,727	779	–	–	1,224	–	32,730
Financing cash flows	(588)	(111)	–	–	(631)	(1,000)	(2,330)
Non-cash changes							
Exchange adjustments	(20)	–	–	–	10	–	(10)
Dividend declared *(Note 12)*	–	–	–	–	–	2,000	2,000
At 31 May 2019	30,119	668	–	–	603	1,000	32,390
Unaudited							
At 31 December 2017 and 1 January 2018	29,943	1,034	128	(12)	2,889	–	33,982
Financing cash flows	1,623	(104)	(117)	12	(1,569)	–	(155)
Non-cash changes							
Exchange adjustments	121	–	–	–	41	–	162
At 31 May 2018	31,687	930	11	–	1,361	–	33,989

(b) Major non-cash transactions

During the years ended 31 December 2016 and 2017, the Joe Green Group entered into financial lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of SGD479,000 and SGD699,000, respectively.

39. EVENTS AFTER THE REPORTING PERIOD

In January 2019, Joe Green Marketing Pte. passed a board resolution in writing to accept a new term loan of SGD5,700,000 offered by a bank in Singapore. The term loan is for a period of 15 years and granted to partially fund the setting up of a manufacturing plant in a factory erected or to be erected on a land owned by the Joe Green Group in Malaysia. In September 2019, the Joe Green Group commenced to draw down such term loan.

On 28 June 2019, the Joe Green Group issued a letter of award to a constructor with a contract sum of approximately SGD2,250,000 for a construction of second production plant in Johor, Malaysia.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Joe Green Group, Joe Green or any of its subsidiaries have been prepared in respect of any period subsequent to 31 May 2019.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

A summary of the results and the assets and liabilities of the Group as extracted from the relevant annual and interim reports of the Company is set out below:

RESULTS

	For the years ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Revenue	–	–	–	–	–
Loss on deconsolidation of unconsolidated subsidiaries	–	–	–	–	–
Finance costs	(191,318)	(178,585)	(188,597)	(90,906)	(94,189)
Others	(4,438)	(5,416)	(4,258)	(2,052)	(2,330)
Loss before tax	(195,756)	(184,001)	(192,855)	(92,958)	(96,519)
Income tax expense	–	–	–	–	–
Loss for the year/period	(195,756)	(184,001)	(192,855)	(92,958)	(96,519)
Other comprehensive loss for the year/period, net of tax	–	–	–	–	–
Total comprehensive loss for the year/period	(195,756)	(184,001)	(192,855)	(92,958)	(96,519)
Loss per share					
– Basic (RMB cents per share)	(3.5)	(3.3)	(3.4)	(1.7)	(1.7)
– Diluted (RMB cents per share)	(3.5)	(3.3)	(3.4)	(1.7)	(1.7)

ASSETS AND LIABILITIES

	At 31 December			At 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Non-current assets	1,011	1,011	1,011	1,011
Current assets	8,089	6,685	6,000	6,575
Current liabilities	3,033,816	3,216,413	3,408,583	3,505,677
Non-current liabilities	4,039,850	4,039,850	4,039,850	4,039,850
NET LIABILITIES	(7,064,566)	(7,248,567)	(7,441,422)	(7,537,941)
TOTAL DEFICIT	(7,064,566)	(7,248,567)	(7,441,422)	(7,537,941)

Financial information of the Group for each of the three financial years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 were set out in the relevant annual and interim reports are extracted as below pages. Subsequent to the issue of the annual reports for the year ended 31 December 2016, 2017 and 2018 and the interim report for the six months ended 30 June 2019, the transaction structure of the Proposed Restructuring has been amended and the information in these annual and interim reports did not reflect such amendment. For the details of the new transaction structure, please refer to "Information about the Proposed Restructuring" section.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHINA LUMENA NEW MATERIALS CORP.
(IN PROVISIONAL LIQUIDATION)

(incorporated in the Cayman Islands with limited liability)

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") and its subsidiaries (together the "Group") set out on pages 24 to 63, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Scope limitation due to incomplete books and record

Up to the date of this report, given the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the provisional liquidators acting as agents of the Company (without liability and recourse) (the "Provisional Liquidators") of the Company believe that, it is almost impossible, and not practical, to ascertain the correct revenue and profit or loss (and the resultant assets and liabilities) for the current year for inclusion in the consolidated financial statements of the Group. Also, due to incomplete books and records, the Provisional Liquidators of the Company believe that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group and financial statements of the Company for the past years and, in particular prior to the appointment of the Provisional Liquidators on 25 February 2015. We were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification and disclosures of the transactions of the Group and the Company.

Given these circumstances, which are more fully disclosed in note 2 to the financial statements, there were no practicable audit procedures that we could perform to satisfy ourselves that the information and documents presented to us for the purpose of our audit are complete and accurate in all material respects, nor to quantify the extent of adjustments that might be necessary in respect of the Group's and Company's financial information.

As a result, in performing our audit on the consolidated financial statements of the Group for the year ended 31 December 2016, there were no practicable audit procedures that we could perform to satisfy ourselves whether the balances of assets, liabilities, contingent liabilities, commitments and reserves as at 1 January 2015 and 31 December 2016 were fairly stated.

Included in the note to the Company-level statement of financial position are interests in subsidiaries of RMB278,164,000 and RMB278,164,000 and loans to subsidiaries of RMB2,421,000 and RMB2,421,000 as at 31 December 2016 and 31 December 2015 respectively. Due to the scope limitations as mentioned above, we are unable to satisfy ourselves as to the fairness of the amounts carried as interests in subsidiaries and loans to subsidiaries in the Company-level statement of financial position or to determine whether any provision for impairment loss is necessary in respect of the above. Any adjustments would have a consequential effect on the net liabilities of the Company as at 31 December 2016 and 31 December 2015 and of its net loss for the years then ended and the related disclosures in the Company-level statement of financial position and reserves.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the net liabilities of the Group as at 1 January 2015, 1 January 2016 and 31 December 2016, and on its loss for the years ended 31 December 2016 and 2015, and the related disclosures thereof in the consolidated financial statements.

Non-compliance with IFRSs and Omission of Disclosures

As explained in note 2 to the consolidated financial statements, as the consolidated financial statements of the Group have been prepared by the Company's former management and the Provisional Liquidators have presented these financial statements based on incomplete books and records, the Provisional Liquidators believe it is almost impossible and not practicable to ascertain the correct amounts. Consequently, the Provisional Liquidators of the Company were unable to confirm whether the consolidated financial statements comply with IFRSs, or that the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited have been complied with. Given these circumstances, which are more fully described in note 2, there were no practicable audit procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Group's consolidated financial statements.

Investments in Unconsolidated Subsidiaries and Deconsolidation of Subsidiaries

As disclosed in note 7, due to incomplete books and records, the Provisional Liquidators of the Company have been unable to access the books and records of all subsidiaries of the Company (collectively referred to as "Unconsolidated Subsidiaries"). Due to the lack of complete books and records of the 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". Therefore, it is almost impossible, and not practical, to consolidate the financial statements of the Unconsolidated Subsidiaries into the Group's consolidated financial statements since 25 February 2015, the date of the appointment of the Provisional Liquidators of the Company.

However, no sufficient evidence has been provided to satisfy ourselves as to whether the Company had control of these Unconsolidated Subsidiaries since 25 February 2015 and throughout the years ended 31 December 2015 and 2016 and accordingly we have been unable to obtain sufficient reliable evidence to satisfy ourselves as to whether it is appropriate to exclude the Unconsolidated Subsidiaries from the consolidated financial statements and the loss on deconsolidation of unconsolidated subsidiaries.

The exclusion of the financial position and results of the Unconsolidated Subsidiaries in the consolidated financial statements is a departure from the requirements of International Financial Reporting Standard 10 "Consolidated Financial Statements".

Due to the lack of complete books and records of the Unconsolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence and explanations to determine whether the carrying values of the investments in the Unconsolidated Subsidiaries were free from material misstatement. Any adjustments that might have been found to be necessary would have a consequential significant effect on the Group's and the Company's net liabilities as at 31 December 2015 and 2016 and the Group's results for the years then ended.

Material Uncertainty related to Going Concern Basis

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Proposed Restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis of preparation of these consolidated financial statements.

Responsibilities of Directors of the Company and Those Charged with Governance for the Consolidated Financial Statements

The directors and the Provisional Liquidators of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other matters

The Provisional Liquidators were appointed on 25 February 2015. The Provisional Liquidators have recovered only limited books and records of the Company and they have used their reasonable endeavours to present the consolidated financial statements based on the information prepared by the former management of the Company available to them to date and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015 to fulfil the Company's responsibilities for the preparation of the consolidated financial statements in accordance with IFRSs.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 28 July 2017

Chan Wai Dune, Charles
Practising Certificate Number P00712

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** *RMB'000*	**2015** *RMB'000*
Revenue	*5*	–	–
Cost of sales		–	–
Gross profit		–	–
Other revenue and gains	*6*	–	–
Loss on deconsolidation of unconsolidated subsidiaries	*7*	–	(21,422,272)
Selling and distribution expenses		–	–
Other operating expenses		(4,438)	(53,693)
Finance costs	*8*	(191,318)	(180,695)
Loss before income tax	*9*	(195,756)	(21,656,660)
Income tax expense	*10*	–	–
(Loss) for the year		(195,756)	(21,656,660)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		–	–
Other comprehensive income for the year, net of tax		–	–
Total comprehensive (loss) for the year		(195,756)	(21,656,660)
		RMB cents	*RMB cents*
(Loss) per share	*11*		
– Basic and Diluted		(3.5)	(386.5)

The notes on pages 28 to 63 form an integral part of these financial statements. Details of dividends payable to owners of the company attributable to profit for the year are set out in note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** *RMB'000*	**2015** *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	1,011	1,011
Investment properties	*15*	–	–
Land use rights	*16*	–	–
Goodwill	*17*	–	–
Mining rights	*18*	–	–
Other intangible assets	*19*	–	–
Deposits and prepayments	*20*	–	–
Deferred tax assets	*28*	–	–
		1,011	1,011
Current assets			
Inventories	*22*	–	–
Trade and other receivables	*23*	–	–
Cash and bank balances	*24*	8,089	5,742
		8,089	5,742
Current liabilities			
Trade and other payables	*25*	24,767	17,982
Borrowings	*26*	1,924,661	1,733,343
Convertible bonds	*27*	1,084,388	1,084,388
Tax payable		–	–
		(3,033,816)	2,835,713
Net current (liabilities)		(3,025,727)	(2,829,971)
Total assets less current liabilities		(3,024,716)	(2,828,960)
Non-current liabilities			
Borrowings	*26*	3,727,903	3,727,903
Deferred tax liabilities	*28*	311,947	311,947
		4,039,850	4,039,850
Net (liabilities)		(7,064,566)	(6,868,810)
EQUITY			
Share capital	*29*	383	383
Reserves	*30(b)*	(7,064,949)	(6,869,193)
Total (deficit)		(7,064,566)	(6,868,810)

Based on the information made available to the Company, the consolidated financial statements on pages 24 to 63 were authorised for issue by the Company on 28 July 2017 and are signed on its behalf by:

For and on behalf of
China Lumena New Materials Corp.
(In Provisional Liquidation)

For and on behalf of
China Lumena New Materials Corp.
(In Provisional Liquidation)

Man Chun So
Joint Provisional Liquidator
Acting as agent of the Company
without liability and recourse

Yat Kit Jong
Joint Provisional Liquidator
Acting as agent of the Company
without liability and recourse

The notes on pages 28 to 63 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital *RMB'000*	Share premium* *RMB'000*	Capital redemption reserve* *RMB'000*	Employee share-based compensation reserve* *RMB'000*	Capital contribution* *RMB'000*	General reserve* *RMB'000*	Statutory reserve* *RMB'000*	Translation reserve* *RMB'000*	(Accumulated loss)/ Retained profits* *RMB'000*	Total *RMB'000*
At 31 December 2015 and 1 January 2016	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,184,273)	(6,868,810)
Loss for the year	–	–	–	–	–	–	–	–	(195,756)	(195,756)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	–	–	(195,756)	(195,756)
At 31 December 2016	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,380,029)	(7,064,566)

* These reserve accounts comprised the consolidated reserves of approximately loss of RMB 7,064,949,000 (2015: loss of RMB6,869,193,000) in the consolidated statement of financial position.

The notes on pages 28 to 63 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Share premium*	Capital redemption reserve*	Employee share-based compensation reserve*	Capital contribution*	General reserve*	Statutory reserve*	Translation reserve*	(Accumulated loss)/ Retained profits*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014 and 1 January 2015	383	10,193,681	5	193,814	103,539	(413,367)	721,199	275,104	4,472,387	15,546,745
Loss for the year	–	–	–	–	–	–	–	–	(21,656,660)	(21,656,660)
Other comprehensive income										
Reversal upon deconsolidation of unconsolidated subsidiaries	–	–	–	–	–	–	(721,199)	(37,696)	–	(758,895)
Total comprehensive loss for the year	–	–	–	–	–	–	(721,199)	(37,696)	(21,656,660)	(22,415,555)
At 31 December 2015	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,184,273)	(6,868,810)

* These reserve accounts comprised the consolidated reserves of approximately (loss of RMB6,869,193,000) (2014: profits of RMB15,546,362,000) in the consolidated statement of financial position.

The notes on pages 28 to 63 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	RMB'000	*RMB'000*
Operating activities		
Loss before income tax	(195,756)	(21,656,660)
Loss on deconsolidation of unconsolidated subsidiaries	–	21,422,272
	(195,756)	(234,388)
Changes in working capital		
Decrease in inventories	–	71,670
Decrease in trade and other receivables	–	1,126,892
Increase/(decrease) in trade and other payables	6,785	(924,367)
Net cash (used in)/generated from operating activities	(188,971)	39,807
Investing activities		
Net cash outflows from deconsolidation of unconsolidated subsidiaries	–	(5,067,595)
Net cash used in investing activities	–	(5,067,595)
Financing activities		
Increase in bank borrowings	191,318	–
Repayment of bank borrowings	–	(94,805)
Net cash generated from (used in) financing activities	191,318	(94,805)
Net increase/(decrease) in cash and cash equivalents	2,347	(5,122,593)
Cash and cash equivalents at 1 January	5,742	5,128,335
Cash and cash equivalents at 31 December	8,089	5,742

The notes on pages 28 to 63 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") was incorporated in the Cayman Islands on 12 April 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The current address of the Company's registered office is located at c/o PwC Corporate Finance & Recovery (Cayman) Limited, PO Box 258, 4th Floor, 18 Forum Lane, Grand Cayman, Cayman Islands, KY1-1104 and its current principal place of business is situated at 22/F., Prince's Building, Central, Hong Kong.

The Company and its subsidiaries (collectively the "Group") were engaged in the following principal activities during the year:

- Manufacturing and selling of polyphenylene sulfide ("PPS") products including PPS resin, PPS fibre and PPS compounds; and
- Processing and selling of powder thenardite, specialty thenardite and medical thenardite

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Provisional Liquidators have presented in these financial statements the financial information prepared by the Company's former management and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015. The Provisional Liquidators note that the historical information in respect of the Company prior to such appointment date as provided to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position and may contain errors. The Provisional Liquidators provide no assurance for the financial statements, financial position and results contained herein which are presented solely for the purpose of meeting the listing requirements. The Provisional Liquidators do not accept or assume responsibility for these financial statements for any purpose or to any person to whom these financial statements are shown or into whose hands they may come.

Suspension of trading of the Company's shares

Trading in the shares of the Company on the Stock Exchange has been suspended since 25 March 2014.

Winding up Petition

On 29 January 2015, the board (the "Board") of directors (the "Directors") of the Company received a winding up petition dated 19 January 2015 filed by Mega International Commercial Bank Co., Ltd. (the "Petitioner" or "MICB") against the Company (the "Winding Up Petition") with the Grand Court of the Cayman Islands (the "Grand Court") which was served at the Company's registered office in the Cayman Islands.

It was alleged in the Winding Up Petition that the Company was indebted to and had failed to satisfy the Lenders (as defined below) of such debt in the total sum of US$89,764,378.88 as at 16 January 2015, comprising the principal amount of a loan of US$85,000,000 (the "Loan"), accrued unpaid interest thereon of US$880,436.38 and accrued unpaid default interest thereon of US$3,883,942.50. Pursuant to the Winding Up Petition, the aforesaid amounts were owed pursuant to a loan agreement dated 22 April 2013 (the "Loan Agreement") entered into by (i) the Company (as borrower), (ii) the Petitioner, Cathay United Bank, China Development Industrial Bank, Ta Chong Bank Ltd., Taipei Fubon Commercial Bank Co., Ltd., Taishin International Bank Co., Ltd., Taiwan Business Bank and Bank of East Asia, Limited (as lenders) (collectively, the "Lenders"), and (iii) the Petitioner (as arranger and agent for the Lenders) in respect of the Loan.

Under the Winding Up Petition, the Petitioner sought to wind up the Company and to appoint liquidators.

Appointment of the Provisional Liquidators

On 25 February 2015, Mr. Man Chun So, Mr. Yat Kit Jong and Mr. David Walker were appointed Provisional Liquidators of the Company with the power to act jointly and severally pursuant to the Order made by the Grand Court until further notice.

On 2 August 2016, the Grand Court made a further Order releasing Mr David Walker from the obligation to perform any further duties in his capacity as provisional liquidator and replacing him with Mr Simon Conway.

Since the appointment, the Provisional Liquidators have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets. The Provisional Liquidators have recovered limited books and records from the Company's head office principal place of business in Hong Kong. None of the directors of the Company have advised the Provisional Liquidators of the whereabouts of the statutory books and records, or books and records of the Group including the subsidiaries incorporated in the PRC.

Proposed Restructuring of the Group

On 23 September 2016, the Company entered into the Restructuring Framework Agreement with the Investors, pursuant to which the Company will implement a restructuring of the Company's equity and debt.

Pursuant to the Restructuring Framework Agreement, the Company will carry out the Proposed Restructuring which comprises: (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; (iv) the Subscription; (v) the Acquisition; (vi) Reverse Takeover; and (vii) Whitewash Waiver.

Following the entering into of Restructuring Framework Agreement, the Company submitted the Resumption Proposal to the Stock Exchange before the expiry of the third delisting stage to seek the resumption of trading of the Company's shares. On 24 October 2016, the Company received a letter of even date 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. If the Company fails to submit a new listing application by 31 March 2017, or the transactions proposed in the Resumption Proposal fail to proceed for any reason, the Stock Exchange will proceed with cancelling the Company's listing on the Stock Exchange.

On 31 March 2017, a new listing application has been submitted to the Stock Exchange.

Proposed Capital Reorganisation

For the Proposed Restructuring, the Company proposes to implement, subject to the approval by the shareholders, the capital reorganisation. The capital reorganisation will comprise the share consolidation, the authorised share capital cancellation and the authorised share capital increase.

Creditors Schemes

Pursuant to the terms of the Restructuring Framework Agreement, it is proposed that the Creditors Schemes will be implemented after approval has been granted by the High Court of Hong Kong (the "High Court"), the Grand Court and the creditors.

Upon completion of the Creditors Schemes, all the claims of the creditors against the Company, and liabilities of the Company will be discharged and released in full. All existing assets of the Group will be transferred to the scheme company or scheme administrators of the Creditors Schemes, such that the only assets of the Company will be the target group on completion.

The Open Offer

Subject to the capital reorganisation becoming effective, the Company will implement the Open Offer of new shares on the basis of one offer share for every new share held on the Open Offer record date by the qualifying shareholders. A total of 560,385,939 offer shares will be allotted and issued by the Company at the offer price of HK$0.06 cash for each offer share and the gross proceeds raised via the issuance of the offer shares will be approximately HK$33.6 million. The Open Offer is only available to qualifying shareholders. The Open Offer will be conditional upon completion of the Proposed Restructuring. The Open Offer will be fully underwritten by an underwriter, being an independent third party and not acting in concert with the Concert Group.

The Subscription

Pursuant to the Restructuring Framework Agreement, the subscribers will subscribe for 1,120,771,878 subscription shares at the price of HK$0.06 per subscription shares for an aggregate subscription price of HK$67.2 million.

The Acquisition

Under the Restructuring Framework Agreement, the Company will purchase the sale equity interest from the Investors. Upon the completion of the Acquisition, the target group will become wholly owned subsidiaries of the Company.

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 unaudited combined net asset value of the target group as at 31 December 2015; (ii) the profitability of the target group based on the unaudited financial information of the target group provided by the Investors; (iii) the business prospects of the target group; (iv) the earning multiples of companies engaged in a similar line of business to the target group located in Singapore and Malaysia; and (v) the market leader position and significant presence of the target group in the precast hollow-core concrete wall panel industry in Singapore.

The consideration shall be satisfied by the issuance and allotment of 8,966,175,024 consideration shares at the consideration price of HK$0.06 each upon the completion of the Acquisition.

The completion of the Subscription, the Acquisition and the Open Offer, which form part of the Proposed Restructuring, will be inter-conditional upon each other.

Reverse Takeover

The Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and therefore 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.

Whitewash Waiver

Upon the completion of the Acquisition, the Concert Group will, in aggregate, hold approximately 80.0% of the share capital of the Company after the capital reorganisation and as enlarged by the offer shares, the subscription shares and the consideration shares. As such, the Concert Group would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the concert group) 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 Securities and Futures Commission (the "SFC"). The Investors will make an application to the SFC for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

Incomplete books and records

Due to the limited information available, the Company was unable to obtain sufficient documentary information regarding the completeness of books and records and the treatment of various balances as included in the consolidated financial statements for the year ended 31 December 2016 and have formed the opinion as follows:

As the consolidated financial statements have been prepared based on the incomplete books and records available to the Company, the Company is unable to represent that all transactions entered into by the Group for the year ended 31 December 2016 have been properly reflected in the consolidated financial statements. As such, the Provisional Liquidators of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of the financial statements in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Provisional Liquidators have recovered only limited books and records of the Company. However, the Provisional Liquidators have used their reasonable endeavours to prepare the consolidated financial statements based on the information available to them to date.

Going concern

The Group has received a winding up petition filed by the Petitioner against the Company and it was alleged in the Winding Up Petition that the Company was indebted to and failed to satisfy the Lenders. In preparing these consolidated financial statements, the Company has given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to generate a profit and attain positive cash flows from operations in the immediate and longer term.

Based on the cash flow projections of the Group and having taken into account the assumption that the Proposed Restructuring of the Company, as mentioned above, will be successfully completed, the Company has concluded that the Group and the Company is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

Except for the matters referred to in note 2, including certain disclosures as required under International Financial Reporting Standards (the "IFRSs"), Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), these financial statements have been prepared in accordance with IFRSs, which collective term includes all applicable individual IFRSs, International Accounting Standards (the "IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance and Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3.26 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3.2 Basis of consolidation

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (collectively referred to as the "Group").

The functional currency of the Company is Hong Kong dollars ("HKD"), while the financial statements are presented in Renminbi ("RMB"). As the major subsidiaries of the Group are operating in the PRC and the functional currency of the major subsidiaries is RMB, the Company consider that it will be more appropriate to adopt RMB as the Group's and the Company's presentation currency.

The consolidated financial statements have been prepared under historical cost basis except for investment properties and convertible bonds which are measured at fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

3.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3.4.1 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with IAS 12 Income Taxes;

- assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3.4.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro – rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Construction-in-progress ("CIP") and asset under construction ("AUC") represent buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost comprises direct costs of construction and acquisition, as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided on CIP and AUC until it is completed and ready for intended use.

Building and mining structures (including leasehold improvements)	4 to 30 years
Furniture, machinery and equipment	5 to 20 years
Motor vehicles	5 to 12 years

The assets' estimated useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the consolidated statement of financial position at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably measured at that time. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.7 Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

3.7.1 Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

3.7.2 Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3.5. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3.10. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

3.7.3 Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

3.7.4 Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

3.8 Intangible assets (other than goodwill)

Trademark acquired in a business combination

Trademark acquired in a business combination is identified and recognised separately from goodwill where it satisfies the definition of an intangible asset. It is measured on initial recognition at cost which is the fair value as at the date of acquisition. Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such intangible assets are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable.

Customer relationship, patents and technical know-how acquired in a business combination

The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

3.9 Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment loss and are amortised on a straight-line basis over the estimated useful life, which is the shorter of the contractual period and the estimated period of extraction (based on the total proven and probable reserves of the mines), from the date such mine is available for use.

3.10 Impairment of assets

3.10.1 Other receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade receivables and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.10.2 Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– other intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

3.10.3 Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

3.12 Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 3.10.1).

3.13 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

3.14 Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

3.15 Convertible bonds

The convertible bonds of U.S. dollars ("USD") 120 million issued by the Company that contain both the liability and conversion option are classified separately into their respective items on initial recognition. As the convertible bonds can be converted to equity share capital at the option of the bondholders, where the number of shares that would be issued on conversion and the value of consideration would be received at that time do not vary, these are accounted for as an equity instrument.

The liability component of the convertible bonds of USD120 million is determined using a market rate for an equivalent non-convertible bond. The equity component of the convertible bonds of USD120 million is then the residual after deducting the fair value of liability from the fair value of the convertible bonds of USD120 million. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds equity reserve until either the convertible bonds are converted, redeemed or matured.

If the convertible bonds are converted, the convertible bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the convertible bonds equity reserve is released directly to retained profits.

Upon issuance of the convertible bonds, the bondholders were also granted an option to subscribe for the additional convertible bonds in an aggregate principal amount of up to USD100 million (the "loan commitment"). The option is exercisable during the period commencing on the date of completion of the subscription for the convertible bonds and ending on the first anniversary of such date.

If it is probable that the Group will enter into a specific lending arrangement and the loan commitment is not within the scope of IAS 39, the loan commitment fees received is regarded as compensation for the ongoing involvement with the issuance of a financial instrument and is deferred and recognised as an adjustment to the effective interest rate. If the loan commitment expires without the Group making the loan, the fee is recognised as revenue on expiry.

If it is not probable that the Group will enter a specific lending arrangement, and the loan commitment is not within the scope of IAS 39, the loan commitment fees received are recognised as revenue on a time proportion basis over the commitment period.

Loan commitments within the scope of IAS 39 are accounted for as derivatives and measured at fair value.

3.16 Employee benefits

3.16.1 Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Defined contribution retirement plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to defined contribution plans are recognised in the financial year when they are due.

A liability for a termination benefit is recognised at the earlier when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3.16.2 Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3.17 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax loses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3.6, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3.18 Financial guarantees issued, provisions and contingent liabilities

3.18.1 Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.18.3 if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

3.18.2 Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3.18.3. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3.18.3.

3.18.3 Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in normal course of business, net of goods returns, discounts and sales related taxes.

Sale of goods

Revenue from sales of goods is recognised when goods are delivered and title have passed, at which time all the following conditions are satisfied:

- the seller has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the seller; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the recipient and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income under operating leases on investment properties is recognised on straight-line basis over the lease terms.

3.20 Foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Renminbi at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.22 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

3.23 Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

3.24 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the executive directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they are share a majority of these criteria.

3.25 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3.26 Application of new and revised International Financial Reporting Standards

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") that are first effective for the current accounting period.

Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 11	Accounting for Acquisitions of interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IAS 1	Disclosure Initiative
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs issued

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and revised IFRSs are immaterial.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material judgement to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. The recoverable amounts of CGU have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates.

(ii) Impairment of other assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. When fair value less costs to sell calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the evaluation of collectability and ageing analysis of receivables and on management's judgement. A considerable amount of judgement is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtor. Management will reassess the provision at each reporting date. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payment, additional allowances may be required.

(iv) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for the property, plant and equipment of the Group. This estimate is based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(v) Estimate of fair value of investment properties

As disclosed in note 3.6, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

(vi) Provision for reclamation and closure cost

Provision for reclamation and closure cost is estimated based on management's interpretation of current regulatory requirements and their past experiences. Provision set up, if any, is reviewed regularly by management to ensure it properly reflects the obligation arising from mining and exploration activities.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net amounts received and receivable for goods sold, less value-added tax and sales returns, for the year. The amount of each significant category of the revenue recognised is as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Revenue from PPS business		
– Coating-grade PPS resin	–	–
– Injection-moulding-grade PPS resin	–	–
– Film-grade PPS resin	–	–
– PPS fibre	–	–
– PPS compounds	–	–
	–	–
Revenue from mining and thenardite business		
– Powder thenardite	–	–
– Medical thenardite	–	–
– Specialty thenardite	–	–
Revenue	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the revenue of the Group as of the date of publication of these consolidated financial statements and no disclosure of the segment information is available.

6. OTHER REVENUE AND GAINS

	2016	**2015**
	RMB'000	*RMB'000*
Other revenue and gains	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the other revenue and gains of the Group as of the date of publication of these consolidated financial statements.

7. LOSS ON DECONSOLIDATION OF UNCONSOLIDATED SUBSIDIARIES

As disclosed in note 2, due to incomplete books and records, the provisional liquidators of the Company have been unable to access the books and records of all subsidiaries of the Company (collectively referred to as "Unconsolidated Subsidiaries"). Due to the lack of complete books and records of the 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". Therefore it is almost impossible, and not practical, to consolidate the financial statements of the Unconsolidated Subsidiaries into the Group's consolidated financial statements since 25 February 2015, the date of the appointment of the provisional liquidators of the Company.

	2015
	RMB'000
Net assets of the subsidiaries deconsolidated:	
Property, plant and equipment	9,733,683
Investment property	107,100
Land use rights	248,734
Goodwill	5,737,139
Mining rights	298,544
Other intangible assets	912,493
Deposits and prepayments	24,244
Deferred tax assets	217,850
Inventories	71,670
Trade and other receivables	1,108,243
Cash and bank balances	5,093,581
Trade and other payables	(930,399)
Borrowings	(275,500)
Deferred tax liabilities	(42,098)
Tax payable	(124,117)
Net assets deconsolidated	22,181,167
Statutory Reserves released upon deconsolidation of subsidiaries	(721,199)
Translation Reserves released upon deconsolidation of subsidiaries	(37,696)
Loss on deconsolidation of unconsolidated subsidiaries	21,422,272

Note: The amount represented the carrying amount on the consolidated statement of financial position as at 25 February 2015 and the amount being deconsolidated upon the deconsolidation of unconsolidated subsidiaries on 25 February 2015.

Cash and cash equivalents for the purposes of the consolidated statement of cash flows represented the cash outflow of approximately RMB5,067,595,000 upon deconsolidation.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, occurrence, cut-off, classification and accuracy of the loss on deconsolidation of unconsolidated subsidiaries as of the date of publication of these consolidated financial statements.

8. FINANCE COSTS

	2016	**2015**
	RMB'000	*RMB'000*
Total finance costs	191,318	180,695

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the finance costs of the Group as of the date of publication of these consolidated financial statements.

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging and (crediting) the following items:

	2016	**2015**
	RMB'000	*RMB'000*
Auditor's remuneration	258	244
Amortisation of land use rights *(note (i))*	–	–
Amortisation of mining rights *(note (i))*	–	–
Amortisation of other intangible assets *(note (i))*	–	–
Cost of inventories recognised as an expense	–	–
Depreciation of property, plant and equipment	–	–
Impairment of trade and other receivables	–	18,649
Write-off of cash and bank balances	–	29,034
Operating lease charges on rented premises	–	–
Outgoings in respect of investment properties	–	–
Research expenses	–	–
Staff costs (including directors' remuneration) *(note (ii))*		
– Wages, salaries and bonus	3,324	4,401
– Equity-settled share-based payment *(note 31)*	–	–
– Contribution to defined contribution pension plans	–	–
	3,324	4,401

Note:

(i) Amounts have been included in other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

(ii) Due to incomplete books and records, the Provisional Liquidators were unable to ascertain the information about five highest paid individuals during the Reporting Period.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of profit before taxation of the date of publication of these consolidated financial statements.

10. INCOME TAX EXPENSE

	2016	**2015**
	RMB'000	*RMB'000*
Total income tax expenses	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the income tax expenses of the Group as of the date of publication of these consolidated financial statements.

11. LOSS PER SHARE

Basic

The calculation of basic loss per share is based on the loss for the year of approximately RMB195,756,000 (2015: RMB21,656,660,000) and the weighted average number of 5,603,859,393 (2015: 5,603,859,393) ordinary shares in issue during the year.

Diluted

Diluted loss per share equals to basic loss per share for the years ended 31 December 2016 and 2015 because the share options outstanding were anti-dilutive.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of earnings per share as of the date of publication of these consolidated financial statements.

12. DIVIDENDS

No dividend was declared during the year (2015: Nil).

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of dividends as of the date of approval of these consolidated financial statements.

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Directors' fee	–	–
Salaries allowance and bonus	3,126	3,875
Contribution to pension plans	–	–
Equity-settled share-based payments	–	–
Total	3,126	3,875

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the directors' remuneration and senior management's emoluments as of the date of publication of these consolidated financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	2016	**2015**
	RMB'000	*RMB'000*
Net carrying amount at 1 January	1,011	9,734,694
Deconsolidation of subsidiaries *(note 7)*	–	(9,733,683)
Net carrying amount at 31 December	1,011	1,011

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the property, plant and equipment of the Group as of the date of publication of these consolidated financial statements.

15. INVESTMENT PROPERTIES

	2016	2015
	RMB'000	*RMB'000*
Fair value		
At 1 January	–	107,100
Deconsolidation of subsidiaries *(note 7)*	–	(107,100)
At 31 December	–	–

Investment properties represent buildings and land use rights located in the PRC.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the investment properties of the Group as of the date of publication of these consolidated financial statements.

16. LAND USE RIGHTS

	2016	2015
	RMB'000	*RMB'000*
Net carrying amount at 1 January	–	248,734
Deconsolidation of subsidiaries *(note 7)*	–	(248,734)
Net carrying amount at 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the land use rights of the Group as of the date of publication of these consolidated financial statements.

17. GOODWILL

	2016	2015
	RMB'000	*RMB'000*
Acquisition through business combination – PPS products CGU	–	5,737,139
Deconsolidation of subsidiaries *(note 7)*	–	(5,737,139)
At 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the goodwill of the Group as of the date of publication of these consolidated financial statements.

18. MINING RIGHTS

	2016	2015
	RMB'000	*RMB'000*
Net carrying amount at 1 January	–	298,544
Deconsolidation of subsidiaries *(note 7)*	–	(298,544)
Net carrying amount at 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the mining rights of the Group as of the date of publication of these consolidated financial statements.

19. OTHER INTANGIBLE ASSETS

	2016	2015
	RMB'000	*RMB'000*
Net carrying amount at 1 January	–	912,493
Deconsolidation of subsidiaries *(note 7)*	–	(912,493)
Net carrying amount at 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the other intangible assets of the Group as of the date of publication of these consolidated financial statements.

20. DEPOSITS AND PREPAYMENTS

	2016	2015
	RMB'000	*RMB'000*
Total deposits and prepayments at 1 January	–	24,244
Deconsolidation of subsidiaries *(note 7)*	–	(24,244)
Total deposits and prepayments at 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the deposits and prepayments of the Group as of the date of publication of these consolidated financial statements.

21. INTERESTS IN SUBSIDIARIES

	2016	2015
	RMB'000	*RMB'000*
Total investment in and amounts due from subsidiaries	278,164	9,225,281
Impairment loss	–	(8,947,117)
Total investment in and amounts due from subsidiaries at 31 December	278,164	278,164

The following list contains the particulars of the principal subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Country/place of incorporation/ establishment and type of legal entity	Particulars issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
Rich Light International Limited	Incorporated in the British Virgin Islands (the "BVI"), limited liability company	USD100	100%	Investment holding
Sino Polymer New Materials Co., Ltd.	Incorporated in the Cayman Islands, limited liability company	USD100,000,000	100%	Investment holding
Interests held indirectly				
Top Promise Resources Limited	Incorporated in Hong Kong, limited liability company	One ordinary share	100%	Investment holding
Haton Polymer & Fibre Limited	Incorporated in the BVI, limited liability company	USD0.1	100%	Investment holding
Haton Polymer Limited	Incorporated in Hong Kong limited liability company	One ordinary share	100%	Investment holding

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the interests in subsidiaries of the Company and amounts due from subsidiaries as of the date of publication of these consolidated financial statements.

22. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
At 1 January	–	71,670
Deconsolidation of subsidiaries *(note 7)*	–	(71,670)
At 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the inventories of the Group as of the date of publication of these consolidated financial statements.

23. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Net carrying amount at 1 January	–	1,126,892
Deconsolidation of subsidiaries *(note 7)*	–	(1,108,243)
Impairment loss on trade and other receivables	–	(18,649)
Net carrying amount at 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other receivables as of the date of publication of these consolidated financial statements.

24. CASH AND BANK BALANCES

	2016	2015
	RMB'000	*RMB'000*
Cash and bank balances	8,089	5,099,323
Deconsolidation of subsidiaries *(note 7)*	–	(5,093,581)
Cash and bank balances as stated in the statement of financial position at 31 December	8,089	5,742

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the cash and bank balances and the underlying cash transactions at the date of publication of these consolidated financial statements.

25. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade and other payables	24,767	948,381
Deconsolidation of subsidiaries *(note 7)*	–	(930,399)
At 31 December	24,767	17,982

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other payables as the date of publication of these consolidated financial statements.

26. BORROWINGS

The Group's borrowings were repayable as follows:

	2016	2015
	RMB'000	*RMB'000*
Current	1,924,661	2,008,843
Deconsolidation of subsidiaries *(note 7)*	–	(275,500)
	1,924,661	1,733,343
Non-current	3,727,903	3,727,903
At 31 December	5,652,564	5,461,246

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the borrowings as of the date of publication of these consolidated financial statements.

27. CONVERTIBLE BONDS

On 7 April 2011, the Company entered into a subscription agreement (the "Subscription Agreement") with Stable Investment Corporation ("SIC"), a wholly-owned subsidiary of China Investment Corporation and CITIC Capital China Access Fund Limited ("CITIC Capital"). Pursuant to the Subscription Agreement, SIC and CITIC Capital agreed to subscribe for the convertible bonds of the Company in an aggregate principal amount of USD120,000,000 (equivalent to approximately RMB779,229,000) at 6% interest rate per annum (the "Convertible Bonds") with maturity on 12 May 2014 (the "Maturity Date"). In addition, the Company has granted SIC and CITIC Capital an option to subscribe for the additional convertible bonds in an aggregate principal amount of up to USD100,000,000 (the "Additional Convertible Bonds"), exercisable during the period commencing on the date of completion of the subscription for the Convertible Bonds and ending on the first anniversary of such date. The terms and conditions of the Additional Convertible Bonds will be the same as the terms and conditions of the Convertible Bonds as set out in the Subscription Agreement in all respect except for (i) the conversion price and (ii) the first payment of interest. No further bond interest had been accrued after the Maturity Date subject to the negotiation with bondholders.

Interest of the Convertible Bonds is repayable quarterly in arrear on 31 March, 30 June, 30 September and 31 December commencing on 30 September 2011.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Convertible Bonds at 148.15% of its principal amount together with accrued and unpaid interest on the Maturity Date. Based on the information available to the Company to date, there is no information in relation to the redemption, conversion, purchase or cancellation of the Convertible Bonds.

The carrying amount of the liability component of the Convertible Bonds is set out as below:

	Group and Company Liability component	
	2016	**2015**
	RMB'000	*RMB'000*
Carrying amount as at 31 December	1,084,388	1,084,388

Analysed for reporting purposes as:

	Group and Company Liability component
	RMB'000
As at 31 December 2015 and 2016	
Convertible Bonds included in current liabilities	1,084,388

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the Convertible Bonds as the date of publication of these consolidated financial statements.

28. DEFERRED TAX ASSETS/LIABILITIES – GROUP

	2016	2015
	RMB'000	*RMB'000*
Deferred tax assets at 1 January	–	(217,850)
Deconsolidation of subsidiaries *(note 7)*	–	217,850
Deferred tax assets at 31 December	–	–
Deferred tax liabilities at 1 January	311,947	354,045
Deconsolidation of subsidiaries *(note 7)*	–	(42,098)
Deferred tax liabilities at 31 December	311,947	311,947
Net deferred tax liabilities	311,947	311,947

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the deferred tax assets/liabilities of the Group as of the date of publication of these consolidated financial statements.

29. SHARE CAPITAL

	Number of ordinary shares	Nominal value	
		USD	*RMB'000*
Authorised:			
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000,000	100,000	718
Issued and fully paid:			
At 1 January 2015, 31 December 2015 and 2016	5,603,859,393	56,039	383

Note: For the year ended 31 December 2016, no shares were issued. For the year ended 31 December 2015, no shares were issued.

30. RESERVES

(a) Company

The movement of the Company's reserves are as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	(4,698,093)	6,688,517
Recognition of share-based payments	–	–
Dividend paid	–	–
Loss for the year	(140,276)	(11,386,610)
Exchange gain/(loss) on translation of financial statements of foreign operations	–	–
At 31 December	(4,838,369)	(4,698,093)

(b) Group

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

Employee share-based compensation reserve

Employee share-based compensation reserve is comprised of the fair value of the actual or estimated number of unvested share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based employee compensation set out in note 3.16.

General reserve

General reserve represents the difference between the net assets acquired by the Group and the consideration paid for the acquisition of additional interests in subsidiaries.

Capital contribution

On 23 June 2007, the Company entered into a facility agreement with Credit Suisse, Singapore Branch and Credit Suisse International for an USD bank loan. On the same date, the Company and its shareholders are required to enter into another agreement in respect of an instrument constituting warrants to purchase shares in the Company for the provision of the facility. The warrants were issued by a shareholder of the Company to Credit Suisse, Singapore Branch and Credit Suisse International, the warrant holders, with a right to purchase a specified amount of the Company's shares within a specific period. Due to the fact that the facility arrangements were specially for the purpose of capital injection in Chuanmei Glauber Salt and the acquisition of mines, and these facility arrangements were secured by the warrants and guarantees provided by shareholders, accordingly, the capital contribution of the Group and the Company represented the fair value of the warrants which entitled the warrant holders to purchase for the share capital of the Company from a shareholder as well as the guarantees provided by the shareholders of the Company.

Statutory reserves

– *Statutory surplus reserve*

According to the relevant laws and regulations in the PRC, subsidiaries of the Group are required to transfer 10% of their profits after taxation after setting off the accumulated losses brought forward from prior years, as determined under PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Any further appropriation is optional. These reserves may be used to make good previous years' losses, if any, and may be converted to increase paid-up capital of the respective entities.

– *Statutory public welfare fund*

In accordance with the relevant laws and regulations in the PRC, the subsidiaries of the Group is required to appropriate certain portion of its profits after tax, as determined in accordance with the PRC Accounting Regulations, to the statutory public welfare fund but the amount of appropriation is determined by the board of directors. The statutory public welfare fund shall only apply to collective welfare of staff and workers and welfare facilities remain as properties of the Group.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the reserves of the Group and Company as of the date of publication of these consolidated financial statements.

31. SHARE-BASED EMPLOYEE COMPENSATION

(i) Pre-IPO share option scheme

Pursuant to a written resolution approved by the Company's shareholders on 30 April 2008, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") became effective. Certain executive directors, senior managerial staff and employees of the Group were granted options to recognise their contributions to the Group. Under the Pre-IPO Share Option Scheme, 198 individuals (the "Grantees") comprised of 3 directors, 7 senior managerial staff and 188 employees of the Group, were granted options conditionally. The exercise of the options would entitle the Grantees to purchase an aggregate of 76,000,000 shares of the Company immediately following completion of the global offering and the capitalisation issue at the offer price. The options vested on 16 June 2009, the date on which the shares of the Company were listed on the Stock Exchange (the "Listing Date"), and the Grantees remain in employment for a certain period of time. The options are exercisable by instalments and up to 7 years since the Listing Date. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The Group would receive HKD1.00 for each grant under the Pre-IPO Share Option Scheme.

The fair value of the options is determined using the Binomial Option Pricing Model that takes into account factors specific to the share incentive plans. The following table lists the inputs to the model used:

Expected volatility*	47.88%
Risk-free interest rate	2.544%
Dividend yield	3.93%
Expected life of option	7 years
Fair value at grant date	HKD0.51 – HKD0.59
Exercise price at the date of grant	HKD1.659

* The expected volatility is assumed based on the historical volatilities of the share prices of the comparable companies. It is assumed that the volatility is constant throughout the option life.

(ii) Share option scheme

In order to comply with the Listing Rules of Main Board regarding share option scheme of a Company, a share option scheme (the "Share Option Scheme") was adopted by the Company on 26 May 2009.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who work for the interest of the Group. Eligible participants of the Share Option Scheme include executive directors, non-executive directors, employees, consultants, advisers and other service providers. The Share Option Scheme became effective on 26 May 2009 and, unless otherwise cancelled or amended will remain in force for 10 years from that date.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The share options vest upon the commencement of the exercise period which is determined by the Board at the date of grant. The grantees are entitled to exercise the share options upon fulfilment of all requirements set out in the Share Option Scheme.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the share option outstanding as at 31 December 2016 and 2015 for the Company as of the date of publication of these consolidated financial statements.

32. COMPANY – LEVEL STATEMENT OF FINANCIAL POSITION

	2016	2015
	RMB'000	*RMB'000*
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	278,164	278,164
Current assets		
Other receivables	–	–
Loans to subsidiaries	2,421	2,421
Cash and bank balances	7,510	4,907
	9,931	7,328
Current liabilities		
Other payables	24,767	17,982
Borrowings	1,384,346	1,248,252
Amounts due to subsidiaries	98,848	98,848
	1,507,961	1,365,082
Net current (liabilities)	(1,498,030)	(1,357,754)
Total assets less current liabilities	(1,219,866)	(1,079,590)
Non-current liabilities		
Borrowings	2,533,732	2,533,732
Convertible bonds	1,084,388	1,084,388
	3,618,120	3,618,120
Net (liabilities)/assets	(4,837,986)	(4,697,710)
EQUITY		
Share capital	383	383
Reserves	(4,838,369)	(4,698,093)
Total (deficit)/equity	(4,837,986)	(4,697,710)

The Provisional Liquidators of the Company acting as agents of the Company have no assurance towards the completeness, accuracy and validity towards the consolidated financial statements of the Company.

The notes on pages 28 to 63 form an integral part of these financial statements.

33. EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's proposed restructuring in progress, and further details of which are stated in note 2 to the consolidated financial statements.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

The Group has not early applied the following new and revised IFRSs that have been issued but not yet effective:

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
IFRS 9 (2014)	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
IFRS 16	Lease[4]
Amendments to IAS 7	Disclosure Initiative[2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Annual Improvements 2014-2016 Cycle	Amendments to a number of IFRSs[3]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2017.

3 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

4 Effective for annual periods on or after 1 January 2019.

The Group is in the process of making an assessment of what the impact of these new and revised IFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on these consolidated financial statements.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Provisional Liquidators on behalf of the Company, acting as agents of the Company without personal liabilities on 28 July 2017.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHINA LUMENA NEW MATERIALS CORP.
(IN PROVISIONAL LIQUIDATION)
(Incorporated in the Cayman Islands with limited liability)

Report on the Audit of the Consolidated Financial Statements

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") and its subsidiaries (together the "Group") set out on pages 25 to 68, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

Scope limitation due to incomplete books and records

Up to the date of this report, given the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the provisional liquidators acting as agents of the Company (without liability and recourse) ("the Provisional Liquidators") believe that it is almost impossible, and not practical, to ascertain the correct revenue and profit or loss (and the resultant assets and liabilities) for the current year for inclusion in the consolidated financial statements of the Group. Also, due to incomplete books and records, the Provisional Liquidators of the Company believe that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group and financial statements of the Company for the past years and, in particular prior to the appointment of the Provisional Liquidators on 25 February 2015. We were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification and disclosures of the transactions of the Group and the Company.

Given these circumstances, which are more fully disclosed in note 2 to the financial statements, there were no practicable audit procedures that we could perform to satisfy ourselves that the information and documents presented to us for the purpose of our audit are complete and accurate in all material respects, nor to quantify the extent of adjustments that might be necessary in respect of the Group's and the Company's financial information.

As a result, in performing our audit on the consolidated financial statements of the Group for the year ended 31 December 2017, there were no practicable audit procedures that we could perform to satisfy ourselves whether the balances of assets, liabilities, contingent liabilities, commitments and reserves as at 1 January 2016, 1 January 2017 and 31 December 2017 were fairly stated.

Included in the note to the Company-level statement of financial position are interests in subsidiaries of RMB278,164,000 and RMB278,164,000 and loans to subsidiaries of RMB2,421,000 and RMB2,421,000 as at 31 December 2017 and 31 December 2016 respectively. Due to the scope limitations as mentioned above, we are unable to satisfy ourselves as to the fairness of the amounts carried as interests in subsidiaries and loans to subsidiaries in the Company-level statement of financial position or to determine whether any provision for impairment loss is necessary in respect of the above. Any adjustments would have a consequential effect on the net liabilities of the Company as at 31 December 2017 and 31 December 2016 and of its net loss for the years then ended and the related disclosures in the Company-level statement of financial position and reserves.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the net liabilities of the Group as at 1 January 2016, 1 January 2017 and 31 December 2017, and on its loss for the years ended 31 December 2017 and 2016, and the related disclosures thereof in the consolidated financial statements.

Non-compliance with IFRSs and Omission of Disclosures

As explained in note 2 to the consolidated financial statements, as the consolidated financial statements of the Group have been prepared by the Company's former management and the Provisional Liquidators have presented these financial statements based on incomplete books and records, the Provisional Liquidators believe it is almost impossible and not practicable to ascertain the correct amounts. Consequently, the Provisional Liquidators of the Company were unable to confirm that the consolidated financial statements comply with International Financial Reporting Standards (the "IFRSs"), or that the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited have been complied with. Given these circumstances, which are more fully described in note 2, there were no practicable audit procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Group's consolidated financial statements.

Investments in Unconsolidated Subsidiaries and Deconsolidation of Subsidiaries

As disclosed in note 7 to the consolidated financial statements, due to incomplete books and records, the Provisional Liquidators of the Company have been unable to access the books and records of all subsidiaries of the Company (collectively referred to as "Unconsolidated Subsidiaries"). Due to the lack of complete books and records of the 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". Therefore, it is almost impossible, and not practical, to consolidate the financial statements of the Unconsolidated Subsidiaries into the Group's consolidated financial statements since 25 February 2015, the date of the appointment of the Provisional Liquidators of the Company.

However, no sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of these Unconsolidated Subsidiaries since 25 February 2015 and throughout the years ended 31 December 2016 and 2017 and accordingly we have been unable to obtain sufficient reliable evidence to satisfy ourselves as to whether it is appropriate to exclude the Unconsolidated Subsidiaries from the consolidated financial statements and the loss on deconsolidation of unconsolidated subsidiaries.

The exclusion of the financial position and results of the Unconsolidated Subsidiaries in the consolidated financial statements is a departure from the requirements of International Financial Reporting Standard 10 "Consolidated Financial Statements".

Due to the lack of complete books and records of the Unconsolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence and explanations to determine whether the carrying values of the investments in the Unconsolidated Subsidiaries were free from material misstatement. Any adjustments that might have been found to be necessary would have a consequential significant effect on the Group's and the Company's net liabilities as at 31 December 2016 and 2017 and the Group's results for the years then ended.

Material Uncertainty related to Going Concern Basis

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Proposed Restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis of preparation of these consolidated financial statements.

Responsibilities of Directors of the Company and Those Charged with Governance for the Consolidated Financial Statements

The directors and Provisional Liquidators acting as agents of the Company (without liability and recourse) (the "Provisional Liquidators") are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors and Provisional Liquidators determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors and Provisional Liquidators are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other matters

The Provisional Liquidators were appointed on 25 February 2015. The Provisional Liquidators have recovered only limited books and records of the Company and they have used their reasonable endeavours to present the consolidated financial statements based on the information prepared by the former management of the Company available to them to date and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015 to fulfil the Company's responsibilities for the preparation of the consolidated financial statements in accordance with IFRSs.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 28 February 2018

Chan Wai Dune, Charles
Practising Certificate Number P00712

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** *RMB'000*	**2016** *RMB'000*
Revenue	*5*	–	–
Cost of sales		–	–
Gross profit		–	–
Other revenue and gains	*6*	–	–
Loss on deconsolidation of unconsolidated subsidiaries	*7*	–	–
Selling and distribution expenses		–	–
Other operating expenses		(5,416)	(4,438)
Finance costs	*8*	(178,585)	(191,318)
Loss before income tax	*9*	(184,001)	(195,756)
Income tax expense	*10*	–	–
Loss for the year		(184,001)	(195,756)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		–	–
Other comprehensive income for the year, net of tax		–	–
Total comprehensive loss for the year		(184,001)	(195,756)
		RMB cents	*RMB cents*
Loss per share	*11*		
– Basic		(3.3)	(3.5)
– Diluted		(3.3)	(3.5)

The notes on pages 29 to 68 form part of these financial statements. Details of dividends payable to owners of the company attributable to profit for the year are set out in note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** *RMB'000*	**2016** *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	1,011	1,011
Investment properties	*15*	–	–
Land use rights	*16*	–	–
Goodwill	*17*	–	–
Mining rights	*18*	–	–
Other intangible assets	*19*	–	–
Deposits and prepayments	*20*	–	–
Deferred tax assets	*28*	–	–
		1,011	1,011
Current assets			
Inventories	*22*	–	–
Trade and other receivables	*23*	–	–
Cash and bank balances	*24*	6,685	8,089
		6,685	8,089
Current liabilities			
Trade and other payables	*25*	28,779	24,767
Borrowings	*26*	2,103,246	1,924,661
Convertible bonds	*27*	1,084,388	1,084,388
Tax payable		–	–
		3,216,413	3,033,816
Net current liabilities		(3,209,728)	(3,025,727)
Total assets less current liabilities		(3,208,717)	(3,024,716)
Non-current liabilities			
Borrowings	*26*	3,727,903	3,727,903
Deferred tax liabilities	*28*	311,947	311,947
		4,039,850	4,039,850
Net liabilities		(7,248,567)	(7,064,566)
EQUITY			
Share capital	*29*	383	383
Reserves	*31(b)*	(7,248,950)	(7,064,949)
Total deficit		(7,248,567)	(7,064,566)

Based on the information made available to the Company, the consolidated financial statements on pages 25 to 68 were authorised for issue by the Company on 28 February 2018 and are signed on its behalf by:

For and on behalf of
China Lumena New Materials Corp.
(In Provisional Liquidation)

For and on behalf of
China Lumena New Materials Corp.
(In Provisional Liquidation)

Man Chun So
Joint Provisional Liquidator
Acting as agent of the Company
without liability and recourse

Yat Kit Jong
Joint Provisional Liquidator
Acting as agent of the Company
without liability and recourse

The notes on pages 29 to 68 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium*	Capital redemption reserve	Employee share-based compensation reserve*	Capital contribution*	General reserve*	Statutory reserve*	Translation reserve*	Accumulated loss*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,380,029)	(7,064,566)
Loss for the year	–	–	–	–	–	–	–	–	(184,001)	(184,001)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	–	–	(184,001)	(184,001)
At 31 December 2017	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,564,030)	(7,248,567)

* These reserve accounts comprised the consolidated reserves of approximately (loss of RMB7,248,950,000) (2016: loss of RMB7,064,949,000) in the consolidated statement of financial position.

The notes on pages 29 to 68 form an integral part of these financial statements.

	Share capital	Share premium*	Capital redemption reserve	Employee share-based compensation reserve*	Capital contribution*	General reserve*	Statutory reserve*	Translation reserve*	Accumulated loss*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,184,273)	(6,868,810)
Loss for the year	–	–	–	–	–	–	–	–	(195,756)	(195,756)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	–	–	(195,756)	(195,756)
At 31 December 2016	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,380,029)	(7,064,566)

* These reserve accounts comprised the consolidated reserves of approximately (loss of RMB7,064,949,000) (2015: loss of RMB6,869,193,000) in the consolidated statement of financial position.

The notes on pages 29 to 68 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017**	**2016**
		RMB'000	*RMB'000*
Operating activities			
Loss before income tax		(184,001)	(195,756)
Interest expense	*8*	178,585	191,318
		(5,416)	(4,438)
Change in working capital			
Increase in trade and other payables		4,012	6,785
Net cash (used in)/generated from operating activities		(1,404)	2,347
Investing activities			
Net cash outflows from deconsolidation of unconsolidated subsidiaries		–	–
Net cash used in investing activities		–	–
Financing activities			
Increase in bank borrowings		–	–
Net cash generated from financing activities		–	–
Net (decrease)/increase in cash and cash equivalents		(1,404)	2,347
Cash and cash equivalents at 1 January	*24*	8,089	5,742
Cash and cash equivalents at 31 December	*24*	6,685	8,089

The notes on pages 29 to 68 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL

China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") was incorporated in the Cayman Islands on 12 April 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The current address of the Company's registered office is located at c/o PwC Corporate Finance & Recovery (Cayman) Limited, P.O. Box 258, 4th Floor, 18 Forum Lane, Grand Cayman, KY1-1104, Cayman Islands and its current principal place of business is situated at 22/F., Prince's Building, Central, Hong Kong.

The Company and its subsidiaries (collectively the "Group") were engaged in the following principal activities during the year:

- Manufacturing and selling of polyphenylene sulfide ("PPS") products including PPS resin, PPS fibre and PPS compounds; and
- Processing and selling of powder thenardite, specialty thenardite and medical thenardite.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The joint provisional liquidators (the "Provisional Liquidators") have presented in these financial statements the financial information prepared by the Company's former management and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015. The Provisional Liquidators note that the historical information in respect of the Company prior to such appointment date as provided to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position and may contain errors. The Provisional Liquidators provide no assurance for the financial statements, financial position and results contained herein which are presented solely for the purpose of meeting the listing requirements. The Provisional Liquidators do not accept or assume responsibility for these financial statements for any purpose or to any person to whom these financial statements are shown or into whose hands they may come.

Suspension of trading of the Company's shares

Trading in the shares of the Company on the Stock Exchange has been suspended since 25 March 2014.

Winding up Petition

On 29 January 2015, the board (the "Board") of directors (the "Directors") of the Company received a winding up petition dated 19 January 2015 filed by Mega International Commercial Bank Co., Ltd. (the "Petitioner" or "MICB") against the Company (the "Winding Up Petition") with the Grand Court of the Cayman Islands (the "Grand Court") which was served at the Company's registered office in the Cayman Islands.

It was alleged in the Winding Up Petition that the Company was indebted to and had failed to satisfy the Lenders (as defined below) of such debt in the total sum of US$89,764,378.88 as at 16 January 2015, comprising the principal amount of a loan of US$85,000,000 (the "Loan"), accrued unpaid interest thereon of US$880,436.38 and accrued unpaid default interest thereon of US$3,883,942.50. Pursuant to the Winding Up Petition, the aforesaid amounts were owed pursuant to a loan agreement dated 22 April 2013 (the "Loan Agreement") entered into by (i) the Company (as borrower), (ii) the Petitioner, Cathay United Bank, China Development Industrial Bank, Ta Chong Bank Ltd., Taipei Fubon Commercial Bank Co., Ltd., Taishin International Bank Co., Ltd., Taiwan Business Bank and Bank of East Asia, Limited (as lenders) (collectively, the "Lenders"), and (iii) the Petitioner (as arranger and agent for the Lenders) in respect of the Loan.

Under the Winding Up Petition, the Petitioner sought to wind up the Company and to appoint liquidators.

Appointment of the Provisional Liquidators

On 25 February 2015, Mr. Man Chun So, Mr. Yat Kit Jong and Mr. David Walker were appointed as the Provisional Liquidators of the Company with the power to act jointly and severally pursuant to the Order made by the Grand Court until further notice.

On 2 August 2016, the Grand Court made a further Order releasing Mr David Walker from the obligation to perform any further duties in his capacity as Provisional Liquidator and replacing him with Mr Simon Conway.

Since the appointment, the Provisional Liquidators of the Company have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets. The Provisional Liquidators have recovered limited books and records from the Company's head office principal place of business in Hong Kong. None of the directors of the Company have advised the Provisional Liquidators of the whereabouts of the statutory books and records, or books and records of the Group including the subsidiaries incorporated in the People's Republic of China (the "PRC").

Proposed Restructuring of the Group

On 23 September 2016, the Company entered into a restructuring framework agreement (the "Restructuring Framework Agreement") with independent third parties (the "Investors"), pursuant to which the Company will implement a restructuring of the Company's equity and debt ("Proposed Restructuring").

Pursuant to the Restructuring Framework Agreement, the Company will carry out the Proposed Restructuring which comprises: (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; (iv) the Subscription; (v) the Acquisition; (vi) Reverse Takeover; and (vii) Whitewash Waiver.

Following the entering into of the Restructuring Framework Agreement, the Company submitted the resumption proposal to the Stock Exchange before the expiry of the third delisting stage to seek the resumption of trading of the Company's shares. On 24 October 2016, the Company received a letter of even date 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. If the Company fails to submit a new listing application by 31 March 2017, or the transactions proposed in the resumption proposal fail to proceed for any reason, the Stock Exchange will proceed with cancelling the Company's listing on the Stock Exchange.

On 31 March 2017, a new listing application was submitted to the Stock Exchange. In accordance with the Listing Rules, the New Listing Application was required to be re-submitted in the event that a six month period passed following the original submission. As such, the re-submission was filed with the Stock Exchange on 16 October 2017. In parallel, the Stock Exchange, together with the Securities and Futures Commission (collectively, the "Regulators") issued several sets of queries in relation to the new listing application throughout the period from April 2017 to December 2017. The Company, the Investors and all other professional parties have been working closely to address the Regulators' queries and made relevant replies throughout the year of 2017. As of the date of this financial statements, the Regulators are still in the process of reviewing the new listing application.

In consideration of the progress of the Proposed Restructuring and the recent financial performance of the target group, three amendment letters (the "Amendment Letters") were entered between the Company, the Provisional Liquidators and the Investors on 29 September 2017, 29 December 2017 and 27 April 2018 respectively to extend the Long Stop Date of the Restructuring Framework Agreement to 30 November 2018 (or any other date as the parties may agree in writing) and reduce the Open Offer Price, the Subscription Price, the price of the Consideration Shares from HK$0.08 to HK$0.06.

Saved as disclosed above, the Restructuring Framework Agreement remain substantially unchanged and in full force and effect in all respects.

Proposed Capital Reorganisation

For the Proposed Restructuring, the Company proposes to implement, subject to the approval by the shareholders, the capital reorganisation. The capital reorganisation will comprise the share consolidation, the authorised share capital cancellation and the authorised share capital increase.

Creditors Schemes

Pursuant to the terms of the Restructuring Framework Agreement, it is proposed that the Creditors Schemes will be implemented after approval has been granted by the High Court of Hong Kong (the "High Court"), the Grand Court and the creditors.

Upon completion of the Creditors Schemes, all the claims of the creditors against the Company, and liabilities of the Company will be discharged and released in full. All existing assets of the Group will be transferred to the scheme company or scheme administrators of the Creditors Schemes, such that the only assets of the Company will be the target group on completion.

The Open Offer

Subject to the capital reorganisation becoming effective, the Company will implement the Open Offer of new shares on the basis of one offer share for every new share held on the Open Offer record date by the qualifying shareholders. A total of 560,385,939 offer shares will be allotted and issued by the Company at the offer price of HK$0.06 cash for each offer share and the gross proceeds raised via the issuance of the offer shares will be approximately HK$33.6 million. The Open Offer is only available to qualifying shareholders. The Open Offer will be conditional upon completion of the Proposed Restructuring. The Open Offer will be fully underwritten by an underwriter, being an independent third party and not acting in concert with the Concert Group.

The Subscription

Pursuant to the Restructuring Framework Agreement and the Amendment Letters, the subscribers will subscribe for 1,120,771,878 subscription shares at the price of HK$0.06 per subscription shares for an aggregate subscription price of HK$67.2 million.

Use of proceeds from the Open Offer and the Subscription

The gross proceeds from the Open Offer and the Subscription will amount to approximately HK$100.8 million. HK$90 million of such gross proceeds will be paid into the Creditors Schemes. The remaining balance of HK$10.8 million of such gross proceeds will be used to partially settle the Company's professional fees and expenses. The remaining professional fees and expenses of the Company will be borne by the Investors.

The Acquisition

Under the Restructuring Framework Agreement and the Amendment Letters, the Company will purchase the sale equity interest from the Investors. Upon the completion of the Acquisition, the target group will become wholly owned subsidiaries of the Company.

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 the Amendment Letters and was determined by reference to (i) the unaudited combined net asset value of the target group as at 30 June 2017; (ii) the financial performance of the target group based on the unaudited financial information of the target group provided by the Investors; (iii) the business prospects of the target group; (iv) the prolonged suspension of trading of shares of the Company; and (v) the valuation of similar listed companies in the same industry.

The consideration shall be satisfied by the issuance and allotment of 8,966,175,024 consideration shares at the consideration price of HK$0.06 each upon the completion of the Acquisition.

The completion of the Subscription, the Acquisition and the Open Offer, which form part of the Proposed Restructuring, will be inter-conditional upon each other.

Reverse Takeover

The Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and therefore 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.

Whitewash Waiver

Upon the completion of the Acquisition, the Concert Group will, in aggregate, hold approximately 80.0% of the share capital of the Company after the capital reorganisation and as enlarged by the offer shares, the subscription shares and the consideration shares. As such, the Concert Group would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the concert group) 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 SFC. The Investors will make an application to the SFC for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

Incomplete books and records

Due to the limited information available, the Company was unable to obtain sufficient documentary information regarding the completeness of books and records and the treatment of various balances as included in the consolidated financial statements for the year ended 31 December 2017 and has formed the opinion as follows:

As the consolidated financial statements have been prepared based on the incomplete books and records available to the Company, the Company is unable to represent that all transactions entered into by the Group for the year ended 31 December 2017 have been properly reflected in the consolidated financial statements. As such, the Provisional Liquidators of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of the financial statements in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Provisional Liquidators have recovered only limited books and records of the Company.

Going concern

The Group has received a winding up petition filed by the Petitioner against the Company and it was alleged in the Winding Up Petition that the Company was indebted to and failed to satisfy the Lenders. In preparing these consolidated financial statements, the Company has given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to generate a profit and attain positive cash flows from operations in the immediate and longer term.

Based on the cash flow projections of the Group and having taken into account the assumption that the Proposed Restructuring of the Company, as mentioned above, will be successfully completed, the Company has concluded that the Group and the Company is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

Except for the matters referred to in note 2, including certain disclosures as required under International Financial Reporting Standards (the "IFRSs"), Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), these financial statements have been prepared in accordance with IFRSs, which collective term includes all applicable individual IFRSs, International Accounting Standards (the "IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance and Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3.26 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3.2 Basis of consolidation

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (collectively referred to as the "Group").

The functional currency of the Company is Hong Kong dollars ("HKD"), while the financial statements are presented in Renminbi ("RMB"). As the major subsidiaries of the Group are operating in the PRC and the functional currency of the major subsidiaries is RMB, the Company considers that it will be more appropriate to adopt RMB as the Group's and the Company's presentation currency.

The consolidated financial statements have been prepared under historical cost basis except for investment properties and convertible bonds which are measured at fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

3.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3.4.1 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with IAS 12 Income Taxes;

- assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3.4.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro – rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Construction-in-progress ("CIP") and asset under construction ("AUC") represent buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost comprises direct costs of construction and acquisition, as well as borrowing costs capitalized during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided on CIP and AUC until it is completed and ready for intended use.

Building and mining structures (including leasehold improvements)	4 to 30 years
Furniture, machinery and equipment	5 to 20 years
Motor vehicles	5 to 12 years

The assets' estimated useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the consolidated statement of financial position at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably measured at that time. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.7 Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

3.7.1 Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

3.7.2 Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3.5. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3.10. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

3.7.3 Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

3.7.4 Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

3.8 Intangible assets (other than goodwill)

Trademark acquired in a business combination

Trademark acquired in a business combination is identified and recognised separately from goodwill where it satisfies the definition of an intangible asset. It is measured on initial recognition at cost which is the fair value as at the date of acquisition. Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such intangible assets are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable.

Customer relationship, patents and technical know-how acquired in a business combination

The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

3.9 Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment loss and are amortised on a straight-line basis over the estimated useful life, which is the shorter of the contractual period and the estimated period of extraction (based on the total proven and probable reserves of the mines), from the date such mine is available for use.

3.10 Impairment of assets

3.10.1 Other receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade receivables and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.10.2 Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– other intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

3.10.3 Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

3.12 Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 3.10.1).

3.13 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

3.14 Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

3.15 Convertible bonds

The convertible bonds of U.S. dollars ("USD") 120 million issued by the Company that contain both the liability and conversion option are classified separately into their respective items on initial recognition. As the convertible bonds can be converted to equity share capital at the option of the bondholders, where the number of shares that would be issued on conversion and the value of consideration would be received at that time do not vary, these are accounted for as an equity instrument.

The liability component of the convertible bonds of USD120 million is determined using a market rate for an equivalent non-convertible bond. The equity component of the convertible bonds of USD120 million is then the residual after deducting the fair value of liability from the fair value of the convertible bonds of USD120 million. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds equity reserve until either the convertible bonds are converted, redeemed or matured.

If the convertible bonds are converted, the convertible bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the convertible bonds equity reserve is released directly to retained profits.

Upon issuance of the convertible bonds, the bondholders were also granted an option to subscribe for the additional convertible bonds in an aggregate principal amount of up to USD100 million (the "loan commitment"). The option is exercisable during the period commencing on the date of completion of the subscription for the convertible bonds and ending on the first anniversary of such date.

If it is probable that the Group will enter into a specific lending arrangement and the loan commitment is not within the scope of IAS 39, the loan commitment fees received is regarded as compensation for the ongoing involvement with the issuance of a financial instrument and is deferred and recognised as an adjustment to the effective interest rate. If the loan commitment expires without the Group making the loan, the fee is recognised as revenue on expiry.

If it is not probable that the Group will enter a specific lending arrangement, and the loan commitment is not within the scope of IAS 39, the loan commitment fees received are recognised as revenue on a time proportion basis over the commitment period.

Loan commitments within the scope of IAS 39 are accounted for as derivatives and measured at fair value.

3.16 Employee benefits

3.16.1 Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Defined contribution retirement plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to defined contribution plans are recognised in the financial year when they are due.

A liability for a termination benefit is recognised at the earlier when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3.16.2 Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3.17 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax loses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3.6, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3.18 Financial guarantees issued, provisions and contingent liabilities

3.18.1 Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.18.3 if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

3.18.2 Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3.18.3. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3.18.3.

3.18.3 Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in normal course of business, net of goods returns, discounts and sales related taxes.

Sale of goods

Revenue from sales of goods is recognized when goods are delivered and title have passed, at which time all the following conditions are satisfied:

- the seller has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the seller; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the recipient and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income under operating leases on investment properties is recognized on straight-line basis over the lease terms.

3.20 Foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates prevailing at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates prevailing at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates prevailing at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Renminbi at the closing foreign exchange rates prevailing at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.22 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

3.23 Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

3.24 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the executive directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they are share a majority of these criteria.

3.25 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

 (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

 (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

 (iii) Both entities are joint ventures of the same third party.

 (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

 (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

 (vi) The entity is controlled or jointly controlled by a person identified in (a).

 (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

 (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3.26 Application of new and revised International Financial Reporting Standards

The International Accounting Standards committee (the "IASB") has issued several amendments to IFRSs that are first effective for the current accounting period of the group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 24 to satisfy the new disclosure requirements introduced by the amendments to IAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material judgement to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. The recoverable amounts of CGU have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates.

(ii) Impairment of other assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. When fair value less costs to sell calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the evaluation of collectability and ageing analysis of receivables and on management's judgement. A considerable amount of judgement is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtor. Management will reassess the provision at each reporting date. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payment, additional allowances may be required.

(iv) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for the property, plant and equipment of the Group. This estimate is based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(v) Estimate of fair value of investment properties

As disclosed in note 3.6, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

(vi) Provision for reclamation and closure cost

Provision for reclamation and closure cost is estimated based on management's interpretation of current regulatory requirements and their past experiences. Provision set up, if any, is reviewed regularly by management to ensure it properly reflects the obligation arising from mining and exploration activities.

5. REVENUE

Revenue, which is also the Group's turnover represents the net amount received and receivable for goods sold, less value-added tax and returns, for the year. The amount of each significant category of the revenue is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue from PPS business		
– Coating-grade PPS resin	–	–
– Injection-moulding-grade PPS resin	–	–
– Film-grade PPS resin	–	–
– PPS fibre	–	–
– PPS compounds	–	–
	–	–
Revenue from mining and thenardite business		
– Powder thenardite	–	–
– Medical thenardite	–	–
– Specialty thenardite	–	–
	–	–
Revenue	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the revenue of the Group as of the date of publication of these consolidated financial statements and no disclosure of the segment information is available.

6. OTHER REVENUE AND GAINS

	2017	2016
	RMB'000	*RMB'000*
Other revenue and gains	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the other revenue and gains of the Group as of the date of publication of these consolidated financial statements.

7. INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

As disclosed in note 2, due to incomplete books and records, the Provisional Liquidators of the Company have been unable to access the books and records of all subsidiaries of the Company (collectively referred to as "Unconsolidated Subsidiaries"). Due to the lack of complete books and records of the 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". Therefore it is almost impossible, and not practical, to consolidate the financial statements of the Unconsolidated Subsidiaries into the Group's consolidated financial statements since 25 February 2015, the date of the appointment of the Provisional Liquidators of the Company.

As disclosed in note 2 on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy completeness, occurrence, cut-off, classification and accuracy of the loss on deconsolidation of unconsolidated subsidiaries as of the date of publication of these consolidated financial statements.

8. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Total finance costs	178,585	191,318

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the finance costs of the Group as of the date of publication of these consolidated financial statements.

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting) the following items:

	2017	2016
	RMB'000	*RMB'000*
Auditor's remuneration	208	258
Amortisation of land use rights *(note (i))*	–	–
Amortisation of mining rights *(note (i))*	–	–
Amortisation of other intangible assets *(note (i))*	–	–
Cost of inventories recognised as an expense	–	–
Depreciation of property, plant and equipment	–	–
Impairment of trade and other receivables	–	–
Write off of cash and bank balance	–	–
Operating lease charges on rented premises	–	–
Outgoings in respect of investment properties	–	–
Research expenses	–	–
Staff costs (including directors' remuneration *(note (ii)*)		
– Wages, salaries and bonus	3,039	3,324
– Equity-settled share-based payment *(note 32)*	–	–
– Contribution to defined contribution pension plans	–	–
	3,039	3,324

Notes:

(i) Amounts have been included in other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

(ii) Due to incomplete books and records, the Provisional Liquidators were unable to ascertain information about the five highest paid individuals during the Reporting Period.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of loss before taxation of the date of publication of these consolidated financial statements.

10. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax		
– Provision for Enterprise Income Tax ("EIT")	–	–
Deferred tax	–	–
Total income tax expense	–	–

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdiction of Cayman Islands and BVI during year ended 31 December 2017 (2016: nil).

(ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year ended 31 December 2017 (2016: nil).

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the income tax expense of the Group as of the date of publication of these consolidated financial statements.

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owner of the Company of approximately RMB184,001,000 (2016: loss of RMB195,756,000) and the weighted average number of 5,603,859,393 (2016: 5,603,859,393) ordinary shares in issue during the year.

(b) Diluted loss per share

Diluted loss per share equals to basic loss per share for the years ended 31 December 2017 and 2016 because the share options outstanding were anti-dilutive.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of earnings per share as of the date of publication of these consolidated financial statements.

12. DIVIDENDS

No dividend was declared during the year (2016: Nil).

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of dividends as of the date of publication of these consolidated financial statements.

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2017	2016
	RMB'000	*RMB'000*
Directors' fee	–	–
Salaries allowance and bonus	3,039	3,126
Contribution to pension plans	–	–
Equity-settled share-based payments	–	–
Total	3,039	3,126

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the directors' remuneration and senior management's emoluments as of the date of publication of these consolidated financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	RMB'000	*RMB'000*
Net carrying amount at 1 January and 31 December	1,011	1,011

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the property, plant and equipment of the Group as of the date of publication of these consolidated financial statements.

15. INVESTMENT PROPERTIES

	2017	2016
	RMB'000	*RMB'000*
Fair value		
At 1 January and 31 December	–	–

Investment properties represent buildings and land use rights located in the PRC.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the investment properties of the Group as of the date of publication of these consolidated financial statements.

16. LAND USE RIGHTS

	2017	2016
	RMB'000	*RMB'000*
Net carrying amount at 1 January and 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the land use rights of the Group as of the date of publication of these consolidated financial statements.

17. GOODWILL

	2017	2016
	RMB'000	*RMB'000*
Net carrying amount at 1 January and 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the goodwill of the Group as of the date of publication of these consolidated financial statements.

18. MINING RIGHTS

	2017	2016
	RMB'000	*RMB'000*
Net carrying amount at 1 January and 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the mining rights of the Group as of the date of publication of these consolidated financial statements.

19. OTHER INTANGIBLE ASSETS

	2017	2016
	RMB'000	*RMB'000*
Net carrying amount at 1 January and 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the other intangible assets of the Group as of the date of publication of these consolidated financial statements.

20. DEPOSITS AND PREPAYMENTS

	2017	2016
	RMB'000	*RMB'000*
Total deposits and prepayments	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the deposits and prepayments of the Group as of the date of publication of these consolidated financial statements.

21. INTERESTS IN SUBSIDIARIES

	2017	2016
	RMB'000	*RMB'000*
Total investment in and amounts due from subsidiaries at 31 December	278,164	278,164

The following list contains the particulars of the principal subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Country/place of incorporation/ establishment and type of legal entity	Particulars issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
Rich Light International Limited	Incorporated in the British Virgin Islands (the "BVI"), limited liability company	USD100	100%	Investment holding
Sino Polymer New Materials Co., Ltd.	Incorporated in the Cayman Islands, limited liability company	USD100,000,000	100%	Investment holding
Interests held indirectly				
Top Promise Resources Limited	Incorporated in Hong Kong, limited liability company	One ordinary share	100%	Investment holding
Haton Polymer & Fibre Limited	Incorporated in the BVI, limited liability company	USD0.1	100%	Investment holding
Haton Polymer Limited	Incorporated in Hong Kong limited liability company	One ordinary share	100%	Investment holding

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the interests in subsidiaries of the Company and amounts due from subsidiaries as of the date of publication of these consolidated financial statements.

22. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Inventories	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the inventories of the Group as of the date of publication of these consolidated financial statements.

23. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade and other receivables	18,649	18,649
Less: impairment loss brought forward	(18,649)	(18,649)
Net carrying amount at 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other receivables as of the date of publication of these consolidated financial statements.

24. CASH AND BANK BALANCES

	2017	2016
	RMB'000	*RMB'000*
Cash and bank balances	6,685	8,089
Cash and bank balances as stated in the statement of financial position at 31 December	6,685	8,089

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Convertible bonds	Borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	1,084,388	5,652,564	6,736,952
Changes from financing cash flows:			
Interest paid	–	–	–
Total changes from financing cash flows	–	–	–
Exchange adjustments	–	–	–
Changes in fair value	–	–	–
Other changes:			
Interest expenses	–	178,585	178,585
	–	178,585	178,585
At 31 December 2017	1,084,388	5,831,149	6,915,537

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the cash and bank balances and the underlying cash transactions at the date of publication of these consolidated financial statements.

25. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Net carrying amount	28,779	24,767

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other payables as the date of publication of these consolidated financial statements.

26. BORROWINGS

The Group's borrowings were repayable as follows:

	2017	2016
	RMB'000	*RMB'000*
Current	2,103,246	1,924,661
Non-current	3,727,903	3,727,903
At 31 December	5,831,149	5,652,564

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the borrowings as of the date of publication of these consolidated financial statements.

27. CONVERTIBLE BONDS AND LOAN COMMITMENT

On 7 April 2011, the Company entered into a subscription agreement (the "Subscription Agreement") with Stable Investment Corporation ("SIC"), a wholly-owned subsidiary of China Investment Corporation and CITIC Capital China Access Fund Limited ("CITIC Capital"). Pursuant to the Subscription Agreement, SIC and CITIC Capital agreed to subscribe for the convertible bonds of the Company in an aggregate principal amount of USD120,000,000 (equivalent to approximately RMB779,229,000) at 6% interest rate per annum (the "Convertible Bonds") with maturity on 12 May 2014 (the "Maturity Date"). In addition, the Company has granted SIC and CITIC Capital an option to subscribe for the additional convertible bonds in an aggregate principal amount of up to USD100,000,000 (the "Additional Convertible Bonds"), exercisable during the period commencing on the date of completion of the subscription for the Convertible Bonds and ending on the first anniversary of such date. The terms and conditions of the Additional Convertible Bonds will be the same as the terms and conditions of the Convertible Bonds as set out in the Subscription Agreement in all respect except for (i) the conversion price and (ii) the first payment of interest. No further bond interest had been accrued after the Maturity Date subject to the negotiation with bondholders.

Interest of the Convertible Bonds is repayable quarterly in arrear on 31 March, 30 June, 30 September and 31 December commencing on 30 September 2011.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Convertible Bonds at 148.15% of its principal amount together with accrued and unpaid interest on the Maturity Date. Based on the information available to the Company, there is no information in relation to the redemption, conversion, purchase or cancellation of the Convertible Bonds.

The carrying amount of the liability component of the Convertible Bonds is set out as below:

	Group and Company			
	Liability component		Equity component	
	2017	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount as at 1 January and 31 December	1,084,388	1,084,388	–	–

Analysed for reporting purposes as:

	Group and Company			
	Liability component		Equity component	
	2017	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January and 31 December Convertible Bonds included in current liabilities	1,084,388	1,084,388	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the Convertible Bonds as the date of publication of these consolidated financial statements.

28. DEFERRED TAX ASSETS/LIABILITIES

	2017	**2016**
	RMB'000	*RMB'000*
Deferred tax liabilities as at 1 January and 31 December	311,947	311,947

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the deferred tax assets/liabilities of the Group as of the date of publication of these consolidated financial statements.

29. SHARE CAPITAL

	Number of ordinary shares	**Nominal value**	
		USD	*RMB'000*
Authorised:			
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	10,000,000,000	100,000	718
Issued and fully paid:			
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	5,603,859,393	56,039	383

Note: For the year ended 31 December 2017 and 2016, no shares were issued.

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

31. RESERVES

(a) Company

The movement of the Company's reserves are as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	(4,838,369)	(4,698,093)
Recognition of share-based payments	–	–
Dividend paid	–	–
Loss for the year	(132,075)	(140,276)
Exchange gain/(loss) on translation of financial statements of foreign operations	–	–
At 31 December	(4,970,444)	(4,838,369)

(b) Group

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

Employee share-based compensation reserve

Employee share-based compensation reserve is comprised of the fair value of the actual or estimated number of unvested share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based employee compensation set out in notes 3.16.

General reserve

General reserve represents the difference between the net assets acquired by the Group and the consideration paid for the acquisition of additional interests in subsidiaries.

Capital contribution

On 23 June 2007, the Company entered into a facility agreement with Credit Suisse, Singapore Branch and Credit Suisse International for an USD bank loan. On the same date, the Company and its shareholders are required to enter into another agreement in respect of an instrument constituting warrants to purchase shares in the Company for the provision of the facility. The warrants were issued by a shareholder of the Company to Credit Suisse, Singapore Branch and Credit Suisse International, the warrant holders, with a right to purchase a specified amount of the Company's shares within a specific period. Due to the fact that the facility arrangements were specially for the purpose of capital injection in Chuanmei Glauber Salt and the acquisition of mines, and these facility arrangements were secured by the warrants and guarantees provided by shareholders, accordingly, the capital contribution of the Group and the Company represented the fair value of the warrants which entitled the warrant holders to purchase for the share capital of the Company from a shareholder as well as the guarantees provided by the shareholders of the Company.

Statutory reserves

– *Statutory surplus reserve*

According to the relevant laws and regulations in the PRC, subsidiaries of the Group are required to transfer 10% of their profits after taxation after setting off the accumulated losses brought forward from prior years, as determined under PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Any further appropriation is optional. These reserves may be used to make good previous years' losses, if any, and may be converted to increase paid-up capital of the respective entities.

– *Statutory public welfare fund*

In accordance with the relevant laws and regulations in the PRC, the subsidiaries of the Group is required to appropriate certain portion of its profits after tax, as determined in accordance with the PRC Accounting Regulations, to the statutory public welfare fund but the amount of appropriation is determined by the board of directors. The statutory public welfare fund shall only apply to collective welfare of staff and workers and welfare facilities remain as properties of the Group.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the reserves of the Group and Company as of the date of publication of these consolidated financial statements.

32. SHARE-BASED EMPLOYEE COMPENSATION

(i) Pre-IPO share option scheme

Pursuant to a written resolution approved by the Company's shareholders on 30 April 2008, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") became effective. Certain executive directors, senior managerial staff and employees of the Group were granted options to recognise their contributions to the Group. Under the Pre-IPO Share Option Scheme, 198 individuals (the "Grantees") comprised of 3 directors, 7 senior managerial staff and 188 employees of the Group, were granted options conditionally. The exercise of the options would entitle the Grantees to purchase an aggregate of 76,000,000 shares of the Company immediately following completion of the global offering and the capitalisation issue at the offer price. The options vested on 16 June 2009, the date on which the shares of the Company were listed on the Stock Exchange (the "Listing Date"), and the Grantees remain in employment for a certain period of time. The options are exercisable by installments and up to 7 years since the Listing Date. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The Group would receive HKD1.00 for each grant under the Pre-IPO Share Option Scheme.

The fair value of the options is determined using the Binomial Option Pricing Model that takes into account factors specific to the share incentive plans. The following table lists the inputs to the model used:

Expected volatility*	47.88%
Risk-free interest rate	2.544%
Dividend yield	3.93%
Expected life of option	7 years
Fair value at grant date	HKD0.51 – HKD0.59
Exercise price at the date of grant	HKD1.659

* The expected volatility is assumed based on the historical volatilities of the share prices of the comparable companies. It is assumed that the volatility is constant throughout the option life.

(ii) Share option scheme

In order to comply with the Listing Rules of Main Board regarding share option scheme of a Company, a share option scheme (the "Share Option Scheme") was adopted by the Company on 26 May 2009.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who work for the interest of the Group. Eligible participants of the Share Option Scheme include executive directors, non-executive directors, employees, consultants, advisers and other service providers. The Share Option Scheme became effective on 26 May 2009 and, unless otherwise cancelled or amended will remain in force for 10 years from that date.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The share options vest upon the commencement of the exercise period which is determined by the Board at the date of grant. The grantees are entitled to exercise the share options upon fulfilment of all requirements set out in the Share Option Scheme.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the share option outstanding as at 31 December 2017 and 2016 for the Company as of the date of publication of these consolidated financial statements.

33. COMPANY – LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2017**	**2016**
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		278,164	278,164
Current assets			
Other receivables		–	–
Loans to subsidiaries		2,421	2,421
Cash and bank balances		6,483	7,510
		8,904	9,931
Current liabilities			
Other payables		28,779	24,767
Borrowings		1,511,382	1,384,346
Convertible bonds		1,084,388	1,084,388
Amounts due to subsidiaries		98,848	98,848
		2,723,397	2,592,349
Net current liabilities		(2,714,493)	(2,582,418)
Total assets less current liabilities		(2,436,329)	(2,304,254)
Non-current liabilities			
Borrowings		2,533,732	2,533,732
Net liabilities		(4,970,061)	(4,837,986)
EQUITY			
Share capital		383	383
Reserves	*31(a)*	(4,970,444)	(4,838,369)
Total deficit		(4,970,061)	(4,837,986)

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, right and obligations and accuracy of the company-level statement of financial position as at the date of publication of these consolidated financial statements.

34. EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's proposed restructuring in progress, and further details of which are stated in note 2 to the consolidated financial statements.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRS 16	Lease[2]
IFRIC 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods on or after 1 January 2019.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS 9, Financial Instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial Instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group expects this new requirement will not have any impact on the Group on adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, the Group concluded that the adoption of them is unlikely to have a significant impact on these consolidated financial statements.

(c) Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group currently does not have hedge accounting and therefore this new requirement will not have any impact on the Group on adoption of IFRS 9.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group concluded that the adoption of IFRS 15 is unlikely to have a significant impact on the consolidated financial statements.

IFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHINA LUMENA NEW MATERIALS CORP.
(IN PROVISIONAL LIQUIDATION)

(Incorporated in the Cayman Islands with limited liability)

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") and its subsidiaries (together the "Group") set out on pages 26 to 75, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

Scope limitation due to incomplete books and records

Up to the date of this report, given the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the provisional liquidators acting as agents of the Company (without liability and recourse) (the "Provisional Liquidators") believe that it is almost impossible, and not practical, to ascertain the correct revenue and profit or loss (and the resultant assets and liabilities) for the current year for inclusion in the consolidated financial statements of the Group. Also, due to incomplete books and records, the Provisional Liquidators of the Company believe that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group and financial statements of the Company for the past years and, in particular prior to the appointment of the Provisional Liquidators on 25 February 2015. We were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification and disclosures of the transactions contingent liabilities and commitments of the Group and the Company for the years ended 31 December 2017 and 2018.

Given these circumstances, which are more fully disclosed in note 2 to the financial statements, there were no practicable audit procedures that we could perform to satisfy ourselves that the information and documents presented to us for the purpose of our audit are complete and accurate in all material respects, nor to quantify the extent of adjustments that might be necessary in respect of the Group's and the Company's financial information.

As a result, in performing our audit on the consolidated financial statements of the Group for the year ended 31 December 2018, there were no practicable audit procedures that we could perform to satisfy ourselves whether the balances of assets, liabilities, contingent liabilities, commitments and reserves as at 1 January 2017, 1 January 2018 and 31 December 2018 were fairly stated.

Included in the note to the Company-level statement of financial position are interests in subsidiaries of RMB278,164,000 and RMB278,164,000 and loans to subsidiaries of RMB2,421,000 and RMB2,421,000 as at 31 December 2017 and 31 December 2018 respectively. Due to the scope limitations as mentioned above, we are unable to satisfy ourselves as to the fairness of the amounts carried as interests in subsidiaries and loans to subsidiaries in the Company-level statement of financial position or to determine whether any provision for impairment loss is necessary in respect of the above. Any adjustments would have a consequential effect on the net liabilities of the Company as at 31 December 2017 and 31 December 2018 and of its net loss for the years then ended and the related disclosures in the Company-level statement of financial position and reserves.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the net liabilities of the Group as at 1 January 2017, 1 January 2018 and 31 December 2018, and on its loss for the years ended 31 December 2017 and 2018, and the related disclosures thereof in the consolidated financial statements.

Material Uncertainty related to Going Concern Basis

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Proposed Restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis of preparation of these consolidated financial statements.

Non-compliance with IFRSs and Omission of Disclosures

As explained in note 2 to the consolidated financial statements, as the consolidated financial statements of the Group have been prepared based on the information provided by the former management of the Company and the Provisional Liquidators have presented these financial statements based on incomplete books and records, the Provisional Liquidators believe it is almost impossible and not practicable to ascertain the correct amounts. Consequently, the Provisional Liquidators of the Company were unable to confirm that the consolidated financial statements comply with International Financial Reporting Standards (the "IFRSs"), or that the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited have been complied with. Given these circumstances, which are more fully described in note 2, there were no practicable audit procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Group's consolidated financial statements.

Investments in Unconsolidated Subsidiaries and Deconsolidation of Subsidiaries

As disclosed in note 7, due to incomplete books and records, the Provisional Liquidators of the Company have been unable to access the books and records of certain subsidiaries of the Company (collectively referred to as "Unconsolidated Subsidiaries"). Due to the lack of complete books and records of the 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. Therefore, it is almost impossible, and not practical, to consolidate the financial statements of the Unconsolidated Subsidiaries into the Group's consolidated financial statements since 25 February 2015, the date of the appointment of the Provisional Liquidators of the Company.

However, no sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of these Unconsolidated Subsidiaries since 25 February 2015 and throughout the years ended 31 December 2017 and 2018 and accordingly we have been unable to obtain sufficient reliable evidence to satisfy ourselves as to whether it is appropriate to exclude the Unconsolidated Subsidiaries from the consolidated financial statements and the loss on deconsolidation of unconsolidated subsidiaries.

The exclusion of the financial position and results of the Unconsolidated Subsidiaries in the consolidated financial statements is a departure from the requirements of International Financial Reporting Standard 10 Consolidated Financial Statements.

Due to the lack of complete books and records of the Unconsolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence and explanations to determine whether the carrying values of the investments in the Unconsolidated Subsidiaries were free from material misstatement. Any adjustments that might have been found to be necessary would have a consequential significant effect on the Group's and the Company's net liabilities as at 31 December 2017 and 2018 and the Group's results for the years then ended.

Responsibilities of Directors of the Company and Those Charged with Governance for the Consolidated Financial Statements

The directors and Provisional Liquidators acting as agents of the Company (without liability and recourse) are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the IFRSs issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors and Provisional Liquidators determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors and the Provisional Liquidators are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other matters

The Provisional Liquidators were appointed on 25 February 2015. The Provisional Liquidators have recovered only limited books and records of the Company and they have used their reasonable endeavours to present the consolidated financial statements based on the information prepared by the former management of the Company available to them to date and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015 to fulfil the Company's responsibilities for the preparation of the consolidated financial statements in accordance with IFRSs.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 28 February 2019

Chan Wai Dune, Charles
Practising Certificate Number P00712

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** *RMB'000*	**2017** *RMB'000*
Revenue	*5*	–	–
Cost of sales		–	–
Gross profit		–	–
Other revenue and gains	*6*	–	–
Loss on deconsolidation of unconsolidated subsidiaries	*7*	–	–
Selling and distribution expenses		–	–
Other operating expenses		(4,258)	(5,416)
Finance costs	*8*	(188,597)	(178,585)
Loss before income tax	*9*	(192,855)	(184,001)
Income tax expense	*10*	–	–
Loss for the year		(192,855)	(184,001)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		–	–
Other comprehensive income for the year, net of tax		–	–
Total comprehensive loss for the year		(192,855)	(184,001)
		RMB cents	*RMB cents*
Loss per share			
– Basic and diluted	*11*	(3.4)	(3.3)

The notes on pages 30 to 75 form an integral part of these financial statements. Details of dividends payable to owners of the Company attributable to profit for the year are set out in note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** *RMB'000*	**2017** *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	1,011	1,011
Investment properties	*15*	–	–
Land use rights	*16*	–	–
Goodwill	*17*	–	–
Mining rights	*18*	–	–
Other intangible assets	*19*	–	–
Deposits and prepayments	*20*	–	–
Deferred tax assets	*28*	–	–
		1,011	1,011
Current assets			
Inventories	*22*	–	–
Trade and other receivables	*23*	–	–
Cash and bank balances	*24*	6,000	6,685
		6,000	6,685
Current liabilities			
Trade and other payables	*25*	32,352	28,779
Borrowings	*26*	2,291,843	2,103,246
Convertible bonds	*27*	1,084,388	1,084,388
Tax payable		–	–
		3,408,583	3,216,413
Net current liabilities		(3,402,583)	(3,209,728)
Total assets less current liabilities		(3,401,572)	(3,208,717)
Non-current liabilities			
Borrowings	*26*	3,727,903	3,727,903
Deferred tax liabilities	*28*	311,947	311,947
		4,039,850	4,039,850
Net liabilities		(7,441,422)	(7,248,567)
EQUITY			
Share capital	*29*	383	383
Reserves	*31(b)*	(7,441,805)	(7,248,950)
Total deficit		(7,441,422)	(7,248,567)

Based on the information made available to the Company, the consolidated financial statements on pages 26 to 75 were authorised for issue by the Company on 28 February 2019 and are signed on its behalf by:

For and on behalf of
China Lumena New Materials Corp.
(In Provisional Liquidation)

Man Chun So
Joint Provisional Liquidator
Acting as agent of the Company
without liability and recourse

For and on behalf of
China Lumena New Materials Corp.
(In Provisional Liquidation)

Yat Kit Jong
Joint Provisional Liquidator
Acting as agent of the Company
without liability and recourse

The notes on pages 30 to 75 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium*	Capital redemption reserve*	Employee share-based compensation reserve*	Capital contribution*	General reserve*	Statutory reserve*	Translation reserve*	Accumulated loss*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,564,030)	(7,248,567)
Loss for the year	–	–	–	–	–	–	–	–	(192,855)	(192,855)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	–	–	(192,855)	(192,855)
At 31 December 2018	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,756,885)	(7,441,422)

* These reserve accounts comprised the consolidated reserves of approximately loss of RMB7,441,805,000 (2017: loss of RMB7,248,950,000) in the consolidated statement of financial position.

The notes on pages 30 to 75 form an integral part of these financial statements.

	Share capital	Share premium*	Capital redemption reserve*	Employee share-based compensation reserve*	Capital contribution*	General reserve*	Statutory reserve*	Translation reserve*	Accumulated loss*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,380,029)	(7,064,566)
Loss for the year	–	–	–	–	–	–	–	–	(184,001)	(184,001)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	–	–	(184,001)	(184,001)
At 31 December 2017	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,564,030)	(7,248,567)

* These reserve accounts comprised the consolidated reserves of approximately loss of RMB7,248,950,000 (2016: loss of RMB7,064,949,000) in the consolidated statement of financial position.

The notes on pages 30 to 75 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018**	**2017**
		RMB'000	*RMB'000*
Operating activities			
Loss before income tax		(192,855)	(184,001)
Interest expense	*8*	188,597	178,585
		(4,258)	(5,416)
Change in working capital			
Increase in trade and other payables		3,573	4,012
Net cash used in operating activities		(685)	(1,404)
Investing activities			
Net cash outflows from deconsolidation of unconsolidated subsidiaries		–	–
Net cash used in investing activities		–	–
Financing activities			
Increase in borrowings		–	–
Net cash generated from financing activities		–	–
Net decrease in cash and cash equivalents		(685)	(1,404)
Cash and cash equivalents at 1 January	*24*	6,685	8,089
Cash and cash equivalents at 31 December	*24*	6,000	6,685

The notes on pages 30 to 75 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") was incorporated in the Cayman Islands on 12 April 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The current address of the Company's registered office is located at c/o PwC Corporate Finance & Recovery (Cayman) Limited, P.O. Box 258, 4th Floor, 18 Forum Lane, Grand Cayman, Cayman Islands, KY1-1104 and its current principal place of business is situated at 22/F., Prince's Building, Central, Hong Kong.

The Company and its subsidiaries (collectively the "Group") were engaged in the following principal activities during the year:

- Manufacturing and selling of polyphenylene sulfide ("PPS") products including PPS resin, PPS fibre and PPS compounds; and
- Processing and selling of powder thenardite, specialty thenardite and medical thenardite.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Provisional Liquidators have presented in these financial statements the financial information prepared by the Company's former management and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015. The Provisional Liquidators note that the historical information in respect of the Company prior to such appointment date as provided to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position and may contain errors. The Provisional Liquidators provide no assurance for the financial statements, financial position and results contained herein which are presented solely for the purpose of meeting the listing requirements. The Provisional Liquidators do not accept or assume responsibility for these financial statements for any purpose or to any person to whom these financial statements are shown or into whose hands they may come.

Suspension of trading of the Company's shares

Trading in the shares of the Company on the Stock Exchange has been suspended since 25 March 2014.

Winding up Petition

On 29 January 2015, the board (the "Board") of directors (the "Directors") of the Company received a winding up petition dated 19 January 2015 filed by Mega International Commercial Bank Co., Ltd. (the "Petitioner" or "MICB") against the Company (the "Winding Up Petition") with the Grand Court of the Cayman Islands (the "Grand Court") which was served at the Company's registered office in the Cayman Islands.

It was alleged in the Winding Up Petition that the Company was indebted to and had failed to satisfy the Lenders (as defined below) of such debt in the total sum of US$89,764,378.88 as at 16 January 2015, comprising the principal amount of a loan of US$85,000,000 (the "Loan"), accrued unpaid interest thereon of US$880,436.38 and accrued unpaid default interest thereon of US$3,883,942.50. Pursuant to the Winding Up Petition, the aforesaid amounts were owed pursuant to a loan agreement dated 22 April 2013 (the "Loan Agreement") entered into by (i) the Company (as borrower), (ii) the Petitioner, Cathay United Bank, China Development Industrial Bank, Ta Chong Bank Ltd., Taipei Fubon Commercial Bank Co., Ltd., Taishin International Bank Co., Ltd., Taiwan Business Bank and Bank of East Asia, Limited (as lenders) (collectively, the "Lenders"), and (iii) the Petitioner (as arranger and agent for the Lenders) in respect of the Loan.

Under the Winding Up Petition, the Petitioner sought to wind up the Company and to appoint liquidators.

Appointment of the Provisional Liquidators

On 25 February 2015, Mr. Man Chun So, Mr. Yat Kit Jong and Mr. David Walker were appointed as the Provisional Liquidators of the Company with the power to act jointly and severally pursuant to the Order made by the Grand Court until further notice.

On 2 August 2016, the Grand Court made a further Order releasing Mr. David Walker from the obligation to perform any further duties in his capacity as provisional liquidator and replacing him with Mr. Simon Conway.

Since the appointment, the Provisional Liquidators have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets. The Provisional Liquidators have recovered limited books and records from the Company's head office principal place of business in Hong Kong. None of the directors of the Company have advised the Provisional Liquidators of the whereabouts of the statutory books and records, or books and records of the Group including the subsidiaries incorporated in the People's Republic of China (the "PRC").

Proposed Restructuring of the Group

On 23 September 2016, the Company entered into the restructuring framework agreement (the "Restructuring Framework Agreement") with independent third parties (the "Investors") pursuant to which the Company will implement a restructuring of the Company's equity and debt ("Proposed Restructuring").

Pursuant to the Restructuring Framework Agreement, the Company will carry out the Proposed Restructuring which comprises: (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; (iv) the Subscription; (v) the Acquisition; (vi) Reverse Takeover; and (vii) Whitewash Waiver. The Subscription was subsequently cancelled and replaced by the Share Offer pursuant to the amendment letters dated 26 November 2018.

Following the entering into of the Restructuring Framework Agreement, the Company submitted the Resumption Proposal to the Stock Exchange before the expiry of the third delisting stage to seek the resumption of trading of the Company's shares. On 24 October 2016, the Company received a letter of even date 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. If the Company fails to submit a new listing application by 31 March 2017, or the transactions proposed in the resumption proposal fail to proceed for any reason, the Stock Exchange will proceed with cancelling the Company's listing on the Stock Exchange.

On 31 March 2017, a new listing application was submitted to the Stock Exchange. In accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the new listing application was required to be re-submitted in the event that a six month period passed following the original submission. As such, three re-submissions were filed with the Stock Exchange on 16 October 2017, 9 May 2018 and 14 November 2018 respectively. In parallel, the Stock Exchange, together with the Securities and Futures Commission of Hong Kong ("SFC" and collectively, the "Regulators") issued a number of sets of queries in relation to the new listing application throughout the period from April 2017 to December 2018. The Company, the Investors and all other professional parties have been working closely to address the Regulators' queries and made relevant replies throughout the years of 2017 and 2018. As of the date of these financial statements, the Regulators are still in the process of reviewing the new listing application.

In consideration of the progress of the Proposed Restructuring and the recent financial performance of the target group, four amendment letters (the "Amendment Letters") were entered between the Company, the Provisional Liquidators and the Investors on 29 September 2017, 29 December 2017, 27 April 2018 and 26 November 2018 respectively to extend the Long Stop Date of the Restructuring Framework Agreement to 30 April 2019 (or any other date as the parties may agree in writing), to amend the Open Offer Price, the Subscription Price and the price of the Consideration Shares (from HK$0.08 to HK$0.06), to amend the share consolidation ratio from 10 shares to 1 share to 40 shares to 1 share, resulting to an increase of the Open Offer Price, the Subscription Price and the price of the Consideration Shares from HK$0.06 to HK$0.24, and to revise the transaction structure, where a Share Offer (details as set out below) will be implemented while the Subscription was cancelled.

Saved as disclosed above, the Restructuring Framework Agreement remains substantially unchanged and in full force and effect in all respects.

Proposed Capital Reorganisation

For the Proposed Restructuring, the Company proposes to implement, subject to the approval by the shareholders, the capital reorganisation. The capital reorganisation will comprise the share consolidation, the authorised share capital cancellation and the authorised share capital increase.

Creditors Schemes

Pursuant to the terms of the Restructuring Framework Agreement and the Amendment Letters, it is proposed that the Creditors Schemes will be implemented after approval has been granted by the High Court of Hong Kong (the "High Court"), the Grand Court and the stakeholders of the Company, including the shareholders and all the creditors of the Company who have a valid claim against the Company as at the date on which the Creditors Schemes become effective.

Upon completion of the Creditors Schemes, all the claims of the creditors against the Company, and liabilities of the Company will be discharged and released in full. All existing assets of the Group will be transferred to the scheme company or scheme administrators of the Creditors Schemes, such that the only assets of the Company will be the target group on completion.

The Open Offer

Subject to the capital reorganisation becoming effective, the Company will implement the Open Offer of new shares on the basis of one offer share for every new share held on the Open Offer record date by the qualifying shareholders. A total of 140,096,484 offer shares will be allotted and issued by the Company at the offer price of HK$0.24 cash for each offer share and the gross proceeds raised via the issuance of the offer shares will be approximately HK$33.6 million. The Open Offer is only available to qualifying shareholders. The Open Offer will be conditional upon completion of the Proposed Restructuring. The Open Offer will be fully underwritten by an underwriter, being an independent third party and not acting in concert with the Investors, the companies owned by the Investors and parties acting in concert with any of them (the "Concert Group").

The Share Offer

Pursuant to the Restructuring Framework Agreement and the Amendment Letters, a share offer (which comprises a public offer, the Company's placing and the Investor's placing) will be implemented in place of the Subscription. The Company conditionally agreed to implement a share offer of 700,482,420 new shares at the price of HK$0.24. The Share Offer will consist of the offer of 70,048,000 new shares for subscription by the public in Hong Kong and the placing of 350,241,452 new shares and 280,192,968 new shares offered by the Company and the Investors respectively to selected professional, institutional and/or other investors (who shall in independent third parties and not existing shareholders) in Hong Kong and elsewhere.

Use of proceeds from the Share Offer

The aggregate gross proceeds receivable by the Company from the Open Offer and the Share Offer will amount to approximately HK$100.9 million. HK$90 million of such gross proceeds will be paid into the Creditors Schemes. The remaining balance of HK$10.9 million of such gross proceeds will be used to partially settle the Company's professional fees and expenses. The remaining professional fees and expenses of the Company will be borne by the Investors.

The Acquisition

Under the Restructuring Framework Agreement and the Amendment Letters, the Company will purchase the sale equity interest from the Investors. Upon the completion of the Acquisition, the target group will become wholly owned subsidiaries of the Company.

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 the Amendment Letters 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 (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 of the Company; and (vi) the financial performance and financial position of the Group.

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 completion of the Open Offer, the Share Offer and the Acquisition, which form part of the Proposed Restructuring, will be inter-conditional upon each other.

Reverse Takeover

The Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and therefore 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.

Whitewash Waiver

Upon the completion of the Proposed Restructuring, the Concert Group will, in aggregate, hold approximately 70.0% of the share capital of the Company after the capital reorganisation and as enlarged by the Offer Shares, the Share Offer Shares and the Consideration Shares and after the completion of share placement to maintain sufficient public float. As such, the Concert Group would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Hong Kong Codes on Takeovers (the "Takeovers Code"), unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the SFC. The Investors will make an application to the SFC for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

Incomplete books and records

Due to the limited information available, the Company was unable to obtain sufficient documentary information regarding the completeness of books and records and the treatment of various balances as included in the consolidated financial statements for the year ended 31 December 2018 and has formed the opinion as follows:

As the consolidated financial statements have been prepared based on the incomplete books and records available to the Company, the Company is unable to represent that all transactions entered into by the Group for the year ended 31 December 2018 have been properly reflected in the consolidated financial statements. As such, the Provisional Liquidators of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of the financial statements in accordance with the International Financial Reporting Standards (the "IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Provisional Liquidators have recovered only limited books and records of the Company and therefore it is almost impossible, and not practical to verify the financial information of the Group.

Going concern

The Group has received a winding up petition filed by the Petitioner against the Company and it was alleged in the Winding Up Petition that the Company was indebted to and failed to satisfy the Lenders. In preparing these consolidated financial statements, and taking into account of the incomplete books and records available to the Company (see the preceding section under the header "Incomplete books and records" for details), the Company has given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to generate a profit and attain positive cash flows from operations in the immediate and longer term.

Based on the cash flow projections of the Group and having taken into account the assumption that the Proposed Restructuring of the Company, as mentioned above, will be successfully completed, the Company has concluded that the Group and the Company is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

Except for the matters referred to in note 2, including certain disclosures as required under IFRSs, Hong Kong Companies Ordinance and the Listing Rules, these financial statements have been prepared in accordance with IFRSs, which collective term includes all applicable individual IFRSs, International Accounting Standards (the "IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance and Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3.27 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3.2 Basis of consolidation

The consolidated financial statements for the year ended 31 December 2018 comprise the Group.

The functional currency of the Company is Hong Kong dollars ("HKD"), while the financial statements are presented in Renminbi ("RMB"). As the major subsidiaries of the Group are operating in the PRC and the functional currency of the major subsidiaries is RMB, the Company consider that it will be more appropriate to adopt RMB as the Group's and the Company's presentation currency.

The consolidated financial statements have been prepared under historical cost basis except for investment properties and convertible bonds which are measured at fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

3.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3.4.1 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with IAS 12 Income Taxes;

- assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3.4.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a CGU was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Construction-in-progress ("CIP") and asset under construction ("AUC") represent buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost comprises direct costs of construction and acquisition, as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided on CIP and AUC until it is completed and ready for intended use.

Building and mining structures (including leasehold improvements)	4 to 30 years
Furniture, machinery and equipment	5 to 20 years
Motor vehicles	5 to 12 years

The assets' estimated useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the consolidated statement of financial position at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably measured at that time. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.7 Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

3.7.1 Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

3.7.2 Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3.5. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3.10. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

3.7.3 Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

3.7.4 Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

3.8 Intangible assets (other than goodwill)

Trademark acquired in a business combination

Trademark acquired in a business combination is identified and recognised separately from goodwill where it satisfies the definition of an intangible asset. It is measured on initial recognition at cost which is the fair value as at the date of acquisition. Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such intangible assets are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable.

Customer relationship, patents and technical know-how acquired in a business combination

The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

3.9 Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment loss and are amortised on a straight-line basis over the estimated useful life, which is the shorter of the contractual period and the estimated period of extraction (based on the total proven and probable reserves of the mines), from the date such mine is available for use.

3.10 Credit losses and impairment of assets

3.10.1 Credit losses from financial instruments, contract assets and lease receivables

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

– contract assets as defined in IFRS 15;

– debt securities measured at fair value through other comprehensive income ("FVOCI") (recycling);

- lease receivables; and

- loan commitments issued, which are not measured at fair value through profit or loss ("FVPL").

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

- lease receivables: discount rate used in the measurement of the lease receivable;

- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 3.19 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

- For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

  Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

3.10.2 Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(A) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 3.10.1 apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

3.10.3 Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

3.10.4 Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34 Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 3.10.1 and 3.10.2).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

3.12 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 3.10.1).

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 3.10.1.

3.14 Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3.10.2, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

3.15 Convertible bonds

The convertible bonds of U.S. dollars ("USD") 120 million issued by the Company that contain both the liability and conversion option are classified separately into their respective items on initial recognition. As the convertible bonds can be converted to equity share capital at the option of the bondholders, where the number of shares that would be issued on conversion and the value of consideration would be received at that time do not vary, these are accounted for as an equity instrument.

The liability component of the convertible bonds of USD120 million is determined using a market rate for an equivalent non-convertible bond. The equity component of the convertible bonds of USD120 million is then the residual after deducting the fair value of liability from the fair value of the convertible bonds of USD120 million. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds equity reserve until either the convertible bonds are converted, redeemed or matured.

If the convertible bonds are converted, the convertible bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the convertible bonds equity reserve is released directly to retained profits.

Upon issuance of the convertible bonds, the bondholders were also granted an option to subscribe for the additional convertible bonds in an aggregate principal amount of up to USD100 million (the "loan commitment"). The option is exercisable during the period commencing on the date of completion of the subscription for the convertible bonds and ending on the first anniversary of such date.

If it is probable that the Group will enter into a specific lending arrangement and the loan commitment is not within the scope of IFRS 9, the loan commitment fees received is regarded as compensation for the ongoing involvement with the issuance of a financial instrument and is deferred and recognised as an adjustment to the effective interest rate. If the loan commitment expires without the Group making the loan, the fee is recognised as revenue on expiry.

If it is not probable that the Group will enter a specific lending arrangement, and the loan commitment is not within the scope of IFRS 9, the loan commitment fees received are recognised as revenue on a time proportion basis over the commitment period.

Loan commitments within the scope of IFRS 9 are accounted for as derivatives and measured at fair value.

3.16 Employee benefits

3.16.1 Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Defined contribution retirement plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to defined contribution plans are recognised in the financial year when they are due.

A liability for a termination benefit is recognised at the earlier when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3.16.2 Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the employee share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the employee share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

3.17 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax loses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3.6, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3.18 Provisions and contingent liabilities

3.18.1 Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

3.18.2 Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3.18.3. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3.18.3.

3.18.3 Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.19 Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products.

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Rental income

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.20 Foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates prevailing at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates prevailing at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates prevailing at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Renminbi at the closing foreign exchange rates prevailing at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.22 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

3.23 Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

3.24 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the executive directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they are share a majority of these criteria.

3.25 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

3.26 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3.27 Application of new and revised International Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new or revised standards and interpretations ("new or revised IFRSs"). The application of the new and revised IFRSs in the current year has no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration

(a) Overview

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9 Prepayment Features with Negative Compensation which have been adopted at the same time as IFRS 9.

Details of the changes in accounting policies are discussed as below. As stated in the note 7 to the consolidated financial statements, certain subsidiaries of the Company (collectively referred to as "Unconsolidated Subsidiaries") have been excluded from the financial statements due to the lack of complete books and records. As such, no financial instruments are recorded as at 31 December 2018. Additionally, the Company has stopped trading and other business operations since the Company has been placed into provisional liquidation on 25 February 2015. No revenue have been generated and no foreign currency transactions have been taken in place for the year ended 31 December 2018. In consideration of the above, the adoption of these new standards or interpretation is not applicable to have any material impact on the financial position and the financial result of the Group.

(b) IFRS 9, Financial Instruments, including the amendments to IFRS 9 Prepayment Features with Negative Compensation

IFRS 9 replaces IAS 39 Financial instruments: Recognition and Measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at FVPL. These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

– contract assets as defined in IFRS 15; and

– lease receivables.

For further details on the Group's accounting policy for accounting for credit losses, see note 3.10.1(A).

(c) IFRS 15, Revenue from contracts with customers

The Company has stopped trading and other business operations since the Company has been placed into provisional liquidation on 25 February 2015. No revenue have been generated for the year ended 31 December 2018. In consideration of the above, the adoption of this new standard is not applicable to have any material impact on the financial position and the financial result of the Group.

(d) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way.

The Company has stopped trading and other business operations since the Company has been placed into provisional liquidation on 25 February 2015. No foreign currency transactions have been taken in place for the year ended 31 December 2018. In consideration of the above, the adoption of this new interpretation is not applicable to have any material impact on the financial position and the financial result of the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material judgement to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. The recoverable amounts of CGU have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates.

(ii) Impairment of other assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. When fair value less costs to sell calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the evaluation of collectability and ageing analysis of receivables and on management's judgement. A considerable amount of judgement is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtor. Management will reassess the provision at each reporting date. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payment, additional allowances may be required.

(iv) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for the property, plant and equipment of the Group. This estimate is based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(v) Estimate of fair value of investment properties

As disclosed in note 3.6, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

(vi) Provision for reclamation and closure cost

Provision for reclamation and closure cost is estimated based on management's interpretation of current regulatory requirements and their past experiences. Provision set up, if any, is reviewed regularly by management to ensure it properly reflects the obligation arising from mining and exploration activities.

5. REVENUE

Revenue, which is also the Group's turnover represents the net amounts received and receivable for goods sold, less value-added tax and sales returns, for the year. The amount of each significant category of the revenue recognised is as follows:

	2018	**2017**
	RMB'000	*RMB'000*
Revenue from PPS business		
– Coating-grade PPS resin	–	–
– Injection-moulding-grade PPS resin	–	–
– Film-grade PPS resin	–	–
– PPS fibre	–	–
– PPS compounds	–	–
	–	–

	2018	2017
	RMB'000	*RMB'000*
Revenue from mining and thenardite business		
– Powder thenardite	–	–
– Medical thenardite	–	–
– Specialty thenardite	–	–
	–	–
Revenue	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the revenue of the Group as of the date of publication of these consolidated financial statements and no disclosure of the segment information is available.

6. OTHER REVENUE AND GAINS

	2018	2017
	RMB'000	*RMB'000*
Other revenue and gains	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the other revenue and gains of the Group as of the date of publication of these consolidated financial statements.

7. LOSS ON DECONSOLIDATION OF UNCONSOLIDATED SUBSIDIARIES

As disclosed in note 2, due to incomplete books and records, the Provisional Liquidators of the Company have been unable to access the books and records of the Unconsolidated Subsidiaries. Due to the lack of complete books and records of the 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. Therefore it is almost impossible, and not practical, to consolidate the financial statements of the Unconsolidated Subsidiaries into the Group's consolidated financial statements since 25 February 2015, the date of the appointment of the Provisional Liquidators of the Company.

As disclosed in note 2 on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the loss on deconsolidation of unconsolidated subsidiaries of the Group as of the date of publication of these consolidated financial statements.

8. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Total finance costs	188,597	178,585

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the finance costs of the Group as of the date of publication of these consolidated financial statements.

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging and (crediting) the following items:

	2018 *RMB'000*	2017 *RMB'000*
Auditor's remuneration	219	208
Amortisation of land use rights *(note (i))*	–	–
Amortisation of mining rights *(note (i))*	–	–
Amortisation of other intangible assets *(note (i))*	–	–
Cost of inventories recognised as an expense	–	–
Depreciation of property, plant and equipment	–	–
Impairment of trade and other receivables	–	–
Write off of cash and bank balances	–	–
Operating lease charges on rented premises	–	–
Outgoings in respect of investment properties	–	–
Research expenses	–	–
Staff costs (including directors' remuneration *(note (ii))*		
– Wages, salaries and bonus	3,673	3,039
– Equity-settled share-based payment *(note 32)*	–	–
– Contribution to defined contribution pension plans	–	–
	3,673	3,039

Notes:

(i) Amounts have been included in other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

(ii) Due to incomplete books and records, the Provisional Liquidators were unable to ascertain information about the five highest paid individuals during the years ended 31 December 2018 and 2017.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of loss before income tax of the Group of the date of publication of these consolidated financial statements.

10. INCOME TAX EXPENSE

	2018 *RMB'000*	2017 *RMB'000*
Current tax		
– Provision for Enterprise Income Tax	–	–
Deferred tax	–	–
Total income tax expense	–	–

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdiction of Cayman Islands and BVI during year ended 31 December 2018 (2017: Nil).

(ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year ended 31 December 2018 (2017: Nil).

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the income tax expense of the Group as of the date of publication of these consolidated financial statements.

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owner of the Company of approximately RMB192,855,000 (2017: loss of RMB184,001,000) and the weighted average number of 5,603,859,393 (2017: 5,603,859,393) ordinary shares in issue during the year.

(b) Diluted loss per share

Diluted loss per share equals to basic loss per share for the years ended 31 December 2018 and 2017 because the share options outstanding were anti-dilutive.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of loss per share of the Group as of the date of publication of these consolidated financial statements.

12. DIVIDENDS

No dividend was declared during the year (2017: Nil).

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of dividends of the Group as of the date of publication of these consolidated financial statements.

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2018	**2017**
	RMB'000	*RMB'000*
Directors' fee	–	–
Salaries allowance and bonus	3,673	3,039
Contribution to pension plans	–	–
Equity-settled share-based payments	–	–
Total	3,673	3,039

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the directors' remuneration and senior management's emoluments of the Group as of the date of publication of these consolidated financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	RMB'000	*RMB'000*
Net carrying amount at 1 January and 31 December	1,011	1,011

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the property, plant and equipment of the Group as of the date of publication of these consolidated financial statements.

15. INVESTMENT PROPERTIES

	2018	2017
	RMB'000	*RMB'000*
Fair value		
At 1 January and 31 December	–	–

Investment properties represent buildings and land use rights located in the PRC.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the investment properties of the Group as of the date of publication of these consolidated financial statements.

16. LAND USE RIGHTS

	2018	2017
	RMB'000	*RMB'000*
Net carrying amount at 1 January and 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the land use rights of the Group as of the date of publication of these consolidated financial statements.

17. GOODWILL

	2018	2017
	RMB'000	*RMB'000*
Net carrying amount at 1 January and 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the goodwill of the Group as of the date of publication of these consolidated financial statements.

18. MINING RIGHTS

	2018	2017
	RMB'000	*RMB'000*
Net carrying amount at 1 January and 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the mining rights of the Group as of the date of publication of these consolidated financial statements.

19. OTHER INTANGIBLE ASSETS

	2018	2017
	RMB'000	*RMB'000*
Net carrying amount at 1 January and 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the other intangible assets of the Group as of the date of publication of these consolidated financial statements.

20. DEPOSITS AND PREPAYMENTS

	2018	2017
	RMB'000	*RMB'000*
Net carrying amount at 1 January and 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the deposits and prepayments of the Group as of the date of publication of these consolidated financial statements.

21. INTERESTS IN SUBSIDIARIES

	2018	2017
	RMB'000	*RMB'000*
Total investment in and amounts due from subsidiaries at 31 December	278,164	278,164

The following list contains the particulars of the principal subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Country/place of incorporation/ establishment and type of legal entity	Particulars issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
Rich Light International Limited	Incorporated in the BVI, limited liability company	USD100	100%	Investment holding
Sino Polymer New Materials Co., Ltd.	Incorporated in the Cayman Islands, limited liability company	USD100,000,000	100%	Investment holding

Name	Country/place of incorporation/ establishment and type of legal entity	Particulars issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Interests held indirectly				
Top Promise Resources Limited	Incorporated in Hong Kong, limited liability company	One ordinary share	100%	Investment holding
Haton Polymer & Fibre Limited	Incorporated in the BVI, limited liability company	USD0.1	100%	Investment holding
Haton Polymer Limited	Incorporated in Hong Kong, limited liability company	One ordinary share	100%	Investment holding

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the interests in subsidiaries of the Company and amounts due from subsidiaries as of the date of publication of these consolidated financial statements.

22. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Inventories	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the inventories of the Group as of the date of publication of these consolidated financial statements.

23. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade and other receivables	18,649	18,649
Less: Impairment loss brought forward	(18,649)	(18,649)
Net carrying amount at 31 December	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other receivables of the Group as of the date of publication of these consolidated financial statements.

24. CASH AND BANK BALANCES

	2018	2017
	RMB'000	*RMB'000*
Cash and bank balances as stated in the consolidated statement of financial position at 31 December	6,000	6,685

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Convertible Bonds	Borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	1,084,388	5,652,564	6,736,952
Changes from financing cash flows:			
Interest paid	–	–	–
Total changes from financing cash flows	–	–	–
Exchange adjustments	–	–	–
Changes in fair value	–	–	–
Other changes:			
Interest expenses	–	178,585	178,585
	–	178,585	178,585
At 31 December 2017 and 1 January 2018	1,084,388	5,831,149	6,915,537
Changes from financing cash flows:			
Interest paid	–	–	–
Total changes from financing cash flows	–	–	–
Exchange adjustments	–	–	–
Changes in fair value	–	–	–
Other changes:			
Interest expenses	–	188,597	188,597
	–	188,597	188,597
At 31 December 2018	1,084,388	6,019,746	7,104,134

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the cash and bank balances of the Group and the underlying cash transactions at the date of publication of these consolidated financial statements.

25. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Net carrying amount	32,352	28,779

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other payables of the Group as of the date of publication of these consolidated financial statements.

26. BORROWINGS

The Group's borrowings were repayable as follows:

	2018	2017
	RMB'000	*RMB'000*
Current	2,291,843	2,103,246
Non-current	3,727,903	3,727,903
At 31 December	6,019,746	5,831,149

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the borrowings of the Group as of the date of publication of these consolidated financial statements.

27. CONVERTIBLE BONDS

On 7 April 2011, the Company entered into a subscription agreement (the "Subscription Agreement") with Stable Investment Corporation ("SIC"), a wholly-owned subsidiary of China Investment Corporation and CITIC Capital China Access Fund Limited ("CITIC Capital"). Pursuant to the Subscription Agreement, SIC and CITIC Capital agreed to subscribe for the convertible bonds of the Company in an aggregate principal amount of USD120,000,000 (equivalent to approximately RMB779,229,000) at 6% interest rate per annum (the "Convertible Bonds") with maturity on 12 May 2014 (the "Maturity Date"). In addition, the Company has granted SIC and CITIC Capital an option to subscribe for the additional convertible bonds in an aggregate principal amount of up to USD100,000,000 (the "Additional Convertible Bonds"), exercisable during the period commencing on the date of completion of the subscription for the Convertible Bonds and ending on the first anniversary of such date. The terms and conditions of the Additional Convertible Bonds will be the same as the terms and conditions of the Convertible Bonds as set out in the Subscription Agreement in all respect except for (i) the conversion price and (ii) the first payment of interest. No further bond interest had been accrued after the Maturity Date subject to the negotiation with bondholders.

Interest on the Convertible Bonds is repayable quarterly in arrear on 31 March, 30 June, 30 September and 31 December commencing on 30 September 2011.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Convertible Bonds at 148.15% of its principal amount together with accrued and unpaid interest on the Maturity Date. Based on the information available to the Company, there is no information in relation to the redemption, conversion, purchase or cancellation of the Convertible Bonds.

The carrying amount of the liability component of the Convertible Bonds is set out as below:

	Liability component		Equity component	
	2018	**2017**	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount as at 1 January and 31 December	1,084,388	1,084,388	–	–

Analysed for reporting purposes as:

	Liability component		Equity component	
	2018	**2017**	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January and 31 December Convertible Bonds included in current liabilities	1,084,388	1,084,388	–	–

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the convertible bonds and loan commitment of the Group as of the date of publication of these consolidated financial statements.

28. DEFERRED TAX ASSETS/LIABILITIES

	2018	**2017**
	RMB'000	*RMB'000*
Net deferred tax liabilities as at 1 January and 31 December	311,947	311,947

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the deferred tax liabilities of the Group as of the date of publication of these consolidated financial statements.

29. SHARE CAPITAL

	Number of ordinary shares	**Nominal value**	
		USD	*RMB'000*
Authorised:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000,000	100,000	718
Issued and fully paid:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	5,603,859,393	56,039	383

Note: For the years ended 31 December 2018 and 2017, no shares were issued.

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

31. RESERVES

(a) Company

The movement of the Company's reserves are as follows:

	2018 *RMB'000*	2017 *RMB'000*
At 1 January	(4,970,444)	(4,838,369)
Recognition of share-based payments	–	–
Dividend paid	–	–
Loss for the year	(138,427)	(132,075)
Exchange gain/(loss) on translation of financial statements of foreign operations	–	–
At 31 December	(5,108,871)	(4,970,444)

(b) Group

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

Employee share-based compensation reserve

Employee share-based compensation reserve is comprised of the fair value of the actual or estimated number of unvested share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based employee compensation set out in notes 3.16.

General reserve

General reserve represents the difference between the net assets acquired by the Group and the consideration paid for the acquisition of additional interests in subsidiaries.

Capital contribution

On 23 June 2007, the Company entered into a facility agreement with Credit Suisse, Singapore Branch and Credit Suisse International for an USD bank loan. On the same date, the Company and its shareholders are required to enter into another agreement in respect of an instrument constituting warrants to purchase shares in the Company for the provision of the facility. The warrants were issued by a shareholder of the Company to Credit Suisse, Singapore Branch and Credit Suisse International, the warrant holders, with a right to purchase a specified amount of the Company's shares within a specific period. Due to the fact that the facility arrangements were specially for the purpose of capital injection in Chuanmei Glauber Salt and the acquisition of mines, and these facility arrangements were secured by the warrants and guarantees provided by shareholders, accordingly, the capital contribution of the Group and the Company represented the fair value of the warrants which entitled the warrant holders to purchase for the share capital of the Company from a shareholder as well as the guarantees provided by the shareholders of the Company.

Statutory reserves

– *Statutory surplus reserve*

According to the relevant laws and regulations in the PRC, subsidiaries of the Group are required to transfer 10% of their profits after taxation after setting off the accumulated losses brought forward from prior years, as determined under PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Any further appropriation is optional. These reserves may be used to make good previous years' losses, if any, and may be converted to increase paid-up capital of the respective entities.

– *Statutory public welfare fund*

In accordance with the relevant laws and regulations in the PRC, the subsidiaries of the Group is required to appropriate certain portion of its profits after tax, as determined in accordance with the PRC Accounting Regulations, to the statutory public welfare fund but the amount of appropriation is determined by the board of directors. The statutory public welfare fund shall only apply to collective welfare of staff and workers and welfare facilities remain as properties of the Group.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the reserves of the Group and Company as of the date of publication of these consolidated financial statements.

32. SHARE-BASED EMPLOYEE COMPENSATION

(i) Pre-IPO share option scheme

Pursuant to a written resolution approved by the Company's shareholders on 30 April 2008, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") became effective. Certain executive directors, senior managerial staff and employees of the Group were granted options to recognise their contributions to the Group. Under the Pre-IPO Share Option Scheme, 198 individuals (the "Grantees") comprised of 3 directors, 7 senior managerial staff and 188 employees of the Group, were granted options conditionally. The exercise of the options would entitle the Grantees to purchase an aggregate of 76,000,000 shares of the Company immediately following completion of the global offering and the capitalisation issue at the offer price. The options vested on 16 June 2009, the date on which the shares of the Company were listed on the Stock Exchange (the "Listing Date"), and the Grantees remain in employment for a certain period of time. The options are exercisable by installments and up to 7 years since the Listing Date. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The Group would receive HKD1.00 for each grant under the Pre-IPO Share Option Scheme.

The fair value of the options is determined using the Binomial Option Pricing Model that takes into account factors specific to the share incentive plans. The following table lists the inputs to the model used:

Expected volatility*	47.88%
Risk-free interest rate	2.544%
Dividend yield	3.93%
Expected life of option	7 years
Fair value at grant date	HKD0.51 – HKD0.59
Exercise price at the date of grant	HKD1.659

* The expected volatility is assumed based on the historical volatilities of the share prices of the comparable companies. It is assumed that the volatility is constant throughout the option life.

(ii) Share option scheme

In order to comply with the Listing Rules of Main Board regarding share option scheme of a Company, a share option scheme (the "Share Option Scheme") was adopted by the Company on 26 May 2009.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who work for the interest of the Group. Eligible participants of the Share Option Scheme include executive directors, non-executive directors, employees, consultants, advisers and other service providers. The Share Option Scheme became effective on 26 May 2009 and, unless otherwise cancelled or amended will remain in force for 10 years from that date.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The share options vest upon the commencement of the exercise period which is determined by the Board at the date of grant. The grantees are entitled to exercise the share options upon fulfilment of all requirements set out in the Share Option Scheme.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the share option outstanding as at 31 December 2018 and 2017 for the Group and Company as of the date of publication of these consolidated financial statements.

33. COMPANY – LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2018**	**2017**
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	*21*	278,164	278,164
Current assets			
Other receivables		–	–
Loans to subsidiaries		2,421	2,421
Cash and bank balances		5,787	6,483
		8,208	8,904
Current liabilities			
Other payables		32,352	28,779
Borrowings		1,645,540	1,511,382
Convertible bonds		1,084,388	1,084,388
Amounts due to subsidiaries		98,848	98,848
		2,861,128	2,723,397
Net current liabilities		(2,852,920)	(2,714,493)
Total assets less current liabilities		(2,574,756)	(2,436,329)
Non-current liabilities			
Borrowings		2,533,732	2,533,732
Net liabilities		(5,108,488)	(4,970,061)
EQUITY			
Share capital	*29*	383	383
Reserves	*31(a)*	(5,108,871)	(4,970,444)
Total deficit		(5,108,488)	(4,970,061)

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, right and obligations and accuracy of the Company-level statement of financial position as at the date of publication of these consolidated financial statements.

34. EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's proposed restructuring in progress, and further details of which are stated in note 2 to the consolidated financial statements.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

IFRS 16, Leases

As disclosed in note 3.7, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF CHINA LUMENA NEW MATERIALS CORP.
(IN PROVISIONAL LIQUIDATION)

(incorporated in the Cayman Islands with limited liability)

Introduction

We were engaged to review the interim financial information set out on pages 15 to 29 which comprise the condensed consolidated statement of financial position of China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") and its subsidiaries together (the "Group") as at 30 June 2019, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and other explanatory information.

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors and provisional liquidators are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Because of the matters described in the basis for disclaimer of conclusion paragraphs, however, we were not able to obtain sufficient appropriate evidence as a basis of expressing a conclusion on the interim financial information.

Basis for disclaimer of conclusion

Scope limitation due to incomplete books and record

Up to the date of this report, given the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the provisional liquidators of the Company, acting as agents of the Company (without liability and recourse), believe that, it is almost impossible, and not practical, to ascertain the correct revenue and profit or loss (and the resultant assets and liabilities) for the current period for inclusion in the interim financial information of the Group. Also, due to incomplete books and records, the Provisional Liquidators of the Company believe that it is almost impossible, and not practical, to verify the interim financial information of the Group for the past years and, in particular prior to the appointment of the Provisional Liquidators on 25 February 2015. We were therefore unable to carry out satisfactory procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification and disclosures of the transactions, contingent liabilities and commitments of the Group for the year ended 31 December 2018 and period ended 30 June 2019.

Given these circumstances, which are more fully disclosed in note 1 to the unaudited condensed consolidated interim financial statements, there were no practicable procedures that we could perform to satisfy ourselves that the information and documents presented to us for the purpose of our review are complete and accurate in all material respects, nor to quantify the extent of adjustments that might be necessary in respect of the Group's unaudited interim financial information.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate evidence would have had a consequential effect on the net liabilities of the Group as at 1 January 2019 and 30 June 2019, and on its loss for the periods ended 30 June 2019 and 2018, and the related disclosures thereof in the unaudited condensed consolidated interim financial statements.

Non-compliance with IFRSs and omission of disclosures

As explained in note 1 to the unaudited condensed consolidated interim financial statements, as the unaudited condensed consolidated interim financial statements of the Group have been prepared based on the information provided by the former management of the Company and the Provisional Liquidators have presented these financial statements based on incomplete books and records, the Provisional Liquidators believe it is almost impossible and not practicable to ascertain the correct amounts. Consequently, the Provisional Liquidators of the Company were unable to confirm that the unaudited condensed consolidated interim financial statements comply with IFRSs, or that the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited have been complied with. Given these circumstances, which are more fully described in note 1 to the unaudited condensed consolidated interim financial statements, there were no practicable procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Group's interim financial information.

Investments in unconsolidated subsidiaries and deconsolidation of subsidiaries

As disclosed in note 6 to the unaudited condensed consolidated interim financial statements, due to incomplete books and records, the Provisional Liquidators of the Company have been unable to access the books and records of certain subsidiaries of the Company (collectively referred to as "Unconsolidated Subsidiaries"). Due to the lack of complete books and records of the 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". Therefore, it is almost impossible, and not practical, to consolidate the financial statements of the Unconsolidated Subsidiaries into the Group's consolidated financial statements since 25 February 2015, the date of the appointment of the provisional liquidators of the Company.

However, no sufficient evidence has been provided to satisfy ourselves as to whether the Company had control of these Unconsolidated Subsidiaries since 25 February 2015 and throughout the six months ended 30 June 2019 and accordingly we have been unable to obtain sufficient reliable evidence to satisfy ourselves as to whether it is appropriate to exclude the Unconsolidated Subsidiaries from the consolidated financial statements and the loss on deconsolidation of unconsolidated subsidiaries.

The exclusion of the financial position and results of the Unconsolidated Subsidiaries in the consolidated financial statements is a departure from the requirements of International Financial Reporting Standard 10 "Consolidated Financial Statements".

Due to the lack of complete books and records of the Unconsolidated Subsidiaries, we were unable to obtain sufficient appropriate evidence and explanations to determine whether the carrying values of the investments in the Unconsolidated Subsidiaries were free from material misstatement. Any adjustments that might have been found to be necessary would have a consequential significant effect on the Group's and the Company's net liabilities as at 30 June 2019 and the Group's results for the period then ended.

Material uncertainty related to going concern basis

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The unaudited condensed consolidated interim financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our conclusion in respect of the material uncertainty relating to the going concern basis of preparation of these unaudited condensed consolidated interim financial statements.

Disclaimer of conclusion

Because of the significance of the matters described in the basis for disclaimer of conclusion paragraphs, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the unaudited condensed consolidated interim financial statements. Accordingly, we do not express a conclusion on the unaudited condensed consolidated interim financial statements.

Other matters

The Provisional Liquidators were appointed on 25 February 2015. The Provisional Liquidators have recovered only limited books and records of the Company and they have used their reasonable endeavours to present the unaudited condensed consolidated interim financial statements based on the information prepared by the former management of the Company available to them to date and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015 to fulfil the Company's responsibilities for the preparation of the unaudited condensed consolidated interim financial statements in accordance with IFRSs.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 August 2019

Chan Wai Dune, Charles
Practising Certificate Number P00712

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	**2018**
	Notes	*RMB'000*	*RMB'000*
		(unaudited)	*(unaudited)*
Revenue	*5*	–	–
Cost of sales		–	–
Gross profit		–	–
Other revenue and gains		–	–
Loss on deconsolidation of unconsolidated subsidiaries	*6*	–	–
Selling and distribution expenses		–	–
Other operating expenses		(2,330)	(2,052)
Finance costs	*7*	(94,189)	(90,906)
Loss before taxation	*8*	(96,519)	(92,958)
Income tax expense	*9*	–	–
Loss for the period attributable to owners of the Company		(96,519)	(92,958)
Other comprehensive loss for the period, net of nil tax		–	–
Total comprehensive loss for the period attributable to owners of the Company		(96,519)	(92,958)
		RMB cents	*RMB cents*
Loss per share	*11*		
– Basic		(1.72)	(1.66)
– Diluted		(1.72)	(1.66)

The notes on pages 19 to 29 form an integral part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	1,011	1,011
Investment properties		–	–
Land use rights		–	–
Goodwill		–	–
Mining rights		–	–
Other intangible assets		–	–
Deposits and prepayments		–	–
Deferred tax assets		–	–
		1,011	1,011
Current assets			
Inventories		–	–
Trade and other receivables	13	–	–
Cash and bank balances	14	6,575	6,000
		6,575	6,000
Current liabilities			
Trade and other payables	15	35,257	32,352
Borrowings	16	2,386,032	2,291,843
Convertible bonds	17	1,084,388	1,084,388
Tax payable		–	–
		3,505,677	3,408,583
Net current liabilities		(3,499,102)	(3,402,583)
Total assets less current liabilities		(3,498,091)	(3,401,572)
Non-current liabilities			
Borrowings	16	3,727,903	3,727,903
Deferred tax liabilities	18	311,947	311,947
		4,039,850	4,039,850
Net liabilities		(7,537,941)	(7,441,422)
EQUITY			
Share capital	19	383	383
Reserves		(7,538,324)	(7,441,805)
Capital deficiencies		(7,537,941)	(7,441,422)

The notes on pages 19 to 29 form an integral part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company									
	Share capital	Share premium	Capital redemption reserve	Employee share-based compensation reserve	Capital contribution	General reserve	Statutory reserve	Translation reserve	Accumulated loss	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)										
At 1 January 2018	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,564,030)	(7,248,567)
Loss for the period	–	–	–	–	–	–	–	–	(92,958)	(92,958)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the period	–	–	–	–	–	–	–	–	(92,958)	(92,958)
At 30 June 2018	383	10,193,681*	5*	193,814*	103,539*	(413,367)*	–	237,408*	(17,656,988)*	(7,341,525)

* The total of these balances represents reserves in the condensed consolidated statement of financial position.

	Attributable to owners of the Company									
	Share capital	Share premium	Capital redemption reserve	Employee share-based compensation reserve	Capital contribution	General reserve	Statutory reserve	Translation reserve	Accumulated loss	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)										
At 1 January 2019	383	10,193,681	5	193,814	103,539	(413,367)	–	237,408	(17,756,885)	(7,441,422)
Loss for the period	–	–	–	–	–	–	–	–	(96,519)	(96,519)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the period	–	–	–	–	–	–	–	–	(96,519)	(96,519)
At 30 June 2019	383	10,193,681*	5*	193,814*	103,539*	(413,367)*	–	237,408*	(17,853,404)*	(7,537,941)

* The total of these balances represents reserves in the condensed consolidated statement of financial position.

The notes on pages 19 to 29 form an integral part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2019

	2019 RMB'000 *(Unaudited)*	2018 RMB'000 *(Unaudited)*
Operating activities		
Loss before income tax	(96,519)	(92,958)
Finance cost	94,189	90,906
Loss on deconsolidation of unconsolidated subsidiaries	–	–
	(2,330)	(2,052)
Change in working capital		
Decrease in inventories	–	–
Decrease in trade and other receivables	–	–
Increase in trade and other payables	2,905	1,649
Net cash generated from/(used in) operating activities	575	(403)
Financing activities		
Increase in bank borrowings	–	–
Repayment of bank borrowings	–	–
Net cash generated from/(used in) financing activities	–	–
Net increase/(decrease) in cash and cash equivalents	575	(403)
Cash and cash equivalents at 1 January	6,000	6,685
Cash and cash equivalents at 30 June	6,575	6,282

The notes on pages 19 to 29 form an integral part of these interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. GENERAL INFORMATION

China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") was incorporated in the Cayman Islands on 12 April 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The current address of the Company's registered office is located at c/o PwC Corporate Finance & Recovery (Cayman) Limited, PO Box 258, 4th Floor, 18 Forum Lane, Grand Cayman, Cayman Islands, KY1-1104 and its current principal place of business is situated at 22/F, Prince's Building, Central, Hong Kong.

The Company and its subsidiaries (collectively the "Group") were engaged in the following principal activities during the period:

- Manufacturing and selling of polyphenylene sulfide ("PPS") products including PPS resin, PPS fibre and PPS compounds; and

- Processing and selling of powder thenardite, specialty thenardite and medical thenardite.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Interim Financial Statements do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards ("IFRSs") (which collective term includes all applicable individual International Financial Reporting Standards and Interpretations as approved by the IASB, and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

The Interim Financial Statements are unaudited, but have been reviewed by Crowe (HK) CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants.

The Provisional Liquidators have presented in these financial statements the financial information prepared by the Company's former management and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015. The Provisional Liquidators note that the historical information in respect of the Company prior to such appointment date as provided to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position and may contain errors. The Provisional Liquidators provide no assurance for the financial statements, financial position and results contained herein which are presented solely for the purpose of meeting the listing requirements. The Provisional Liquidators do not accept or assume responsibility for these financial statements for any purpose or to any person to whom these financial statements are shown or into whose hands they may come.

Suspension of trading of the Company's shares

Trading in the shares of the Company on the Stock Exchange has been suspended since 25 March 2014.

Winding up Petition

On 29 January 2015, the board (the "Board") of directors (the "Directors") of the Company received a winding up petition dated 19 January 2015 filed by Mega International Commercial Bank Co., Ltd. (the "Petitioner" or "MICB") against the Company (the "Winding Up Petition") with the Grand Court of the Cayman Islands (the "Grand Court") which was served at the Company's registered office in the Cayman Islands.

It was alleged in the Winding Up Petition that the Company was indebted to and had failed to satisfy the Lenders (as defined below) of such debt in the total sum of US$89,764,378.88 as at 16 January 2015, comprising the principal amount of a loan of US$85,000,000 (the "Loan"), accrued unpaid interest thereon of US$880,436.38 and accrued unpaid default interest thereon of US$3,883,942.50. Pursuant to the Winding Up Petition, the aforesaid amounts were owed pursuant to a loan agreement dated 22 April 2013 (the "Loan Agreement") entered into by (i) the Company (as borrower), (ii) the Petitioner, Cathay United Bank, China Development Industrial Bank, Ta Chong Bank Ltd., Taipei Fubon Commercial Bank Co., Ltd., Taishin International Bank Co., Ltd., Taiwan Business Bank and Bank of East Asia, Limited (as lenders) (collectively, the "Lenders"), and (iii) the Petitioner (as arranger and agent for the Lenders) in respect of the Loan.

Under the Winding Up Petition, the Petitioner sought to wind up the Company and to appoint liquidators.

Appointment of the Provisional Liquidators

On 25 February 2015, Mr. Man Chun So, Mr. Yat Kit Jong and Mr. David Walker were appointed as the Provisional Liquidators of the Company with the power to act jointly and severally pursuant to the order made by the Grand Court until further notice.

On 2 August 2016, the Grand Court made a further order releasing Mr. David Walker from the obligation to perform any further duties in his capacity as joint provisional liquidator and replacing him with Mr. Simon Conway.

Since the appointment, the Provisional Liquidators have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets. The Provisional Liquidators have recovered limited books and records from the Company's principal place of business in Hong Kong. None of the directors of the Company have advised the Provisional Liquidators of the whereabouts of the statutory books and records, or books and records of the Group including the subsidiaries incorporated in the People's Republic of China (the "PRC").

Proposed Restructuring of the Group

On 23 September 2016, the Company entered into the restructuring framework agreement (the "Restructuring Framework Agreement") with the independent third parties (the "Investors"), pursuant to which the Company will implement a restructuring of the Company's equity and debt ("Proposed Restructuring").

Pursuant to the Restructuring Framework Agreement, the Company will carry out the Proposed Restructuring which comprises: (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; (iv) the Subscription; (v) the Acquisition; (vi) Reverse Takeover; and (vii) Whitewash Waiver. The Subscription was subsequently cancelled and replaced by the Share Offer pursuant to the amendment letter dated 26 November 2018.

Following the entering into of Restructuring Framework Agreement, the Company submitted the resumption proposal to the Stock Exchange before the expiry of the third delisting stage to seek the resumption of trading of the Company's shares. On 24 October 2016, the Company received a letter of even date 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. If the Company fails to submit a new listing application by 31 March 2017, or the transactions proposed in the resumption proposal fail to proceed for any reason, the Stock Exchange will proceed with cancelling the Company's listing on the Stock Exchange.

On 31 March 2017, a new listing application was submitted to the Stock Exchange. In accordance with the Listing Rules, the new listing application was required to be re-submitted in the event that a six month period passed following the original submission. As such, four re-submissions were filed with the Stock Exchange on 16 October 2017, 9 May 2018, 14 November 2018 and 22 May 2019 respectively. The Regulators issued a number of sets of queries in relation to the new listing application throughout the period from April 2017 to June 2019. The Company, the Investors and all other professional parties have been working closely to address the Regulators' queries and made relevant replies throughout the year of 2017 and 2018 and the first half of 2019. As of the date of these financial statements, the Regulators are still in the process of reviewing the new listing application.

In consideration of the progress of the Proposed Restructuring and the recent financial performance of the target group, six amendment letters (the "Amendment Letters") were entered between the Company, the Provisional Liquidators and the Investors on 29 September 2017, 29 December 2017, 27 April 2018, 26 November 2018, 25 April 2019 and 29 July 2019 respectively to extend the Long Stop Date of the Restructuring Framework Agreement to 31 October 2019 (or any other date as the parties may agree in writing), to amend the Open Offer Price, the Subscription Price and the price of the Consideration Shares (from HK$0.08 to HK$0.06), to amend the share consolidation ratio from 10 shares to 1 share to 40 shares to 1 share, resulting to an increase of the Open Offer Price, the Subscription Price and the price of the Consideration Shares from HK$0.06 to HK$0.24, and to revise the transaction structure, where a Share Offer (details as set out below) will be implemented while the Subscription was cancelled.

Save as disclosed above, the Restructuring Framework Agreement remains substantially unchanged and in full force and effect in all respects.

Proposed Capital Reorganisation

For the Proposed Restructuring, the Company proposes to implement, subject to the approval by the shareholders, the capital reorganisation. The capital reorganisation will comprise the share consolidation, the authorised share capital cancellation and the authorised share capital increase.

Creditors Schemes

Pursuant to the terms of the Restructuring Framework Agreement and the Amendment Letters, it is proposed that the Creditors Schemes will be implemented after approval has been granted by the High Court of Hong Kong (the "High Court"), the Grand Court and the stakeholders of the Company, including the shareholders and all the creditors of the Company who have a valid claim against the Company as at the date on which the Creditors Schemes become effective.

Upon completion of the Creditors Schemes, all the claims of the creditors against the Company, and liabilities of the Company will be discharged and released in full. All existing assets of the Group will be transferred to the scheme company or scheme administrators of the Creditors Schemes, such that the only assets of the Company will be the target group on completion.

The Open Offer

Subject to the capital reorganisation becoming effective, the Company will implement the Open Offer of new shares on the basis of one offer share for every new share held on the Open Offer record date by the qualifying shareholders. A total of 140,096,484 offer shares will be allotted and issued by the Company at the offer price of HK$0.24 cash for each offer share and the gross proceeds raised via the issuance of the offer shares will be approximately HK$33.6 million. The Open Offer is only available to qualifying shareholders. The Open Offer will be conditional upon completion of the Proposed Restructuring. The Open Offer will be fully underwritten by an underwriter, being an independent third party and not acting in concert with the Investors, the companies owned by the Investors and parties acting in concert with any of them (the "Concert Group").

The Share Offer

Pursuant to the Restructuring Framework Agreement and the Amendment Letters, a share offer (which comprises a public offer, the Company's placing and the Investor's placing) will be implemented in place of the Subscription. The Company conditionally agreed to implement a share offer of 560,385,936 new shares at the price of HK$0.24. The Share Offer will consist of the offer of 70,048,242 new shares for subscription by the public in Hong Kong and the placing of 210,144,726 new shares and 280,192,968 new shares offered by the Company and the Investors respectively to selected professional, institutional and/or other investors (who shall in independent third parties and not existing shareholders) in Hong Kong and elsewhere.

Use of proceeds from the Open Offer and the Share Offer

The aggregate gross proceeds receivable by the Company from the Open Offer and the Share Offer will amount to approximately HK$100.9 million. HK$90 million of such gross proceeds will be paid into the Creditors Schemes. The remaining balance of HK$10.9 million of such gross proceeds will be used to partially settle the Company's professional fees and expenses. The remaining professional fees and expenses of the Company will be borne by the Investors.

The Acquisition

Under the Restructuring Framework Agreement and the Amendment Letters, the Company will purchase the sale equity interest from the Investors. Upon the completion of the Acquisition, the target group will become wholly owned subsidiaries of the Company.

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 the Amendment Letters and was determined by reference to (i) the combined net asset value of the target group as at 30 June 2017 and the financial performance of the target group; (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 of the Company; and (vi) the financial performance and financial position of the Group.

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 completion of the Open Offer, the Share Offer and the Acquisition, which form part of the Proposed Restructuring, will be inter-conditional upon each other.

Reverse Takeover

The Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and therefore 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.

Whitewash Waiver

Upon the completion of the Proposed Restructuring, the Concert Group will, in aggregate, hold approximately 70.0% of the share capital of the Company after the capital reorganisation and as enlarged by the Offer Shares, the Share Offer Shares and the Consideration Shares and after the completion of share placement to maintain sufficient public float. As such, the Concert Group would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Hong Kong Codes on Takeover (the "Takeovers Code"), unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Regulators. The Investors will make an application to the Regulators for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

Incomplete books and records

Due to the limited information available, the Company was unable to obtain sufficient documentary information regarding the completeness of books and records and the treatment of various balances as included in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 and have formed the opinion as follows:

As the unaudited condensed consolidated interim financial statements have been prepared based on the incomplete books and records available to the Company, the Company is unable to represent that all transactions entered into by the Group for the six months ended 30 June 2019 have been properly reflected in the unaudited condensed consolidated interim financial statements. As such, the Provisional Liquidators of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of the unaudited condensed consolidated interim financial statements in accordance with IFRSs and the disclosure requirements of the Listing Rules. The Provisional Liquidators have recovered only limited books and records of the Company and therefore it is almost impossible, and not practical to verify the interim financial information of the Group.

Going concern

The Group has received a winding up petition filed by the Petitioner against the Company and it was alleged in the Winding Up Petition that the Company was indebted to and failed to satisfy the Lenders. In preparing these unaudited condensed consolidated interim financial statements, and taking into account of the incomplete books and records available to the Company (see the preceding section under the header "Incomplete books and records" for details), the Company has given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to generate a profit and attain positive cash flows from operations in the immediate and longer term.

Based on the cash flow projections of the Group and having taken into account the assumption that the Proposed Restructuring of the Company, as mentioned above, will be successfully completed, the Company has concluded that the Group and the Company is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these unaudited condensed consolidated interim financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost basis except for investment properties which have been measured at fair value.

The Interim Financial Statements has been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2018, except for the accounting policy changes that are expected to be reflected in the Group's annual financial statements for the year ending 31 December 2019. Details of any changes in accounting policies are set out in note 3.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

As stated in the report on review of financial information of the Group, the Company has stopped trading and other business operations since the Company has been placed into provisional liquidation on 25 February 2015. No lease arrangements have been taken in place for the six months ended 30 June 2019. In consideration of the above, the adoption of IFRS 16 and amendments to IFRSs is not applicable to have any material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. SEGMENT INFORMATION

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no disclosure of the segment information was available.

5. REVENUE

The Group's principal activities are disclosed in note 1 to these interim financial statements. Turnover of the Group is the revenue from these activities.

Revenue of the Group represents the net amount received and receivable for goods sold, less value-added tax and returns, during the period.

	Six months ended 30 June	
	2019	**2018**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	–	–

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the revenue of the Group as of the date of publication of these unaudited condensed consolidated interim financial statements and no disclosure of the segment information is available.

6. LOSS ON DECONSOLIDATION OF UNCONSOLIDATED SUBSIDIARIES

As disclosed in note 1, due to incomplete books and records, the Provisional Liquidators have been unable to access the books and records of the Unconsolidated Subsidiaries. Due to the lack of complete books and records of the 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 IFRS 10 "Consolidated Financial Statements". Therefore it is almost impossible, and not practical, to consolidate the financial statements of the Unconsolidated Subsidiaries into the Group's consolidated financial statements since 25 February 2015, the date of the appointment of the Provisional Liquidators of the Company.

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off, classification of the loss on deconsolidation of unconsolidated subsidiaries of the Group as of the date of publication of these unaudited condensed consolidated interim financial statements.

7. FINANCE COSTS

	Six months ended 30 June	
	2019	**2018**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Total finance costs	94,189	90,906

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the finance costs of the Group as of the date of publication of these unaudited condensed consolidated interim financial statements.

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following items:

	Six months ended 30 June	
	2019	**2018**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Staff costs (including directors' remunerations)	1,836	1,576

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of loss before taxation as of the date of publication of these unaudited condensed consolidated interim financial statements.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	**2018**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax		
– Provision for Enterprise Income Tax ("EIT")	–	–
Deferred tax	–	–
Total income tax expense	–	–

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdiction of Cayman Islands and BVI during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

(ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the income tax expenses of the Group as of the date of publication of these unaudited condensed consolidated interim financial statements.

10. DIVIDENDS

The directors do not recommend the payment of dividends during the current interim period (six months ended 30 June 2018: nil).

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of dividends as of the date of publication of these unaudited condensed consolidated interim financial statements.

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately RMB96,519,000 (six months ended 30 June 2018: loss of RMB92,958,000) and the weighted average number of 5,603,859,393 (six months ended 30 June 2018: 5,603,859,393) ordinary shares in issue during the period.

(b) Diluted loss per share

Diluted loss per share equals to basic loss per share for the six months ended 30 June 2019 and 2018 because the share options outstanding were anti-dilutive.

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of loss per share as of the date of publication of these unaudited condensed consolidated interim financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

	30 June 2019 *RMB'000* *(Unaudited)*	**31 December 2018** *RMB'000* *(Audited)*
Net carrying amount	1,011	1,011

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the property, plant and equipment of the Group as of the date of publication of these unaudited condensed consolidated interim financial statements.

13. TRADE AND OTHER RECEIVABLES

	30 June 2019 *RMB'000* *(Unaudited)*	31 December 2018 *RMB'000* *(Audited)*
Trade and other receivables	18,649	18,649
Less: impairment loss brought forward	(18,649)	(18,649)
Net carrying amount	–	–

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other receivables as of the date of publication of these consolidated financial statements.

14. CASH AND BANK BALANCES

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the cash and bank balances as of the date of publication of these unaudited condensed consolidated interim financial statements.

15. TRADE AND OTHER PAYABLES

	30 June 2019 *RMB'000* *(Unaudited)*	31 December 2018 *RMB'000* *(Audited)*
Net carrying amount	35,257	32,352

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other payables as of the date of publication of these unaudited condensed consolidated interim financial statements.

16. BORROWINGS

As at 30 June 2019, the Group's borrowings were repayable as follows:

	30 June 2019 *RMB'000* *(Unaudited)*	31 December 2018 *RMB'000* *(Audited)*
Current		
– Within one year	2,386,032	2,291,843
Non-current	3,727,903	3,727,903
	6,113,935	6,019,746

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the borrowings as of the date of publication of these unaudited condensed consolidated interim financial statements.

17. CONVERTIBLE BONDS

On 7 April 2011, the Company entered into a subscription agreement (the "Subscription Agreement") with Stable Investment Corporation ("SIC"), a wholly-owned subsidiary of China Investment Corporation and CITIC Capital China Access Fund Limited ("CITIC Capital"). Pursuant to the Subscription Agreement, SIC and CITIC Capital agreed to subscribe for the convertible bonds of the Company in an aggregate principal amount of USD120,000,000 (equivalent to approximately RMB779,229,000) at 6% interest rate per annum (the "Convertible Bonds") with maturity on 12 May 2014 (the "Maturity Date"). In addition, the Company has granted SIC and CITIC Capital an option to subscribe for the additional convertible bonds in an aggregate principal amount of up to USD100,000,000 (the "Additional Convertible Bonds"), exercisable during the period commencing on the date of completion of the subscription for the Convertible Bonds and ending on the first anniversary of such date. The terms and conditions of the Additional Convertible Bonds would be the same as the terms and conditions of the Convertible Bonds as set out in the Subscription Agreement in all respect except for (i) the conversion price and (ii) the first payment of interest. No further bond interest had been accrued after the Maturity Date subject to the negotiation with bondholders.

Interest on the Convertible Bonds is repayable quarterly in arrear on 31 March, 30 June, 30 September and 31 December commencing on 30 September 2011.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Convertible Bonds at 148.15% of its principal amount together with accrued and unpaid interest on the Maturity Date.

The fair value of the liability component of the Convertible Bonds is determined using the prevailing market interest of similar non-convertible debts. The difference between the fair value of the Convertible Bonds and the fair value assigned to the liability component, representing the option for conversion of the Convertible Bonds into equity, is included in equity as convertible bonds equity reserve. The effective interest rate of the liability component is 25.97%.

The carrying amount of the liability and equity components of the Convertible Bonds is set out as below:

	Liability Component		**Equity Component**	
	30 June 2019	**31 December 2018**	**30 June 2019**	**31 December 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Audited)*	*(Unaudited)*	*(Audited)*
Carrying amount	1,084,388	1,084,388	–	–

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the Convertible Bonds as of the date of publication of these unaudited condensed consolidated interim financial statements.

18. DEFERRED TAX LIABILITIES

	30 June 2019	**31 December 2018**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Deferred tax liabilities	311,947	311,947

As disclosed in note 1, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the deferred tax liabilities of the Group as of the date of publication of these unaudited condensed consolidated interim financial statements.

19. SHARE CAPITAL

	Number of ordinary shares of USD0.00001 each	Nominal value	
		USD	*RMB'000*
Authorised:			
At 1 January 2018, 31 December 2018 (Audited), 1 January 2019 and 30 June 2019 (Unaudited)	10,000,000,000	100,000	718
Issued and fully paid:			
At 1 January 2018, 31 December 2018 (Audited), 1 January 2019 and 30 June 2019 (Unaudited)	5,603,859,393	56,039	383

20. POSSIBLE IMPACT OF AMENDMENTS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2019

Up to the date of issue of these interim financial statements, the IASB has issued a number of amendments which are not yet effective for the six months ended 30 June 2019 and which have not been adopted in these interim financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1 and IAS 8 Definition of Materials	1 January 2020
Amendments to IFRS 3 "Business"	1 January 2020*
Amendments to IFRS 10 and IAS 28 Sale or contribution of Assets between an Investor and its Associate and Joint Venture	To be determined

* Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements for the year ending 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL RESULTS OF THE GROUP

Set out below are a discussion and analysis of the Group's results of operations for the three years ended 31 December, 2016, 2017 and 2018 and the six months ended 30 June 2019. The information set out below is principally extracted from the audited and interim reports of the Company to provide further information relating to the financial condition and results of operations of the Group during the periods stated.

As noted in the financial statement disclosures, due to the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the Provisional Liquidators are not in a position to confirm the completeness, existence and accuracy of the historical results of the Group. As such, the information below has been prepared to the best knowledge of the Provisional Liquidators based on information made available to them to date.

FOR THE SIX MONTHS ENDED 30 JUNE 2019

Financial Review

The Group generated no revenue for the six months ended 30 June 2019.

The Group's other operating expenses for the six months ended 30 June 2019 were mainly attributable to the director's remunerations and audit fees.

The increase in finance cost is mainly attributable to exchange differences.

The total comprehensive loss for the six months ended 30 June 2019 was approximately RMB96.5 million, representing a loss per share of RMB1.7 cents as compared with a loss of approximately RMB93.0 million for the six months ended 30 June 2018, representing a loss per share of RMB1.7 cents.

Segment Information

No segment information was available for the six months ended 30 June 2019.

Liquidity and Financial Resources

As at 30 June 2019, bank and cash balances of the Group were approximately RMB6.6 million (as at 31 December 2018: RMB6.0 million). Certain bank accounts were frozen by banks as a result of the appointment of Provisional Liquidators.

The Group's gearing ratio (measured as total borrowings over total assets) as at 30 June 2019 was 94,889.6% (as at 31 December 2018: 101,328.4%).

Based on the information available to the Provisional Liquidators, as at 30 June 2019, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (as at 31 December 2018: secured by the corporate guarantee granted by the Company).

Assets and Liabilities

As at 30 June 2019, the Group had total assets of approximately RMB7.6 million (as at 31 December 2018: RMB7.0 million) and total liabilities of approximately RMB7,545.5 million (as at 31 December 2018: RMB7,448.4 million). The net liabilities of the Group as at 30 June 2019 were approximately RMB7,537.9 million (net liabilities as at 31 December 2018: RMB7,441.4 million).

Significant Investments and Acquisition

The Group did not have any significant investments nor did it make any material acquisitions or disposals of subsidiaries and associates throughout the six months ended 30 June 2019.

Charge on Group Assets

There is insufficient information available to the Company to ascertain whether there are any charged assets at a Group level as at 30 June 2019.

Reserves

There is insufficient information available to the Company to ascertain whether there are any reserves available for distribution as at 30 June 2019.

Capital Structure

There was no change in the Company's share capital during the period.

Capital Commitments

Based on the information available to the Provisional Liquidators, the Group and the Company did not have any significant capital commitments as at 30 June 2019.

Contingent Liabilities

There is insufficient information available to the Company to ascertain whether the Group and the Company did not have any significant capital commitments as at 30 June 2019.

Employees

There is insufficient information available to the Company to ascertain whether the number of employees of the Group as at 30 June 2019.

Dividends

Based on the information available to the Provisional Liquidators, no dividend was declared for the six months ended 30 June 2019.

Purchases, Sale or Redemption of Listed Securities of the Company

Due to the limitation of incomplete books and records, the Provisional Liquidators were unable to ascertain whether the Company has any purchase, sale or redemption of listed securities for the six months ended 30 June 2019.

FOR THE YEAR ENDED 31 DECEMBER 2018

Financial Review

The Group generated no revenue for the year ended 31 December 2018.

The Group's other operating expenses for the year ended 31 December 2018 were mainly attributable to the director's remunerations and audit fees.

The increase in finance cost is mainly attributable to exchange differences.

The total comprehensive loss for the year ended 31 December 2018 was approximately RMB192.9 million, representing a loss per share of RMB3.4 cents as compared with a loss of approximately RMB184.0 million for the year ended 31 December 2017, representing a loss per share of RMB3.3 cents.

Segment Information

No segment information was available for the year ended 31 December 2018.

Liquidity and Financial Resources

As at 31 December 2018, bank and cash balances of the Group were approximately RMB6.0 million (as at 31 December 2017: RMB6.7 million). Certain bank accounts were frozen by banks as a result of the appointment of Provisional Liquidators.

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2018 was 101,328.4% (as at 31 December 2017: 89,858.8%).

Based on the information available to the Provisional Liquidators, as at 31 December 2018, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (as at 31 December 2017: secured by the corporate guarantees granted by the Company).

Assets and Liabilities

As at 31 December 2018, the Group had total assets of approximately RMB7.0 million (as at 31 December 2017: RMB7.7 million) and total liabilities of approximately RMB7,448.4 million (as at 31 December 2017: RMB7,256.3 million). The net liabilities of the Group as at 31 December 2018 were approximately RMB7,441.4 million (net liabilities as at 31 December 2017: RMB7,248.6 million).

Significant Investments and Acquisition

The Group did not have any significant investments nor did it make any material acquisitions or disposals of subsidiaries and associates throughout the year ended 31 December 2018.

Charges on Group Assets

There is insufficient information available to the Company to ascertain whether there are any charged assets at a Group level as at 31 December 2018.

Reserves

There is insufficient information for the Company to ascertain whether there are any reserves available for distribution as at 31 December 2018.

Capital Structure

There was no change in the Company's share capital during the period.

Capital Commitments

Based on the information available to the Provisional Liquidators, the Group and the Company did not have any significant capital commitments as at 31 December 2018.

Contingent Liabilities

There is insufficient information available to the Company to ascertain whether the Group and the Company had any significant contingent liabilities as at 31 December 2018.

Employees

There is insufficient information available to the Company to ascertain the number of employees of the Group as at 31 December 2018.

Dividends

Based on the information available to the Provisional Liquidators, no dividend was declared for the year ended 31 December 2018.

Purchase, Sale or Redemption of Listed Securities of the Company

Due to the limitation of incomplete books and records, the Provisional Liquidators were unable to ascertain whether the Company has any purchase, sale or redemption of listed securities for the year ended 31 December 2018.

FOR THE YEAR ENDED 31 DECEMBER 2017

Financial Review

The Group generated no revenue for the year ended 31 December 2017.

The Group's other operating expenses for the year ended 31 December 2017 were mainly attributable to the director's remunerations and audit fees.

The decrease in finance cost is mainly attributable to exchange differences.

The total comprehensive loss for the year ended 31 December 2017 was approximately RMB184.0 million, representing a loss per share of RMB3.3 cents as compared with a loss of approximately RMB195.8 million for the year ended 31 December 2016, representing a loss per share of RMB3.5 cents.

Segment Information

No segment information was available for the year ended 31 December 2017.

Liquidity and Financial Resources

As at 31 December 2017, bank and cash balances of the Group were approximately RMB6.7 million (as at 31 December 2016: RMB8.1 million). Certain bank accounts were frozen by banks as a result of the appointment of Provisional Liquidators.

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2017 was 89,858.8% (as at 31 December 2016: 74,032.4%).

Based on the information available to the Provisional Liquidators, as at 31 December 2017, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (as at 31 December 2016: secured by the corporate guarantees granted by the Company).

Assets and Liabilities

As at 31 December 2017, the Group had total assets of approximately RMB7.7 million (as at 31 December 2016: RMB9.1 million) and, total liabilities of RMB7,256.3 million (as at 31 December 2016: RMB7,073.7 million). The net liabilities of the Group as at 31 December 2017 were RMB7,248.6 million (net liabilities as at 31 December 2016: RMB7,064.6 million).

Significant Investments and Acquisition

The Group did not have any significant investments nor did it make any material acquisitions or disposals of subsidiaries and associates throughout the year ended 31 December 2017.

Charges on Group Assets

There is insufficient information available to the Company to ascertain whether there are any charged assets at a Group level as at 31 December 2017.

Reserves

As at 31 December 2017, the Company did not have any reserves available for distribution. Details of movements in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity for the year then ended.

Capital Structure

There was no change in the Company's share capital during the period.

Capital Committee

The Group and the Company did not have any significant capital commitments as at 31 December 2017 and 31 December 2016.

Contingent Liabilities

There is insufficient information available to the Company to ascertain whether the Group and the Company had any significant contingent liabilities as at 31 December 2017 and 31 December 2016.

Employees

There is insufficient information available to the Company to ascertain the number of employees of the Group as at 31 December 2017.

Dividends

Based on the information available to the Provisional Liquidators, no dividend was declared for the year ended 31 December 2017.

Purchases, Sale or Redemption of Listed Securities of the Company

Due to the limitation of incomplete books and records, the Provisional Liquidators were unable to ascertain whether the Company has any purchase, sale or redemption of listed securities for the year ended 31 December 2017.

FOR THE YEAR ENDED 31 DECEMBER 2016

Financial Review

The Group generated no revenue for the year ended 31 December 2016.

The Group's other operating expenses for the year ended 31 December 2016 were mainly attributable to the director's remunerations and audit fees.

The increase in finance cost is mainly attributable to exchange differences.

The total comprehensive loss for the year ended 31 December 2016 was approximately RMB195.8 million, representing a loss per share of RMB3.5 cents as compared with a loss of approximately RMB21,656.7 million for the year ended 31 December 2015, representing a loss per share of RMB386.5 cents.

Segment Information

No segment information was available for the year ended 31 December 2016.

Liquidity and Financial Resources

As at 31 December 2016, bank and cash balances of the Group were approximately RMB8.1 million (2015: RMB5.7 million). Certain bank accounts were frozen by banks as a result of the appointment of Provisional Liquidators.

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2016 was 74,032.4% (2015: 96,929.3%).

Based on the information available to the Provisional Liquidators, as at 31 December 2016, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (as at 31 December 2015: secured by the corporate guarantees granted by the Company).

Assets and Liabilities

As at 31 December 2016, the Group had total assets of approximately RMB9.1 million (2015: RMB6.8 million) and, total liabilities of RMB7,073.7 million (2015: RMB6,875.6 million). The net liabilities of the Group as at 31 December 2016 were RMB7,064.6 million (2015: RMB6,868.8 million).

Significant Investments and Acquisition

The Group did not have any significant investments nor did it make any material acquisitions or disposals of subsidiaries and associates throughout the year ended 31 December 2016.

Charges on Group Assets

There is insufficient information available to the Company to ascertain whether there are any charged assets at a Group level as at 31 December 2016.

Reserves

As at 31 December 2016, the Company did not have any reserves available for distribution. Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the consolidated financial statements and in the consolidated statement of changes in equity for the year then ended, respectively.

Capital Structure

There was no change in the Company's share capital during the year.

Capital Commitments

The Group and the Company did not have any significant capital commitments as at 31 December 2016 and 2015.

Contingent Liabilities

There is insufficient information available to the Company to ascertain whether the Group and the Company had any significant contingent liabilities as at 31 December 2016 and 2015.

Employees

There is insufficient information available to the Company to ascertain the number of employees of the Group as at 31 December 2016.

Dividends

Based on the information available to the Provisional Liquidators, no dividend was declared for the year ended 31 December 2016.

Purchases, Sale or Redemption of Listed Securities of the Company

Due to the limitation of incomplete books and records, the Provisional Liquidators were unable to ascertain whether the Company has any purchase, sale or redemption of listed securities for the year ended 31 December 2016.

WORKING CAPITAL STATEMENT

The Company, after due and carefully enquiry, is of the opinion, based on available information to date which includes the incomplete books and records of the Company, that following the completion of the Proposed Restructuring, after taking into account the financial resources available to the Enlarged Group, including internally generated funds, the available banking facilities and proceeds from the Share Offer, the Enlarged Group has 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.

INDEBTEDNESS

As at 30 September 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Enlarged Group is analysed as follows:

The Group

	RMB'000
Unsecured and unguaranteed:	
Bank and other borrowings	1,610,371
Convertible bonds	1,084,388
	2,694,759
Secured and guaranteed:	
Bank borrowings	4,556,681
Total borrowings	7,251,440

As at the close of business on 30 September 2019, certain bank borrowings of the Group were secured by the share charges over the entire issued share capital of indirect wholly-owned subsidiaries of the Company and guaranteed by the Company.

As noted in the financial statement disclosures, due to the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the Provisional Liquidators are not in a position to confirm the completeness, existence and accuracy of the indebtedness of the Group, including in respect of any pledges, charges, mortgages or debentures relating to such indebtedness. As such, the information contained herein has been prepared to the best knowledge of the Provisional Liquidators based on information made available to them to date.

The Target Group

	S$'000	*RMB'000**
Unsecured and unguaranteed:		
Amount due to directors	39	201
	39	201
Secured and guaranteed:		
Bank borrowings	30,051	155,063
Lease liabilities	545	2,812
	30,596	157,875
Total borrowings	30,635	158,076

* Exchange rate of S$1 to RMB5.16 was adopted.

As at 30 September 2019, the balance due to directors was unsecured and repayable on demand. The balance due to related companies was unsecured, interest-free and repayable on demand. All amounts due to directors and related companies of the Target Group shall be repaid before completion of the Proposed Restructuring.

As at 30 September 2019, bank borrowings were secured by (i) personal guarantees executed by Mr. Widjaja and Ms. Lim amounted to approximately S$12.4 million; (ii) mortgage of the investment properties at 50 Macpherson Road, Singapore 348471 ("Property 3") owned by the Target Group; (iii) mortgage of one storey of Property 3 which is owned and used as the headquarters by the Target Group ("Property 4"); (iv) legal assignment of rental proceeds or charge over rental account to be executed of all current and future rental income from the Property 3 and Property 4 and (v) charge on land and buildings in GM 293, Lot 514 Mukim, Senai Industrial Park, Taman Desa Idaman, Senai 81400, Johor-Malaysia owned by the Target Group ("Property 5").

All the personal guarantees and properties mortgaged by Mr. Widjaja and Ms. Lim mentioned above will be released and replaced by corporate guarantees by the Company before completion of the Proposed Restructuring.

The Enlarged Group

	RMB'000
Unsecured and unguaranteed:	
Bank and other borrowings	1,610,371
Convertible bonds	1,084,388
Amount due to directors	201
	2,694,960
Secured and guaranteed:	
Bank borrowings	4,711,744
Lease liabilities	2,812
	4,714,556
Total borrowings	7,409,516

Disclaimer

Save as disclosed above, based on the information available to date which includes only limited books and records of the Company, as at 30 September 2019, the Enlarged Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and any liabilities under acceptances (other than normal trade bills) or other similar indebtedness, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

Save as disclosed above, the Target Group did not have, as at 30 September 2019, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgage, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

The Company and the Target Group confirm that there have been no material changes to the indebtedness position since 30 September 2019 up to the Latest Practicable Date. Amounts referred to in this indebtedness statement denominated in currencies other than RMB have been translated into RMB at the relevant rates of exchange prevailing at the close of business on 30 September 2019.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The accompanying unaudited pro forma financial information has been prepared to illustrate the effect of "Proposed Restructuring" which comprises (i) the proposed Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Share Offer; (iv) the proposed Acquisition; (v) reverse takeover involving the New Listing Application; (vi) the Whitewash Waiver; (vii) the proposed appointment of proposed Directors; and (viii) the Articles Adoption, and to give a notice to the Shareholders of the EGM., which might have affected the financial information of China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"). The Group immediately after the completion of the Proposed Restructuring is referred to as the "Enlarged Group". In accordance with International Financial Reporting Standard 3 "Business Combinations" ("IFRS 3"), the Target Company is accounted for as the accounting acquirer and the Company as the accounting acquiree of the Acquisition. Details of the Proposed Restructuring are contained in the circular of the Company dated 29 November 2019 (the "Circular"). As noted in the financial statement disclosures, the Provisional Liquidators have recovered only limited books and records of the Company. However, the Provisional Liquidators have used their reasonable endeavours to prepare the consolidated financial statements based on the information available to date.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group and the unaudited pro forma consolidated net tangible assets attributable to the owners of the Company as at 30 June 2019 have been prepared based on (1) the consolidated statement of financial position of the Group as at 30 June 2019 as extracted from the unaudited financial statements of the Company as set out in Appendix II to the Circular and (2) the combined statement of financial position of the Target Group as at 31 May 2019, which has been extracted from the accountants' report of the Target Group as set out in Appendix I to the Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Proposed Restructuring had been completed on 30 June 2019.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2018 have been prepared based on (1) the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2018, which have been extracted from the audited financial statements of the Company as set out in Appendix II to the Circular and (2) the combined statement of profit or loss and other comprehensive income and combined statement of cash flows of the Target Group for the year ended 31 December 2018, which have been extracted from the accountants' report of the Target Group as set out in Appendix I to the Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Proposed Restructuring had been completed on 1 January 2018.

The unaudited pro forma financial information has been prepared based on a number of assumptions, estimates, uncertainties and available information to date, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the Proposed Restructuring actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results of operation or cash flows.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

29 November 2019

TO THE DIRECTORS AND THE PROVISIONAL LIQUIDATORS OF CHINA LUMENA NEW MATERIALS CORP. (IN PROVISIONAL LIQUIDATION)

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") and its subsidiaries (collectively the "Group"), which has been prepared by the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2019, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2018, the unaudited pro forma statement of adjusted consolidated net tangible assets of the Enlarged Group as at 30 June 2019 and related notes as set out on pages III-6 to III-17 to the Appendix III of the Company's circular dated 29 November 2019 (the "Circular"). The applicable criteria on the basis of which the Company have compiled the unaudited pro forma financial information are described in Appendix III-1 of the Circular under the heading of "Introduction".

The unaudited pro forma financial information has been compiled by the Company to illustrate the impact of the transactions as stated in the Circular, which include the Capital Reorganisation, the Creditor Schemes, the Share Offer and the Acquisition (as defined in the section headed "Definitions" of the Circular, and collectively the "Proposed Transactions") on the Group's financial position as at 30 June 2019 and its financial performance and cash flows for the year ended 31 December 2018 as if the transactions had taken place at 30 June 2019 and 1 January 2018 respectively. As part of this process, information about the Group's financial position as at 30 June 2019, its financial performance and cash flows for the year ended 31 December 2018 have been extracted from the Group's financial statements as included in the unaudited financial statements of the Company for the six months ended 30 June 2019 and the audited financial statements of the Company for the year ended 31 December 2018 on which a disclaimer review report and a disclaimer audit report have been published respectively. Information about the Target Group's financial position as at 31 May 2019, its financial performance and cash flows for the year ended 31 December 2018 have been extracted by the Company from the Target Group's audited financial statements for the year ended 31 December 2018 and the five months ended 31 May 2019 (on which an accountants' report has been published).

Directors' Responsibilities for the Pro Forma Financial Information

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

Our Independence and Quality Control

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

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420, "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2019 or 1 January 2018 would have been as presented.

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

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong

Chan Wai Dune, Charles
Practising Certificate Number P00712

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	Unaudited consolidated statement of financial position of the Group as at 30 June 2019	Audited combined statement of financial position of JOE Green as at 31 May 2019	Audited combined statement of financial position of JOE Green as at 31 May 2019	Sub-total	Pro forma adjustment									Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	RMB'000	*S$'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1a	*Note 2*	*Note 2*		*Note 3*	*Note 4*	*Note 5(a)*	*Note 5(b)*	*Note 6*	*Note 7*	*Note 8*	*Note 10*	*Note 11*	
NON-CURRENT ASSETS														
Intangible assets	–	219	1,099	1,099										1,099
Property, plant and equipment	1,011	15,837	79,505	80,516			(1,011)							79,505
Investment properties	–	22,350	112,201	112,201										112,201
Deferred tax assets	–	221	1,109	1,109										1,109
Deposit for acquisition of property, plant and equipment	–	–	–	–										–
Total non-current assets	1,011	38,627	193,914	194,925										193,914
CURRENT ASSETS														
Inventories	–	1,702	8,544	8,544										8,544
Trade and other receivables	–	7,084	35,563	35,563										35,563
Tax assets	–	884	4,438	4,438										4,438
Pledge bank deposits	–	89	447	447										447
Bank balance and cash	6,575	2,994	15,030	21,605		88,640	(6,575)	(79,088)	(30,756)			(20,600)	30,756	3,982
Total current assets	6,575	12,753	64,022	70,597										52,974

	Unaudited consolidated statement of financial position of the Group as at 30 June 2019	Audited combined statement of financial position of JOE Green as at 31 May 2019	Audited combined statement of financial position of JOE Green as at 31 May 2019	Sub-total	Pro forma adjustment									Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	RMB'000	*S$'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1a	*Note 2*	*Note 2*		*Note 3*	*Note 4*	*Note 5(a)*	*Note 5(b)*	*Note 6*	*Note 7*	*Note 8*	*Note 10*	*Note 11*	
CURRENT LIABILITIES														
Trade and other payables	35,257	1,827	9,172	44,429			(31,724)							12,705
Contract liabilities	–	22	110	110										110
Amounts due to directors	–	603	3,027	3,027										3,027
Amounts due to related companies	–	–	–	–										–
Tax payable	–	198	994	994										994
Borrowings	2,386,032	–	–	2,386,032			(2,386,032)							–
Bank borrowings	–	25,520	128,115	128,115										128,115
Lease liabilities	–	271	1,360	1,360										1,360
Dividend payable	–	1,000	5,020	5,020										5,020
Convertible bonds	1,084,388	–	–	1,084,388			(1,084,388)							–
Total current liabilities	3,505,677	29,441	147,798	3,653,475										151,331
NET CURRENT LIABILITIES	**(3,499,102)**	**(16,688)**	**(83,776)**	**(3,582,878)**										**(98,357)**
TOTAL ASSETS LESS CURRENT LIABILITIES	**(3,498,091)**	**21,939**	**110,138**	**(3,387,953)**										**95,557**
NON-CURRENT LIABILITIES														
Lease liabilities	–	397	1,993	1,993										1,993
Bank borrowings	3,727,903	4,599	23,088	3,750,991			(3,727,903)							23,088
Rental deposits received	–	98	492	492										492
Deferred tax liabilities	311,947	664	3,333	315,280			(311,947)							3,333
Total non-current liabilities	4,039,850	5,758	28,906	4,068,756										28,906
NET ASSETS/(LIABILITIES)	**(7,537,941)**	**16,181**	**81,232**	**(7,456,709)**										**66,651**

	Unaudited consolidated statement of financial position of the Group as at 30 June 2019	Audited combined statement of financial position of JOE Green as at 31 May 2019	Audited combined statement of financial position of JOE Green as at 31 May 2019	Sub-total	Pro forma adjustment									Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	RMB'000	*S$'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1a	*Note 2*	*Note 2*		*Note 3*	*Note 4*	*Note 5(a)*	*Note 5(b)*	*Note 6*	*Note 7*	*Note 8*	*Note 10*	*Note 11*	
EQUITY														
Equity attributable to owners of the Company														
Issued capital	383	–	–	383		1,156				(1,539)	7,695			7,695
Reserves	(7,538,324)	16,181	81,232	(7,457,092)		87,484	7,534,408	(79,088)	(30,756)	(87,484) (29,163) 118,186	(7,695)	(20,600)	30,756	58,956
	(7,537,941)	16,181	81,232	(7,456,709)										66,651
Non-controlling interest	–	–	–	–										–
TOTAL (DEFICIT)/EQUITY	**(7,537,941)**	**16,181**	**81,232**	**(7,456,709)**										**66,651**

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 Dec 2018	Audited combined statement of profit or loss and other comprehensive income of JOE Green for the year ended 31 Dec 2018	Audited combined statement of profit or loss and other comprehensive income of JOE Green for the year ended 31 Dec 2018	Sub-total	Pro forma adjustment					Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 Dec 2018
	RMB'000	*S$'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1b	*Note 2*	*Note 2*		*Note 5*	*Note 6*	*Note 7*	*Note 9*	*Note 10*	
REVENUE	–	21,529	105,707	105,707						105,707
Cost of sales	–	(9,215)	(45,246)	(45,246)						(45,246)
Gross profit	–	12,314	60,461	60,461						60,461
Other revenue	–	177	869	869						869
Other net gain	–	209	1,026	1,026						1,026
Gain on debt restructuring of the Group	–	–	–	–	7,165,946			(7,165,946)		–
Selling and distribution expenses	–	(2,497)	(12,260)	(12,260)						(12,260)
Administrative expenses	–	(5,122)	(25,149)	(25,149)						(25,149)
Other operating expenses	(4,258)	–	–	(4,258)		(30,756)	(139,390)	4,258	(20,600)	(190,746)
Valuation gain on investment properties	–	305	1,498	1,498						1,498
Loss on revaluation of properties upon transfer to investment properties	–	–	–	–						–
Finance costs	(188,597)	(1,112)	(5,460)	(194,057)				188,597		(5,460)
PROFIT/(LOSS) BEFORE TAX	(192,855)	4,274	20,985	(171,870)						(169,761)
Income tax	–	(1,084)	(5,323)	(5,323)						(5,323)
PROFIT/(LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(192,855)	3,190	15,662	(177,193)						(175,084)

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	Audited consolidated statement of cash flows of the Group for the year ended 31 Dec 2018	Audited combined statement of cash flows of JOE Green for the year ended 31 Dec 2018	Audited combined statement of cash flows of JOE Green for the year ended 31 Dec 2018	Sub-total	Pro forma adjustment								Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 Dec 2018
	RMB'000	*S$'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1b	*Note 2*	*Note 2*		*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 9(a)*	*Note 9(b)*	*Note 10*	*Note 11*	
Cash flows from operating activities													
(Loss)/profit before taxation	(192,855)	4,274	20,985	(171,870)		7,165,946	(30,756)	(139,390)	(7,165,946)	192,855	(20,600)		(169,761)
Adjustments for:													
Reversal of allowance for doubtful debts	–	–	–	–									–
Impairment loss on other receivables	–	103	506	506									506
Amortization of intangible assets	–	50	246	246									246
Loss on revaluation of properties upon transfer to investment properties	–	–	–	–									–
Impairment loss on trade receivables	–	39	191	191									191
Gain on debt restructuring of the Group	–	–	–	–		(7,165,946)			7,165,946				–
Deemed listing expenses	–	–	–	–				139,390					139,390
Depreciation of property, plant and equipment	–	1,912	9,388	9,388									9,388
Write back of long outstanding trade and other payables	–	(77)	(378)	(378)									(378)
Loss on disposal of property, plant and equipment	–	1	5	5									5
Valuation gain on investment properties	–	(305)	(1,498)	(1,498)									(1,498)
Finance costs	188,597	1,112	5,460	194,057						(188,597)			5,460
Interest income	–	(15)	(74)	(74)									(74)
Net exchange gain	–	(78)	(383)	(383)									(383)

	Audited consolidated statement of cash flows of the Group for the year ended 31 Dec 2018	Audited combined statement of cash flows of JOE Green for the year ended 31 Dec 2018	Audited combined statement of cash flows of JOE Green for the year ended 31 Dec 2018	Sub-total	Pro forma adjustment								Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 Dec 2018
	RMB'000	*S$'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1b	*Note 2*	*Note 2*		*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 9(a)*	*Note 9(b)*	*Note 10*	*Note 11*	
Operating(loss)/profit before working capital changes	(4,258)	7,016	34,448	30,190									(16,908)
Movements in working capital:													
(Increase)/decrease in inventories	–	(47)	(231)	(231)									(231)
(Increase)/decrease in trade and other receivables	–	(1,812)	(8,897)	(8,897)									(8,897)
Increase/(decrease) in trade and other payables	3,573	(271)	(1,330)	2,243						(3,573)			(1,330)
Increase in contract liabilities	–	7	34	34									34
Cash (used in)/generated from operations	(685)	4,893	24,024	23,339									(27,332)
Malaysia income tax paid	–	(34)	(167)	(167)									(167)
Singapore income tax paid	–	(583)	(2,863)	(2,863)									(2,863)
Net cash (used in)/generated from operating activities	(685)	4,276	20,994	20,309									(30,362)
Cash flows from investing activities													
Interest received	–	15	74	74									74
Proceeds from sale of property, plant and equipment	–	–	–	–									–
Purchase of property, plant and equipment	–	(538)	(2,642)	(2,642)									(2,642)
Purchase of intangible assets	–	(71)	(349)	(349)									(349)
Increase in pledged bank deposit	–	(3)	(15)	(15)									(15)
Net cash used in investing activities	–	(597)	(2,932)	(2,932)									(2,932)

	Audited consolidated statement of cash flows of the Group for the year ended 31 Dec 2018 RMB'000 Note 1b	Audited combined statement of cash flows of JOE Green for the year ended 31 Dec 2018 S$'000 Note 2	Audited combined statement of cash flows of JOE Green for the year ended 31 Dec 2018 RMB'000 Note 2	Sub-total RMB'000	Pro forma adjustment RMB'000 Note 4	RMB'000 Note 5	RMB'000 Note 6	RMB'000 Note 7	RMB'000 Note 9(a)	RMB'000 Note 9(b)	RMB'000 Note 10	RMB'000 Note 11	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 Dec 2018 RMB'000
Cash flows from financing activities													
Loan from the shareholder(s)	–	–	–	–								30,756	30,756
Dividend paid	–	–	–	–									–
Interest paid on bank borrowings	–	(1,069)	(5,249)	(5,249)									(5,249)
New bank loans raised	–	26,449	129,889	129,889									129,889
Repayment of bank loans	–	(25,678)	(126,103)	(126,103)									(126,103)
(Increase)/decrease in pledged bank deposits	–	–	–	–									–
Issue of shares under the Share Offer	–	–	–	–	88,640								88,640
Settlement of debt restructuring obligation	–	–	–	–		(79,088)							(79,088)
Repayment to directors	–	(1,679)	(8,244)	(8,244)									(8,244)
Repayment to related companies	–	(116)	(570)	(570)									(570)
Capital element of lease rentals paid	–	(255)	(1,252)	(1,252)									(1,252)
Recovery of an amount advance to a related company previously written off	–	–	–	–									–
Interest element of lease rentals paid	–	(43)	(211)	(211)									(211)
Net cash generated from/(used in) financing activities	–	(2,391)	(11,740)	(11,740)									28,568
Net increase/(decrease) in cash and cash equivalents	(685)	1,288	6,322	5,637									(4,726)
Cash and cash equivalents at the beginning of the year	6,685	4,595	28,020	34,705						(6,685)			28,020
Effect of foreign exchange rate change	–	2	(4,682)	(4,682)									(4,682)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	6,000	5,885	29,660	35,660									18,612

D. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) (a) The amounts are extracted from the unaudited consolidated statement of financial position of the Group for the six months ended 30 June 2019 as set out in Appendix II to this Circular.

(b) The amounts are extracted from the audited consolidated financial statement of the Group for the year ended 31 December 2018 as set out in Appendix II to this Circular.

(2) The amounts are extracted from the Accountants' Report on the Target Group as set out in Appendix I to this Circular. The balances extracted from the combined statement of financial position of the Target Group at 31 May 2019 were translated to Renminbi at the exchange rate of S$1 to RMB5.02 and the amounts extracted from the combined statement of profit or loss and other comprehensive income and the combined statement of cash flows of the Target Group for the year ended 31 December 2018 were translated to Renminbi at the exchange rate of S$1 to RMB4.91.

(3) This adjustment represents the effect of the proposed Share Consolidation whereby every 40 existing shares of US$0.00001 each will be consolidated into 1 New Share of US$0.0004 and the number of issued shares of the Company will be reduced from 5,603,859,393 Shares of US$0.00001 each to 140,096,484 New Shares of US$0.0004 each.

(4) (a) This adjustment represents the contribution from the issuance of 196,133,452 Company's Placing Shares and 224,156,000 Public Offer Shares at the price of HK$0.24 per Placing Share and Public Offer Share.

(b) This adjustment reflects the proceeds of approximately HK$100,869,000 (equivalent to RMB88,640,000) from the Share Offer as if the Share Offer had been completed on 30 June 2019.

This adjustment is not expected to have a continuing effect on the Enlarge Group's consolidated statement of cash flows.

(5) This adjustment is related to the debt restructuring which includes:–

(a) Based on the proposed Creditor Schemes, the entire interests in the Scheme Subsidiaries will be transferred to the Scheme Company or the Administrators or their nominee(s) pursuant to the terms of the Creditors Schemes. The adjustment reflects the exclusion of the assets and liabilities of the Scheme Subsidiaries and compromise of certain indebtedness of the Company in accordance with the proposed Creditor Schemes, assuming that the Proposed Restructuring had been taken place on 30 June 2019:

	RMB'000
Net liabilities of Scheme Subsidiaries transferred and compromise of certain indebtedness of the Company	7,534,408

(b) The investors shall pay HK$90,000,000 (equivalent to RMB79,088,000) as Creditors Schemes Consideration to the Provisional Liquidators, which will be subsequently used in accordance with Creditors Schemes.

As at 30 June 2019

The gain on debt restructuring:	*RMB'000*
Net liabilities of Scheme Subsidiaries transferred and compromise of certain indebtedness of the Company	7,534,408
Amount in settlement of debt restructuring (HK$90,000,000)	(79,088)
Estimated unaudited gain on debt restructuring	7,455,320

This adjustment would not have any continuing effect on the consolidated statements of profit or loss and other comprehensive income and consolidated statement of cash flows of the Enlarged Group.

As at 1 January 2018

The gain on debt restructuring:	*RMB'000*
Net liabilities of Scheme Subsidiaries transferred and compromise of certain indebtedness of the Company	7,245,034
Amount in settlement of debt restructuring (HK$90,000,000)	(79,088)
Estimated unaudited gain on debt restructuring	7,165,946

This adjustment would not have any continuing effect on the consolidated statements of profit or loss and other comprehensive income and consolidated statement of cash flows of the Enlarged Group.

(6) This adjustment is related to the Restructuring Costs of HK$35,000,000.

The Company entered into a Restructuring Framework Agreement and the Amendment Letters with Boediman Widjaja, Insinirawati Limarto and Incunirawati Limarto (collectively referred to as "Investors") on 23 September 2016 and 29 December 2017 respectively, under which, inter alia, all costs and expenses of the Company and the fees of the Provisional Liquidators in and about the finalisation and/or implementation of the Restructuring Framework Agreement shall be borne by the Investors, which are estimated at HK$35,000,000 (equivalent to RMB30,756,000). This amount shall be deducted out of the gross proceeds from the proposed Share Offer, or any capital contribution to the Company by the Investors.

This adjustment is not expected to have a continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(7) This adjustment is related to the proposed acquisition of 100% equity interest in Target Group by the Group.

According to the latest Shareholding Structure proposed in the Restructuring Framework Agreement, the proposed acquisition cost of HK$537,971,000 for 100% equity interest in the Target Group would be satisfied by the issue and allotment of 2,241,543,744 Consideration Shares by the Company to the Investors at HK$0.24 per Consideration Share, totalling HK$537,970,000.

Should this Shareholding Structure became effective, the Investors would have 80% interest in the Enlarged Group and such acquisition constitutes a reverse takeover. However, the Acquisition does not fulfill the requirements for reverse acquisition in accordance with the IFRS 3 as the Group is only a non-operating public shell corporation. The Group does not meet the definition of a business under IFRS 3. Instead, this should be accounted for in the Enlarged Group's financial statements as a continuation of the financial statements of the legal acquiree – Target Group, together with a deemed issue of equity, equivalent to the shares held by former shareholders of the Group, and a re-capitalisation of the equity of Target Group.

This deemed issue of equity is, in effect, an equity-settled share-based payment transaction whereby Target Group has received the net assets of the Group, together with its listing status. Under IFRS 2, Target Group should measure the equity-settled share-based payments indirectly by reference to the fair value of the equity instruments issued as there is no goods or services received by Target Group from this transaction. The increase in equity by Target Group should be measured by reference to the fair value of the equity that are deemed to have been issued, i.e. 560,385,936 shares (represented: the Company's existing number of shares after the Capital Restructuring, 140,096,484 shares, plus the Public Offer Shares 224,156,000 shares, plus the Placing Shares issued in the Company's Placing, 196,133,452 shares) of the Company multiplied by HK$0.24, equivalent to approximately HK$134,493,000 (equivalent to RMB118,186,000) in exchange for the net assets and listing status of the Group.

However, as the listing status does not qualify for recognition as an intangible asset, it is expensed in profit or loss. The net accounting for the deemed share-based payment transaction and elimination of net assets of the Group is:

Assuming that the acquisition had been taken place on 30 June 2019:

	RMB'000
Deemed issued equity	118,186
Net liabilities of the Group *(Note)*	21,204
Deemed listing expenses charged to profit or loss	139,390
Elimination of the Group's share capital and reserves after pro forma adjustments	(110,227)
Pro forma adjustment subtotal of reserve	29,163

Note: The net liabilities of the Group is derived at the basis below, assuming that the acquisition had been taken place on 30 June 2019:

	RMB'000
Net liabilities of the Group as at 30 June 2019	(7,537,941)
Proceeds from Share Offer	88,640
Estimated unaudited gain on debt restructuring	7,455,320
Estimated restructuring cost	(30,756)
Elimination of amount due to Target Group	3,533
	(21,204)

This adjustment is not expected to have a continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(8) This adjustment is related to the presentation of issued capital of the Enlarged Group upon the completion of Acquisition.

According to the paragraph B21 of IFRS 3, the share capital is adjusted to reflect the legal capital of the accounting acquiree (legal parent – the Company). It is represented by the movements in the share capital of the Company as follows:

	Note	Number of ordinary shares	Nominal value
			US$
Authorised:			
At 1 January 2019		10,000,000,000	100,000
Additions		10,000,000,000	1,900,000
At 30 June 2019		20,000,000,000	2,000,000
			RMB'000
Issued and fully paid:			
At 1 January 2019		5,603,859,393	383
Capital reduction and share consolidation	*3*	(5,463,762,909)	–
Issue of shares upon Public Offer	*4*	224,156,000	617
Issue of shares upon the Company's Placing	*4*	196,133,452	539
Issued and allotted of Consideration Shares*	*7*	560,385,936	1,539
Issue of shares upon the acquisition of the Target Group	*7*	2,241,543,744	6,156
At 30 June 2019*		2,801,929,680	7,695

* Reconciliation of the share capital of the Enlarged Group resulted from the issuance and allotment of Consideration Shares:

	Nominal value
	RMB'000
Per above	7,695
Elimination of share capital of the Target Group	–
	7,695

(9) These adjustments represent the elimination of the results and cash flows of the Group for the period from 1 January to 31 December 2018 on the basis that the results and cash flow of the Enlarged Group for the year then ended would be reflected in its consolidated financial statements as if the transactions in relation to the Proposed Creditor Schemes as presented in note 5 above had been taken place on 1 January 2018 right before the Acquisition.

(10) This adjustment represents the estimated professional fees and expenses of approximately RMB20,600,000 to be additionally incurred by the Target Group relating to the Acquisition as if it had been taken place on 1 January 2018 and 30 June 2019.

(11) The proceeds of approximately RMB88,640,000 generated in the Company's Placing and the Public Offer are insufficient to settle the Creditors Schemes Consideration and the Restructuring Cost. As such, the Restructuring Cost of approximately RMB30,756,000, will be borne by the Investors.

(12) Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2019 where applicable.

E. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

	Consolidated net tangible liabilities of the Group *RMB'000* *Note 1*	Consolidated net tangible liabilities of the Group per share *RMB* *Note 2*	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group *RMB'000* *Note 3*	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per share *RMB* *Note 4*
Consolidated net tangible assets/(liabilities) attributable to owners of the Company	(7,537,941)	(1.35)	65,552	0.02

Notes:

(1) The consolidated net tangible liabilities of the Group as at 30 June 2019 is based on the amount of consolidated net tangible assets attributable to the owners of the Company as at 30 June 2019, which is extracted from the accountants' report of the Company as set out in Appendix II to the Circular.

(2) The number of shares used for the calculation of the consolidated net tangible assets of the Group per share is 5,603,859,393, being the number of shares in issue as at 30 June 2019.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group is based on the amount of the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company, which is extracted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group of approximately RMB66,651,000 with an adjustment for the intangible assets of approximately RMB1,099,000.

(4) The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per share is 2,801,929,680 after completion of the Proposed Restructuring as at 30 June 2019 as described in the note 8.

(5) Apart from the above, no adjustments have been made to the unaudited pro forma statement of adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2019 where applicable.

The following is the text of the letter and the valuation report received from Knight Frank Petty Limited, an independent property valuer, prepared for the purpose of incorporation in this circular, in connection with its valuation of the property interests held by the Group as at 30 September 2019.

Knight Frank Petty Limited
4th Floor, Shui On Centre
Nos. 6-8 Harbour Road
Wan Chai
Hong Kong

29 November 2019

The Directors
Linktopz Entertainment Limited
Unit D, 12th Floor,
Seabright Plaza
Nos. 9-23 Shell Street
North Point, Hong Kong

The Directors
JOE Green Pte Ltd
JOE Green Marketing Pte Ltd
Amazana Building #02-00
No. 50 MacPherson Road
Singapore 348471

The Directors
JOE Green Precast Sdn Bhd
JOE Green Marketing Sdn Bhd
GM 293, LOT 514 Mukim
Senai Industrial Park
Taman Desa Idaman, Senai,
Johor
Malaysia 81400

Dear Sirs

Valuation in respect of various property interests located in Singapore and Malaysia (collectively known as the "Properties")

In accordance with the instructions to us to value the property interests held by Linktopz Entertainment Limited/JOE Green Pte Ltd/JOE Green Marketing Pte Ltd/JOE Green Precast Sdn Bhd/JOE Green Marketing Sdn Bhd (hereinafter referred to as the "Companies") and their subsidiaries (hereinafter together referred to as the "Group"), we confirm that we have carried out inspection, made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties in their existing state as at 30 September 2019 (the "Valuation Date") for new listing application ("the Listing Application") in Hong Kong.

Basis of Valuation

In arriving at our opinion of the market value, we followed "The RICS Valuation – Global Standards 2017" issued by the Royal Institution of Chartered Surveyors ("RICS") and the "International Valuation Standards" published by the International Valuation Standards Council ("IVSC"). Under the said standards, Market Value is defined as:–

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

The market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

The market value is also the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Our valuation complies with the requirements as set out in "The RICS Valuation – Global Standards 2017" issued by RICS, the "International Valuation Standards" published by IVSC and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In valuing the Properties, we have complied with the requirements set out in Rule 11 of the Codes on Takeovers and Mergers and Share Buy-backs (the "Takeovers Code") published by Securities and Futures Commission. Details of the property-related potential tax liability to the Companies in relation to each property interests are set in the notes of each valuation.

Valuation Methodology

In forming our opinion of values of the Properties in Group I and Group II, we have adopted the Market Approach by making reference to comparable sale transactions as available in the relevant market. We have made our assessment on the basis of a collation and analysis of appropriate comparable sale transactions, together with evidence of demand within the vicinity of the Properties. With the benefit of such transactions we have then applied these to the Properties, taking into account size, location, terms, covenant and other material factors. We have also made reference to the capitalisation of the rental income derived from the existing tenancies, where applicable, with due provision for the reversionary income potential of the Properties.

Valuation Assumptions and Conditions

Our valuations are subject to the following assumptions and conditions:–

Title Documents and Encumbrances

We were provided with legal opinion/due diligence report prepared by the respective local lawyer confirming the title of the Properties. We have also assumed that the Properties are not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information given by the Companies. We have accepted advice given to us on such matters as planning approval, statutory notice, easement, tenure, site area, floor areas, number of carparking spaces and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Properties, whether in writing by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Properties or contained on the register of title. We assume that this information is complete and correct.

Inspection

We inspected the Properties in May 2019. The inspections of the Properties were undertaken by Knight Frank valuation team in Singapore and Malaysia. Nevertheless, we have assumed in our valuation that the Properties were in satisfactory exterior and interior decorative order without any unauthorised extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

Identity of Properties to be valued

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Properties, identified by the property addresses in your instructions, are the Properties inspected by us and contained within our valuation report. If there is ambiguity as to the Properties addresses, or the extent of the Properties to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Properties Insurance

We have valued the Properties on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

In our valuation, we have relied upon areas as available from a quoted source. Otherwise, dimensions and areas would be measured on-site or scaled off from plans and calculated in accordance with, where appropriate, the Uniform Method of Measurement of Buildings (for the Properties in Malaysia) and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. Where the age of the building is estimated, this is for guidance only.

Structural and Services Condition

We have not undertaken any structural surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the Properties. Our valuation has therefore been undertaken on the basis that the Properties were in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Properties are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Properties were constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Properties upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Exchange Rate

Unless otherwise stated, all money amounts stated in our valuation is in Singapore Dollar ("SGD") for property interest in Singapore and in Malaysian Ringgit ("MYR") for property interest in Malaysia.

Limitations on Liability

In accordance with our standard practice, we must state that this valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this valuation.

Knight Frank has prepared the valuation based on information and data available to us as at the Valuation Date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the Valuation Date may affect the value of the Properties.

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Thomas Lam
FRICS FHKIS RPS(GP) RICS Registered Valuer
Executive Director, Head of Valuation & Advisory

Cyrus Fong
MRICS MHKIS RPS(GP) RICS Registered Valuer
Director, Valuation & Advisory

Notes: Thomas H M Lam is a Chartered Surveyor who has over 19 years of experiences in market research, valuation and consultancy in China, Hong Kong, Macao and Asia Pacific region.

Cyrus Y M Fong is a Chartered Surveyor who has over 13 years of experiences in market research, valuation and consultancy in China, Hong Kong, Macao and Asia Pacific region.

SUMMARY OF VALUATIONS

Property Interest	Market Value in Existing State as at 30 September 2019 *(SGD)*	Interest Attributable to the Group *(%)*	Market Value in Existing State Attributable to the Group as at 30 September 2019 *(SGD)*
Group I: Property Interest held by the Group in Singapore for Investment and Owner Occupation			
1. "Amazana", No 50 MacPherson Road, Singapore 348471	25,250,000	100	25,250,000

Property Interest	Market Value in Existing State as at 30 September 2019 *(MYR)*	Interest Attributable to the Group *(%)*	Market Value in Existing State Attributable to the Group as at 30 September 2019 *(MYR)*
Group II: Property Interest held by the Group in Malaysia for Owner Occupation			
2. Lot 514, Taman Perindustrian Senai, Off Jalan Seelong, 81400 Senai, Johor Darul Takzim, Malaysia	24,000,000	100	24,000,000
3. PTD 103041, Jalan Seelong, 81400 Senai, Johor Darul Takzim, Malaysia	6,980,000	100	6,980,000

VALUATION

Group I: Property Interests held by the Group in Singapore for Investment and Owner Occupation

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2019
1. "Amazana", No 50 MacPherson Road, Singapore 348471	"Amazana" is a 9-storey light industrial building with basement car park. It is located near the junction of Macpherson Road/Woodsville Flyover/Bendemeer Road and about 6.0 km from the City Centre. It is within walking distance to the Potong Pasir MRT station. The building is constructed of reinforced concrete frame and is served by a goods lift and a passenger lift. It was completed in about 1990s or thereabouts. The 1st and 3rd floors are currently used as child day-care centre. The remaining floors are used as warehouse and office generally. The property is in average condition. The total Gross Floor Area of the property is about 3,373.42 sq m (36,311 sq ft).	As at the Valuation Date, the 7th floor was owner-occupied whilst the other floors were fully leased for terms of 3 to 5 years with the latest expiry in July 2021 at a total monthly rent of SGD61,994, exclusive of goods & services tax but inclusive of maintenance charges.	SGD25,250,000 (Singapore Dollars Twenty Five Million Two Hundred and Fifty Thousand)

Notes:

(1) The valuation is prepared by Knight Frank valuation team in Singapore. This project is handled by our local qualified valuer with Licence No AD041-2004449G registered in Inland Revenue Authority of Singapore. Our local valuer has about 30 years of relevant experience of property valuation and consultancy work in Singapore.

(2) The registered owner of the property was Joe Green Pte. Ltd. (the "Company"), a wholly-owned subsidiary of the Group as at the Valuation Date. The property was purchased by the Company in January 2015 at a consideration of SGD26,000,000.

(3) As at the Valuation Date, the property was subject to the following encumbrances:–

- Mortgage in favour of United Overseas Bank Limited vide Instrument No IE/140285B lodged on 2 April 2015.

(4) The breakdown of market value of the property as at the Valuation Date is as follows:–

7/F (portion held for owner-occupation)	:	SGD2,900,000
Other leased portion (portion held for investment)	:	SGD22,350,000
Total	:	SGD25,250,000

(5) Our valuation reflects an equivalent yield of 3.2% as at the Valuation Date.

(6) The subject property is situated within an area zoned as "Business 1" at gross plot ratio 2.5 under Master Plan 2014.

(7) A private title search was made at the Singapore Titles Automated Registration System from Singapore Land Authority on 30 December 2016. Brief particulars of the title are as follows:–

Legal Description	:	Lot No. 3113C Mukim 24
Tenure	:	Freehold
Land Area	:	1,350.4 sq m
Gross Floor Area	:	3,373.42 sq m

(8) We were provided with a legal opinion by Equity Law LLC confirming that the Company has a good, valid and subsisting title to the property. The Company is entitled to occupy, use, lease, transfer and mortgage the property.

(9) As at the latest Valuation Date, we anticipate that there would be no seller stamp duty ("SSD") from the sales of the property. The property is held for investment and owner-occupation, therefore the likelihood of property-related potential tax liability (if any) to the Company being crystallised is slim. Such potential tax liability (if any) is excluded from our valuation.

(10) The following comparable transactions were considered in our valuation:–

Comparable	**(i)**	**(ii)**	**(iii)**	**(iv)**
Address	100E Pasir Panjang Road	3 Little Road	20 Mactaggart Road	62 Burn Road
Property Type	Industrial factory	Industrial factory	Industrial factory	Industrial factory
Land Area (sq m)	2,824.4	1,961.3	1,962.4	986.9
Floor Area (sq m)	5,252	4,894.9	5,297.2	2,202.0
Tenure	Freehold	Freehold	Freehold	Freehold
Consideration	SGD48,500,000	SGD33,500,000	SGD31,000,000	SGD16,100,000
Unit Rate (per sq m)	SGD9,235	SGD6,844	SGD5,852	SGD7,312
Date	27 December 2018	12 December 2016	7 October 2016	7 July 2016

(11) These comparables were the relevant transactions recorded in the surrounding area of the subject property. The location of the comparables are considered similar to the subject. Other factors such as land area, floor area and age/condition of property were considered.

VALUATION

Group II: Property Interests held by the Group in Malaysia for Owner Occupation

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2019
2. Lot 514, Taman Perindustrian Senai, Off Jalan Seelong, 81400 Senai, Johor Darul Takzim, Malaysia	The property is a parcel of industrial land built-upon with a single-storey office building together with several factory buildings and ancillary buildings. It was completed in about 2013, as per the Certificate of Completion and Compliance. The subject site is a detached industrial plot, rectangular in shape with a titled land area of 3.4402 ha (about 370,300 sq ft). The subject site enjoys a frontage of about 214.70 m (about 704 ft) onto the frontage metalled road, Jalan Idaman. It has a maximum depth of about 167.64 m (about 550 ft) from Jalan Idaman. The subject site is generally flat in terrain and lies at the same level with the frontage metalled road, Jalan Idaman. The site boundaries are generally demarcated by plastered brick walls. The subject site is provided with a main entrance and is secured by a metal sliding gate whilst the internal driveway and circulation within the compound are generally concrete flooring throughout. We have carried out sample measurements (where applicable) of the existing buildings using the Uniform Method of Measurement of Buildings issued by the Royal Institution of Surveyors, Malaysia. The total Gross Floor Areas of the property is 15,059.1 sq m (about 162,096 sq ft).	As at the Valuation Date, the subject property was owner-occupied.	MYR24,000,000 (Malaysian Ringgit Twenty Four Million)

Notes:

(1) The valuation is prepared by Knight Frank valuation team in Malaysia. This project is handled by our local qualified valuer with Registration No V0319 & E1061 registered in Board of Valuers, Appraisers and Estate Agents Malaysia with Certificate No 0750. Our local valuer has over 30 years of relevant experience of property valuation and consultancy work in Malaysia.

(2) The registered owner of the property was JOE Green Precast Sdn Bhd (the "Company"), a wholly-owned subsidiary of the Group, as at the Valuation Date.

(3) As at the Valuation Date, the property was subject to the following encumbrances:–

- Charged to RHB Islamic Bank Berhad vide Presentation No 1000/2015, registered on 29th October 2015.

(4) The property is situated within an area zoned for Industrial uses under the local authority planning guidelines.

(5) We have been provided with the approved building plans of the property, bearing plan number Fail MPKu 4/2-9/2012K dated 27th June 2012. We note that only a portion of the buildings erected on site have been granted approval as per the abovementioned approved building plans. These buildings comprise an office building and three casting yards. For the buildings with approval plans, we noted that a copy of Certificate of Completion and Compliance (CCC) bearing Serial No. LJM/J/0400 was obtained on 18th January 2013.

(6) We note that the remaining areas (comprise storage area, crusher area, two casting yards, batch plants and several terraces without approval plans) have been granted with temporary permits which are renewable annually vide an approval letter from Majlis Perbandaran Kulai dated 5th March 2017. We were also provided with Interim Legal Due Diligence Report dated 27 March 2017 prepared by The Law Office of K K Chong & Company, which confirmed that the Company have obtained all permits licences and approvals from the relevant authorities required to carry out its current and proposed prospective business (including the current or prospective use of any real property or operation of assets, plant and equipment).

(7) As per the said due diligence report, the title of the property is in order. The Company is entitled to occupy, use, lease, transfer and mortgage the property.

(8) Public utilities and services such as mains water, public sewerage, electricity supply and telephone lines are connected to the subject property. Other essential public services for the area such as collection of refuse, repair and maintenance of roads and roadside drains and street lighting are provided by Majlis Perbandaran Kulai (MPKu).

(9) A private title search was made at the Pejabat Tanah & Daerah Kulai, Johor on 10th January 2017. Brief particulars of the title are as follows:–

Lot No.	:	Lot 514
Title No.	:	GM 293
Mukim	:	Senai
District	:	Kulai
Tenure	:	Interest in perpetuity
Category of Land Use	:	Industrial
Titled Land Area	:	3.4402 ha
Quit Rent	:	RM6,193.00
Registered Proprietor	:	JOE Green Precast Sdn Bhd
Endorsements	:	Surrender part of the land measuring about 0.126 ha and quit rent amended to RM6,193.00 vide Presentation No. 39/2009, registered on 14th May 2009.

(10) The property-related potential tax liability to the Company which might arise on any disposal of the property as at the latest Valuation Date in Malaysia would be Real Property Gains Tax at 5% on the assessable profit from the sale of the property. The property is held for owner-occupation, therefore the likelihood of such tax liability being crystallised is slim. Such potential tax liability is excluded from our valuation.

(11) The following comparable transactions were considered in our valuation:–

Comparable	**(i)**	**(ii)**	**(iii)**	**(iv)**
Address	Lot 429, Jalan Seelong Jaya 13, 81400 Senai, Johor Darul Takzim	PTD 41671, Jalan Idaman 1/2, Senai Industrial Park 81400 Senai, Johor Darul Takzim	PTD 102723, Jalan Seelong Jaya 15, 81400 Senai, Johor Darul Takzim	PTD 64994, Jalan Murni 3, Murni Industrial Park, 81400 Senai, Johor Darul Takzim
Property Type	Industrial Factory	Industrial Factory	Industrial Factory	Industrial Factory
Land Area (sq ft)	211,543 sf	69,998 sf	46,005 sf	53,876 sf
Floor Area (sq ft)	43,798 sf	13,777 sf	6,295 sf	5,400 sf
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Consideration	RM14,300,000	RM5,400,000	RM6,000,000	RM6,500,000
Date	20 September 2018	25 April 2018	16 April 2018	15 January 2018

(12) These comparables were the relevant transactions recorded in the surrounding area of the property. The comparables are located in Jalan Seelong Jaya area, Senai Industrial Park and Murni Industrial Park which are considered similar to the location where the property situates. Other factors such as land area, building conditions and land tenure were considered.

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2019
3. PTD 103041, Jalan Seelong, 81400 Senai, Johor Darul Takzim, Malaysia	The subject property is a parcel of vacant industrial land. The subject site is a corner detached industrial plot, rectangular in shape with a gross land area of 1.559 ha (about 167,809 sq ft). The net land area is 1.507 ha (about 162,212 sq ft) with regards to the approval for surrender of a portion of the land measuring 0.052 ha (about 5,597 sq ft). The subject site enjoys a frontage of about 97.911 m (about 321 ft) onto the frontage metalled road, Jalan Seelong. It has a return frontage of about 157.366 m (about 516 ft) onto an inner road, also named Jalan Seelong leading to Kampung Baru Seelong. It has a maximum depth of about 157.993 m (about 518 ft) from Jalan Seelong main road. The subject site is generally flat in terrain and lies at the same level with the frontage metalled road, Jalan Seelong. It is uniformly elevated towards the north-western boundary. The site boundaries are generally demarcated by 1.5-metre high metal decking sheets. The subject site is provided with a main entrance and is secured by a metal sliding gate.	As at the Valuation Date, the subject property was owner-occupied.	MYR6,980,000 (Malaysian Ringgit Six Million Nine Hundred and Eighty Thousand)

Notes:

(1) The valuation is prepared by Knight Frank valuation team in Malaysia. This project is handled by our local qualified valuer with Registration No V0319 & E1061 registered in Board of Valuers, Appraisers and Estate Agents Malaysia with Certificate No 0750. Our local valuer has over 30 years of relevant experience of property valuation and consultancy work in Malaysia.

(2) The registered owner of the property was JOE Green Precast Sdn Bhd (the "Company"), a wholly-owned subsidiary of the Group, as at the Valuation Date. The property was purchased by the Company in February 2017 at a consideration of RM6,712,374.40.

(3) As at the Valuation Date, there was no encumbrances registered against the property.

(4) The property is situated within an area zoned for Industrial uses under the local authority planning guidelines.

(5) We were provided with a legal opinion prepared by The Law Office of K K Chong & Company. As per the legal opinion, the title of the property is in order. The Company is entitled to occupy, use, lease, transfer and mortgage the property.

(6) Public utilities and services such as mains water, public sewerage, electricity supply and telephone lines are available for connection to the subject property. Other essential public services for the area such as collection of refuse, repair and maintenance of roads and roadside drains and street lighting are provided by Majlis Perbandaran Kulai (MPKu).

(7) A private title search was made at the Pejabat Tanah & Daerah Kulai, Johor on 18th May 2017. Brief particulars of the title are as follows:–

Lot No.	:	PTD103041
Title No.	:	HSM 3432
Mukim	:	Senai
District	:	Kulai
Tenure	:	Interest in perpetuity
Category of Land Use	:	Industrial
Titled Land Area	:	1.559 ha
Quit Rent	:	RM2,114.00
Registered Proprietor	:	JOE Green Precast Sdn Bhd
Endorsements	:	(i) Surrender part of the land measuring about 0.052 hectare vide Presentation No. 399/2011, registered on 19th August 2011; and (ii) Transfer of land by Central Production Sdn Bhd to JOE Green Precast Sdn Bhd vide Presentation No. 277/2017, registered on 7th May 2017.

(8) The property-related potential tax liability to the Company which might arise on any disposal of the property as at the latest Valuation Date in Malaysia would be Real Property Gains Tax at 30% on the assessable profit from the sale of the property. The property is held for owner-occupation, therefore the likelihood of such tax liability being crystallised is slim. Such potential tax liability is excluded from our valuation.

(9) The following comparable transactions were considered in our valuation:–

Comparable	**(i)**	**(ii)**	**(iii)**	**(iv)**
Address	Lot 393, Jalan Seelong Jaya 14, 81400 Senai, Johor Darul Takzim	No. 712, Jalan Idaman 3/2, Senai Industrial Park, 81400 Senai, Johor Darul Takzim	554, 555 & 556, Jalan Idaman, Senai Industrial Park, 81400 Senai, Johor Darul Takzim	Lot 39838, Jalan Idaman 3/2, Senai Industrial Park, 81400 Senai, Johor Darul Takzim
Property Type	Vacant industrial land	Vacant industrial land	Vacant industrial land	Vacant industrial land
Land Area (sq ft)	400,202 sq ft	48,438 sq ft	268,237 sq ft	48,438 sq ft
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Consideration	RM14,829,500	RM2,179,665	RM11,500,000	RM2,276,567
Unit Rate (per sq ft)	RM37	RM45	RM43	RM47
Date	27 February 2019	31 December 2018	9 November 2018	23 July 2018

(10) These comparables were the relevant transactions recorded in the surrounding area of the property. The property is located along Jalan Seelong which is considered superior to these comparables. Due to the similarities of the comparables with the property, we have then mainly considered the factor of land area in our valuation.

REGULATORY OVERVIEW

As the Target Group's principal operating businesses include the manufacturing and sale of varieties of customised green precast concrete wall panel system in Singapore and in Malaysia, the Target Group is subject to and shall comply with the regulatory requirements in Singapore. Having made all reasonable enquiries and to their best knowledge, the proposed Directors confirm that save as disclosed in this section and the sections headed "Risk Factors" and "Business of the Target Group" in this circular, the Target Group has complied with all material applicable laws and regulations in Singapore and in Malaysia during the Track Record Period.

A summary of the relevant laws and regulations in Singapore is set out below.

LAWS RELATING TO THE CARRYING ON OF THE BUSINESS OF THE TARGET GROUP IN SINGAPORE

Licensing of Builders

The Building Control Act and the Building Control (Licensing of Builders) Regulations 2008 set out the requirements for licensing of builders. All builders carrying out building works where plans are required to be approved by the Commissioner of Building Control and builders who work in specialist areas which have a high impact on public safety will require a builder's licence. Such requirements apply to both public and private construction projects.

There are two types of licences, namely, general builder's licence for builders undertaking general building works, and specialist builder's licence for builders undertaking any of the six types of specialist building works, namely: (a) piling works; (b) ground support and stabilisation works; (c) site investigation work; (d) structural steelwork; (e) pre-cast concrete work; and (f) in-situ post-tensioning work.

As at the Latest Practicable Date, the Target Group holds a specialist builder's licence for pre-cast concrete work. The aforesaid licence authorises the Target Group to carry on the business of a specialist builder for pre-cast concrete work and it is valid for 3 years. The current licence held by the Target Group will expire on 16 May 2019.

The main requirements for the specialist builder's licence for pre-cast concrete work include the following:

(a) minimum paid up capital of not less than S$25,000;

(b) appointment of approved person with relevant working experience that will take charge and direct the management of the business in building works; and

(c) appointment of technical controller with relevant working experience that will oversee the execution and performance of any building works undertaken by the Builder.

Subject to the provisions of the Building Control Act, no person shall:

(a) advertise or hold himself out or conduct himself in any way or by any means as a person who is authorised to carry on the business of a general builder or a specialist builder in Singapore or assume, take or use (either alone or in combination with any other word, letter or device) the name or title of "licensed general builder" or, as the case may be, "licensed specialist builder", or any name, title or description calculated to lead others to believe he is so licensed, or by words or conduct hold himself out as being so licensed, unless he is in possession of a general builder's licence and a specialist builder's licence, respectively; and

(b) (i) carry on the business of a general builder in Singapore unless he is in possession of a general builder's licence; (ii) carry on a business carrying out, or undertaking to carry out, (whether exclusively or in conjunction with any other business) general building works and minor specialist building works or minor specialist building works only, unless he is in possession of a general builder's licence; or (iii) carry on the business of a specialist builder in Singapore unless he is in possession of a specialist builder's licence.

Any person who contravenes the above requirements shall be guilty of an offence and shall be liable on conviction to: (a) a fine not exceeding S$20,000 or to imprisonment for a term not exceeding 12 months or to both; (b) a further fine not exceeding S$500 for each day or part thereof the person fails, without reasonable excuse, to comply with the above requirements; and (c) in the case of a continuing offence after conviction, to a further fine not exceeding S$1,000 for every day or part thereof during which the offence continues after conviction.

The Commissioner of Building Control may, subject to certain conditions, by order revoke any general builder's licence or specialist builder's licence if he is satisfied, *inter alia*, that: (a) for a period exceeding 28 days, the licensed builder ceases to, or ceases to have an employee, personally supervise the execution and performance of any general building works or specialist building works in Singapore undertaken by the licensed builder; (b) the licence had been obtained by fraud or misrepresentation; (c) the licensed builder has ceased to carry on business as a general builder or specialist builder, as the case may be, in Singapore; (d) the licensed builder has been declared bankrupt or has gone into compulsory or voluntary liquidation other than for the purpose of amalgamation or reconstruction; (e) the licensed builder has been convicted of an offence under the Building Control Act; (f) the public interest or national security of Singapore so requires; or (g) the licensed builder has refused or failed to comply with an order of the Commissioner of Building Control made under certain circumstances. In any case in which the Commissioner of Building Control considers that no cause of sufficient gravity for revoking any general builder's licence or specialist builder's licence exists, he may by order: (a) suspend the licence for a period not exceeding six (6) months; (b) impose on the builder concerned a financial penalty not exceeding S$20,000; (c) censure the builder concerned; or (d) impose such other direction or restriction as he considers appropriate on the builder's business as general builder or specialist builder, as the case may be.

BCA Contractors Registration System and Grading

The BCA also maintains a contractors registration system ("**CRS**") which registers contractors who are able to provide construction related goods and services to the public sector, which includes government departments, statutory bodies and other public sector organisations. Registration with the CRS is a pre-requisite for tendering for public sector projects.

There are 7 major registration categories under the CRS, namely Construction Workheads (CW), Construction Related Workheads (CR), Mechanical & Electrical Workheads (ME), Maintenance Workheads (MW), Trade Heads (TR), Supply Workheads (SY) and Regulatory Workheads (RW). Each major category of registration under the CRS is also subject to six to seven financial grades ("**Grades**").

The Target Group is currently registered with the BCA under the following workheads:

Workheads	Details	Grades	Tender Limit for each project	Expiry Date
SY01C Other Basic Construction Materials	Supply of other construction materials such as bricks, cement, timber, reinforcement bars and pre-cast products.	L1	S$65,000	1 February 2020

The grading awarded by BCA is subject to renewal every 3 years. When considering whether to renew a grading, the BCA considers factors including *inter alia* paid-up capital, net worth and its track record in relation to previously completed projects.

To maintain its grading under the respective workheads, the Target Group is required to comply with the following requirements:

Workhead and Grade	Financial Requirements	Experience and Expertise	Track Record	Additional Requirements
SY01C L1	Maintain a minimum paid-up capital and minimum net worth of S$10,000	Employ one technical personnel with at least a recognised diploma in mechanical, electrics, electrical engineering or equivalent qualifications approved by BCA, with a certificate of attendance in Basic Concept in Construction Productivity Enhancement	No track record required	Requires agency rights

The tender limit for each grade under the respective workheads is valid for one year from 1 July to 30 June of the subsequent year. It may be adjusted every year by the BCA depending on various factors, including the economy driving the construction industry in Singapore.

Workplace Safety and Health Measures

Under the WSHA every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards to the facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

Additional duties imposed on employers are also set out in the WSHR, including taking effective measures to protect persons at work from the harmful effects of any exposure to any biohazardous material which may constitute a risk to their health, ensuring adequate ventilation and maintaining sufficient and suitable lighting.

Any person who breaches his duty shall be guilty of an offence and shall be liable on conviction, in the case of a body corporate, to a fine not exceeding S$500,000 and if the contravention continues after the conviction, the body corporate shall be guilty of a further offence and shall be liable to a fine not exceeding S$5,000 for every day or part thereof during which the offence continues after conviction. For repeat offenders, where a person has on at least one (1) previous occasion been convicted of an offence under the WSHA that causes the death of any person and is subsequently convicted of the same offence that causes the death of another person, the court may, in addition to any imprisonment if prescribed, punish the person, in the case of a body corporate, with a fine not exceeding S$1.0 million and, in the case of a continuing offence, with a further fine not exceeding S$5,000 for every day or part thereof during which the offence continues after conviction.

Pursuant to the WSHR, the following equipment, *inter alia*, are required to be tested and examined by an examiner, who is authorised by CWSH, before they can be used in a factory and thereafter, at specified intervals:

- hoist or lift;
- lifting gears; and
- lifting appliances and lifting machines.

Upon examination, the examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the owner of the equipment or occupier of the factory to ensure that the equipment complies with the provisions of the WSHR and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, *inter alia*, enter, inspect and examine any workplace and any machinery, equipment, plant, installation or article at any workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with.

Under the WSHA, the CWSH may serve a stop-work order in respect of a workplace if he is satisfied that:

- the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work;
- any person has contravened any duty imposed by the WSHA; or
- any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

Employment Act

The EA is Singapore's main law relating to labour and employment of employees covered by the EA. The EA covers all types of employees who is under a contract of service with an employer and includes a workman (as defined under the EA), but does not cover persons who are employed in a managerial or executive position and is in receipt of a salary exceeding S$4,500 a month, seafarers, domestic workers, statutory board employees or civil servants.

Part IV of the Employment Act sets out provisions in relation to, *inter alia*, rest days, hours of work, overtime, annual leave and other conditions of service, and only applies to Part IV Employees.

The EA provides that a Part IV Employee is not allowed to work for more than 12 hours in any 1 day except in specified circumstances, such as where the work is essential to the life of the community, defence or security, or there is urgent work to be done to machinery or plant. In addition, Section 38(5) of the EA limits the extent of overtime work that a Part IV Employee can perform to 72 hours a month.

Employers must seek the prior approval of the Commissioner for Labour for exemption if they require a Part IV Employee or class of Part IV Employees to work for more than 12 hours a day or perform overtime work for more than 72 hours a month. The Commissioner of Labour, may, after considering the operational needs of the employer and the health and safety of the Part IV Employee or class of Part IV Employees from the overtime limits subject to such conditions as the Commissioner of Labour thinks fit. Where such exemptions have been granted, the employer shall display the order or a copy thereof conspicuously in the place where such Part IV Employee or class of Part IV Employees are employed.

An employer who breaches any provision of Part IV of the EA shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S$5,000, and for a second or subsequent offence to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding 12 months or to both.

From 1 April 2016, all employers are required to make and keep employee records, give written records of key employment terms and give itemised pay slips to relevant employees. Failure to do so may cause the employer to be issued with an administrative penalty by the MOM.

Employment of Foreign Workers

The availability and the employment cost of skilled and unskilled foreign workers are affected by the government's policies and regulations on the immigration and employment of foreign workers in Singapore. The policies and regulations are set out in, *inter alia*, the Employment of Foreign Manpower Act (Chapter 91A of Singapore) and the relevant government gazettes.

The availability of the foreign workers to the services industry is dependent on, *inter alia*, the MOM's policies in connection with:

- the countries from which foreign workers may be sourced;
- the requirements and procedures for the issuance of work permits;
- the imposition of security bonds and levies;
- the dependency ceilings based on the ratio of local to foreign workers; and
- quotas based on the MYE in respect of workers from NTS and the PRC.

The approved source countries for workers in the construction industry are Malaysia, the PRC, NTS and NAS. NTS countries include countries such as India, Sri Lanka, Thailand, Bangladesh, Myanmar and the Philippines. NAS countries include Hong Kong, Macau, South Korea and Taiwan.

Construction companies should have prior approval from the MOM to employ foreign workers from NTS countries and the PRC. The prior approval indicates the number of foreign workers a company is allowed to bring in from NTS countries and the PRC. It also determines the number of workers who can have their work permits renewed, or who can be transferred from another company in Singapore. Prior approvals are given based on: (i) the duration of the work permits applied for; (ii) the number of full-time local workers employed by the company over the past three months as reflected in the company's CPF contribution statements; (iii) the number of man-years allocated to the company (for main contractors) or the man-years directly allocated from the company's main contractor (for subcontractors); and (iv) the remaining number of company's quota available.

The MYE reflects the total number of work permit holders a main contractor is entitled to employ based on the project or contract value, as awarded by the developers or owners. It is allocated in the form of the number of "man-years" required to complete a project. 1 man-year = 1 year of employment under a work permit.

Foreign construction workers would be required to take the Construction Safety Orientation Course (CSOC) or the Apply Workplace Safety and Health in Construction Sites course before their work permits can be issued.

With respect to NTS and PRC construction workers, basic skilled workers are allowed to work up to a maximum of 10 years, while higher skilled workers would be allowed to work up to 22 years. There is no maximum employment period for all other foreign workers (from NAS and Malaysia). The maximum age limit for all foreign workers to work in Singapore, regardless of country of origin, is up to 60 years old.

From 1 January 2017, at least 10% of a firm's construction work permit holders must be higher skilled (R1) before a firm can hire any new basic skilled (R2) construction workers. However, renewals of work permits will not be affected. This is tracked based on a 12-week rolling average. From 1 January 2018, firms that do not meet the 10% R1 minimum will not only not be able to hire new R2 construction workers but will also not be able to renew the work permits of R2 construction workers. From 1 January 2019, firms that do not meet the 10% R1 minimum will not be able to hire or renew R2 construction workers and will also have the work permits of any excess R2 construction workers revoked.

A S$5,000 security bond in the form of a banker's guarantee or insurance guarantee is required to be placed for each non-Malaysian work permit holder that our Target Group employs in Singapore. The security bond will be returned when the work permit has been cancelled and the foreign worker has returned to his home country, and there were no breaches of the conditions of the work permit, security bond and any relevant law.

For the construction sector, employers pay the requisite levy according to the qualification of the foreign workers employed. The current levy rates are set out below.

Tier	**Monthly** *(S$)*	**Daily** *(S$)*
Malaysians and NAS – Higher-Skilled	300	9.87
Malaysians and NAS – Basic-Skilled	700	23.02
NTS and PRC – higher-skilled, on MYE	300	9.87
NTS and PRC – basic-skilled, on MYE	700	23.02
NTS and PRC – higher-skilled, MYE waiver(1)	600	19.73
NTS and PRC – basic-skilled, MYE waiver (1)	950	31.24

Note:

(1) To qualify for MYE waiver, the foreign worker must have at least two (2) years of experience in the construction sector.

In Singapore, under Section 5(1) of the Employment of Foreign Manpower Act (Chapter 91A of Singapore), no person shall employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass from MOM, which allows the foreign employee to work for him. Any person who fails to comply with or contravenes Section 5(1) shall be guilty of an offence and shall:

(a) be liable on conviction to a fine of not less than S$5,000 and not more than S$30,000 or to imprisonment for a term not exceeding 12 months or to both; and

(b) on a second or subsequent conviction:

(i) in the case of an individual, with a fine of not less than S$10,000 and not more than S$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or

(ii) in any other case, be punished with a fine of not less than S$20,000 and not more than S$60,000.

In relation to the employment of semi-skilled or unskilled foreign workers, employers must ensure that such persons apply for a "work permit". In relation to the employment of foreign mid-level skilled workers, employers must ensure that such persons apply for an "S Pass". The S Pass is intended for mid-level skilled foreigners who earn a monthly fixed salary of at least S$2,200. In relation to the employment of foreign professionals, employers must ensure that such persons apply for an "employment pass". The employment pass is intended for professionals who earn a monthly fixed salary of at least S$3,600.

Under the Employment of Foreign Manpower (Work Passes) Regulations 2012, employers of work permit holders are required, *inter alia*, to:

- be responsible for and bear the costs of the upkeep and maintenance of the foreign employee in Singapore, including the provision of adequate food as well as medical treatment;
- provide safe working conditions;
- provide acceptable accommodation consistent with any law or governmental regulations; and
- provide and maintain medical insurance for inpatient care and day surgery, with coverage of at least S$15,000 per every 12-month period.

Employers of holders of S Pass are required, *inter alia*, to:

- be responsible for and bear the costs of the foreign employee's medical treatment, except that the foreign employee may be made to bear part of any medical costs if such medical costs consist of not more than 10% of the foreign employee's fixed monthly salary per month, the period to be paid by the foreign employee does not exceed 6 months in aggregate, and the foreign employee's agreement to pay part of any medical costs is stated explicitly in the foreign employee's employment contract or collective agreement; and
- provide and maintain medical insurance for inpatient care and day surgery, with coverage of at least S$15,000 per every 12-month period.

Any person who being an employer or foreign employee to whom a work pass (i.e. work permit, S Pass or employment pass) applies or had applied, contravenes any condition (other than a regulatory condition) of the work pass, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding 12 months or to both.

Workmen's Compensation

The WICA, which is regulated by the MOM, applies to all employees in all industries engaged under a contract of service in respect of injury suffered by them in the course of their employment and sets out, *inter alia*, the amount of compensation they are entitled to and the method(s) of calculating such compensation.

The WICA provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to an employee, the employer shall be liable to pay compensation in accordance with the provisions of the WICA.

Further, the WICA provides, *inter alia*, that, where any person (referred to as the principal) in the course of his business or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work, or for the supply of labour to carry out any work, undertaken by the principal, the principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

Employers are required to maintain work injury compensation insurance for two categories of employees engaged under contracts of service (unless exempted) – firstly, all employees doing manual work and secondly, non-manual employees earning S$1,600 or less a month. An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding 12 months or to both.

CPF Contributions

The CPF is a comprehensive social security system that enables working citizens and permanent residents of Singapore to set aside funds for retirement. We are required to pay monthly to the CPF in respect of each employee, who is either a citizen or permanent resident of Singapore, contributions at the contribution rates prescribed under the Central Provident Fund Act (Chapter 36 of Singapore). CPF contributions are not applicable for foreigners who hold employment passes, S passes or work permits.

For failure to comply with the CPF Act, an employer may be liable to pay late payment interest charged at 18% per annum (1.5% per month), starting from the first day of the following month after the contributions are due. The minimum interest payable is S$5 per month. If convicted of an offence under the CPF Act, he may also be liable to a fine of up to S$5,000 and/or up to 6 months jail.

Personal Data Protection Act

The Singapore PDPA establishes data protection governing the collection, use, disclosure and care of personal data by organisations in a manner that recognises both the right of individuals to protect their personal data and the need of organisations to collect, use or disclose personal data for purposes that a reasonable person would consider appropriate in circumstances. Under the Singapore PDPA, personal data means data, whether true or not, about an individual who can be identified from that data or other information which the organisation has or is likely to have access. Before the collection, use or disclosure of the personal data, we are required to inform the individual of the purposes for the collection, use or disclosure of the personal data and any other purpose of the use or disclosure of the personal data of which the individual has not been informed previously.

Under the Singapore PDPA, we shall not collect, use or disclose personal data about an individual unless the individual gives or is deemed to have given his consent under the Singapore PDPA to the collection, use or disclosure unless authorised under the Singapore PDPA. An individual is deemed to consent to the collection, use or disclosure of personal data if the individual voluntarily provides the personal information to us and it is reasonable that the individual would do so. If an individual consents or is deemed to have given consent to the disclosure of the individual's personal data from one organisation to another organisation for a particular purpose, the individual is also deemed to consent to the collection, use or disclosure of the personal data for that particular purpose by that other organisation. We may collect, use or disclose personal data about an individual only for purposes that a reasonable person would consider appropriate in the circumstances.

An individual may request us to provide the individual with, as soon as reasonably possible, personal data about the individual that is in our possession or control and information about the ways in which the individual's personal data has been or may have been used or disclosed by us within a year before the date of the request. The individual may also request that we correct an error or omission in the personal data about the individual that is in our possession or control. Unless we are satisfied on reasonable grounds that a correction should not be made, we are required to correct the personal data as soon as practicable and if the individual consents, send the corrected personal data to every other organisation to which the personal data was disclosed by us within a year before the date the correction was made unless that organisation does not need the correct personal data for any legal or business purposes.

An individual may, on giving us reasonable notice, withdraw any consent given or deemed given under the Singapore PDPA in respect of the collection, use or disclosure of personal data about the individual for any purpose. If an individual withdraws consent to the collection, use or disclosure of the individual's personal data, we shall cease collecting, using or disclosing the personal data unless authorised under the Singapore PDPA. We shall also cease to retain documents containing personal data or remove any means by which the personal data can be associated with the individual as soon as the purpose for which the personal data was collected is no longer being served and retention is no longer necessary for legal or business purposes.

Additionally, the Singapore PDPA establishes the DNCR. A subscriber to a Singapore telephone number may apply to the DNCR to add or remove that telephone number from the DNCR. Under the Singapore PDPA, we shall not send any specified messages addressed to the Singapore telephone number unless we have applied to confirm and have received confirmation from the Personal Data Protection Commission that the Singapore telephone is not listed in the DNCR. Specified messages are messages where, having regard to, *inter alia*, its contents and presentation, it could be concluded that the purpose of the message is to offer, advertise, promote or supply goods or services, land, business or investment opportunity. Failure to comply with this is a criminal offence which makes the offender liable to a fine not exceeding S$10,000 per charge.

Company Laws and Regulations

JOE Green Pte. and JOE Green MKT Singapore, both of which are wholly-owned subsidiaries of our Company, are private companies limited by shares, incorporated and governed under the provisions of the Singapore Companies Act and its regulations.

The Singapore Companies Act generally governs, *inter alia*, matters relating to the status, power and capacity of a company, shares and share capital of a company (including issuances of new shares (including preference shares), treasury shares, share buybacks, redemption, share capital reduction, declaration of dividends, financial assistance, directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), protection of minority shareholders' rights, accounts, arrangements, reconstructions and amalgamations, winding up and dissolution.

In addition, members of a company are subject to, and bound by the provisions of the constitution of the company. The constitution of a company contains, *inter alia*, provisions relating to some of the matters in the foregoing paragraph, transfers of shares as well as sets out the rights and privileges attached to the different classes of shares of the company (if applicable).

SINGAPORE TAXATION

The following is a discussion of certain tax matters relating to Singapore corporate tax, capital gains tax, stamp duty and estate duty consequences in relation to the purchase, ownership and disposal of the Shares. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of the Shares, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase the Shares or apply to all categories of prospective subscribers, some of whom may be subject to special rules either in Singapore or in the tax jurisdictions where the subscribers are resident. The laws, regulations rulings, decisions and interpretations, however, may change at any time, and such changes may be retrospective. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

You, as a prospective subscriber of the Shares, should consult your tax advisors concerning the tax consequences of purchasing, owning and disposing the Shares. Neither our Company, our Directors nor any persons involved in this Listing accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of the Shares.

Corporate Tax

Singapore corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore and on foreign income received or deemed received in Singapore (unless otherwise exempted).

A company is regarded as tax resident in Singapore if the control and management of its business is exercised in Singapore.

The prevailing Singapore corporate tax rate is 17%. In addition, the partial tax exemption scheme applies on the first S$300,000 of normal chargeable income; specifically 75% of up to the first S$10,000 of a company's normal chargeable income, and 50% of up to the next S$290,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17%.

For the years of assessment 2016 and 2017, there is a corporate income tax rebate at 50% of the corporate tax payable, subject to a cap of S$20,000 per year of assessment.

Dividend Distributions

(i) One-Tier Corporate Taxation System

All Singapore tax resident companies are under the one-tier corporate taxation system. Under the system, the tax collected from corporate profits is a final tax and the after-tax profits of the company resident in Singapore can be distributed to the shareholders as tax-exempt (one-tier) dividends. Such dividends are tax-exempt in the hands of the shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

(ii) Withholding taxes

Singapore currently does not impose withholding tax on dividends paid to resident or non-resident shareholders. Foreign shareholders are advised to consult their own tax advisers to take into account the tax laws of their respective home countries or countries of residence and the applicability of any double taxation agreement which the relevant tax jurisdiction may have with Singapore.

Capital Gains Tax

There is no tax on capital gains in Singapore.

Thus, any gains derived from the disposal of our Shares will not be taxable in Singapore, if the gains are of a capital nature. For the gain to be considered as capital in nature, the Shares must be acquired for long-term investment purposes and primarily to derive investment income. The Shares must not have been originally acquired as part of the trading activities of the acquirer.

On the other hand, where the taxpayer is deemed by the Inland Revenue Authority of Singapore to be carrying on a trade or business in dealing in shares, gains from disposal of shares by such taxpayer are of an income nature (rather than capital gains) and thus subject to Singapore income tax, if the gains are considered to be accruing in or derived from Singapore or received or deemed received in Singapore, unless exemptions apply.

Subject to certain conditions being met, with effect from 1 June 2012 and for a period of 10 years ending on or before 31 May 2022, gains derived from the disposal of ordinary shares by companies will not be subjected to Singapore income tax, if the divesting company holds a minimum shareholding of 20% of the ordinary shares in the company whose shares are being disposed for a minimum continuous period of 24 months.

Other than the above, there are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains may be considered to be of an income nature and subject to tax especially if they arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade or business in Singapore.

Foreign sellers are advised to consult their own tax advisors to take into account the applicable tax laws of their respective home countries or countries of residence as well as the provisions of any applicable double taxation agreement.

GST

GST is a consumption tax in Singapore that is levied on import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 7%.

The sale of the Shares by a GST-registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply not subject to GST. Any input GST (for example, GST on brokerage) incurred by the GST-registered investor in connection with the making of this exempt supply is generally not recoverable and will become an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or satisfies certain GST concessions.

Where the Shares are sold by a GST-registered investor in the course or furtherance of a business carried on by such an investor to a person belonging outside Singapore (and who is outside Singapore at the time of supply), the sale is a taxable supply subject to GST at a zero rate (i.e. 0%). Any GST (for example, GST on brokerage) incurred by the GST-registered investor in making this zero-rated supply for the purpose of his business will, subject to the provisions of the GST legislation, be recoverable from the Comptroller of GST.

Investors should seek their own tax advice on the recoverability of GST incurred in expenses in connection with the purchase and sale of the Shares.

Services such as brokerage and handling services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase or sale of the Shares will be subject to GST at the prevailing standard rate (currently 7%). Similar services rendered contractually to an investor belonging outside Singapore should, subject to certain conditions, qualify for zero-rating (i.e. subject to GST at zero rate).

A summary of the relevant laws and regulations in Malaysia is set out below.

LAWS RELATING TO THE CARRYING ON OF THE BUSINESS OF THE TARGET GROUP IN MALAYSIA

Company Law and Regulations

Malaysian incorporated companies have to comply with the requirements of the Malaysia Companies Act 1965 and the Malaysia Companies Act. The Malaysia Companies Act 1965 has been repealed and replaced by the Malaysia Companies Act with effect from 31 January, 2017. With regards to matters occurring before 31 January, 2017, Malaysian incorporated companies were governed under the provisions of the Malaysia Companies Act 1965 and its regulations. With regards to matters occurring from 31 January, 2017 and onwards, Malaysian incorporated companies will be governed under the provisions of the Malaysia Companies Act and its regulations.

The Malaysia Companies Act 1965 and the Malaysia Companies Act generally govern, inter alia, matters relating to status, power and capacity of a company, share and share capital of a company, issuance of shares (including preference shares), share buy-backs, redemption, share capital reduction, declaration of dividends, financial assistance, directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), protection of minority shareholders' rights, accounts, arrangements, reconstructions and amalgamations, winding up and dissolution.

In addition, members of company are subject, and bound by the provisions of the constitution of the company, The constitution of a company contains, inter alia, provisions relating to some of the matters in the foregoing paragraph, transfers of shares as well as sets out the rights and privileges attached to different classes of shares of the company (if applicable).

Manufacturing Licence

The ICA requires person(s) engaging in any manufacturing activity to obtain a manufacturing licence in respect of such manufacturing activity. The objective of the ICA is to ensure orderly development and growth in the manufacturing sector. Only manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time employees need to apply for a licence under the ICA. In this context, "manufacturing activity" is defined as the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade.

No person shall engage in any manufacturing activity unless it is issued with a licence under the ICA in respect of such manufacturing activity. Any person who fails to obtain such a manufacturing licence is guilty of an offence and is liable on conviction to a fine not exceeding two thousand ringgit or to a term of imprisonment not exceeding six months and to a further fine not exceeding one thousand ringgit for every day during which such default continues.

Where an offence under ICA or any rule made thereunder has been committed by a person or a manufacturer being a company, any person, who at the time of the commission of the offence was a director, manager or other officer serving in a managerial capacity or was a partner of the company, or purported to act in any such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge, consent and connivance and that he had exercised all necessary diligence to prevent the commission of the offence as he ought to have exercised having regard to the nature of his functions in that capacity and all the prevailing circumstances.

No-Objection-Letter for the Location of Projects

All new proposed manufacturing projects (except expansion project at the same location) need to obtain approval from the State Government for the location of a project. Approval in the form of a no-objection-letter from the State Government to verify the location of project in the designated zone can be obtained by applying to the respective State. The no-objection letter needs to be subsequently submitted to the MIDA for the issuance of the manufacturing licence.

Without such no-objection letter, it will not be possible to apply for and obtain the manufacturing licence required under the ICA.

Approval for Planning Permission

Under the Town and Country Planning Act, 1976, an application for planning permission in respect of future development and use of all lands and buildings should be made to the local planning authority.

Anyone who contravenes the provisions of the Town and Country Planning Act, 1976 commits an offence and is liable, on conviction, to a fine not exceeding five hundred thousand ringgit or to imprisonment for a term not exceeding two years or to both and, in the case of a continuing offence, to a further fine which may extend to five thousand ringgit for each day during which the offence continues after the first conviction for the offence.

Where an offence under the Town and Country Planning Act, 1976 has been committed by a body corporate, a person who at the time of the commission of the offence is a director, manager, secretary or other similar officer of the body corporate or a person who was purporting to act in such capacity shall, as well as the body corporate, be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge or that he took reasonable precautions to prevent its commission.

Approval for Building Plans and Certificate of Fitness for Occupation

Under the Malaysia SDB Act, any further construction of buildings including factories can only be undertaken with the written approval of the local authority.

Manufacturers who wish to construct any building need to submit the required plans to the local authority as required by the Malaysia SDB Act and the Uniform Building By-laws 1984 made under the Malaysia SDB Act.

Under the Uniform Building By-laws 1984, all completed buildings need to be certified as being fit for occupation via the issuance of a certificate of fitness for occupation. In the case of temporary structures, the company will need to apply for a temporary building permit from the relevant Town Council.

Any person guilty of an offence under the Malaysia SDB Act or any by-laws made thereunder for which no penalty is expressly provided shall be liable on conviction to a fine not exceeding ten thousand ringgit and shall also be liable to a further fine not exceeding five hundred ringgit for every day that the offence is continued after conviction.

Where an offence under Malaysia SDB Act or any rule made thereunder has been committed by a person or a manufacturer being a company, any person, who at the time of the commission of the offence was a director, manager or other officer serving in a managerial capacity or was a partner of the company, or purported to act in any such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge, consent and connivance and that he had exercised all necessary diligence to prevent the commission of the offence as he ought to have exercised having regard to the nature of his functions in that capacity and all the prevailing circumstances.

Compliance with the Condition in the Land Title for the Land Use

The use of any business or factory premise will also have to comply with the condition stated in the Land Title for Land use.

Failure to comply with such a condition may result in a fine being imposed by the State Authority or the land being liable to forfeiture to the State Authority pursuant to the National Land Code 1965.

Approval for Business Licence

Companies operating in Malaysia are required to apply to the local authorities for four main licences namely for factory premises, advertising signage, storage and canteen.

Under the Local Government Act, 1976, a local authority may, by-law, rule or regulation prescribe for the breach of any by-law, rule or regulation a fine not exceeding two thousand ringgit or a term of imprisonment not exceeding one year or both such fine and imprisonment and in the case of a continuing offence a sum not exceeding two hundred ringgit for each day during which such offence is continued after conviction. Where any such offence has been committed by a person or a manufacturer being a company, any person, who at the time of the commission of the offence was a director, manager or other officer serving in a managerial capacity or was a partner of the company, or purported to act in any such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge, consent and connivance and that he had exercised all necessary diligence to prevent the commission of the offence as he ought to have exercised having regard to the nature of his functions in that capacity and all the prevailing circumstances.

Compliance with the Environmental Quality Act, 1974 and Regulations thereunder

Under the Environmental Quality Act, 1974 and the regulations thereunder, industrial activities are required to obtain the following approvals from the Department of Environment, prior to project implementation:

- Environmental Impact Assessment reports (for prescribed activities);

- Site suitability evaluation (for non-prescribed activities);

- Written permission to construct any building or to carry out any work that may result in a new source of effluent or discharge;

- Written permission to construct on any land or any building; or to carry out work that would cause the land or building to become prescribed premises;

- Written approval for installation of incinerator, fuel burning equipment and chimney; and

- Licence to use and occupy prescribed premises and prescribed conveyances.

Any person guilty of an offence under the Environmental Quality Act 1974 and the regulations made thereunder may be liable on conviction to a to a fine not exceeding ten thousand ringgit or to imprisonment for a period not exceeding two years or to both.

Where an offence against the Environmental Quality Act 1974 or any regulations made thereunder has been committed by a company, any person who at the time of the commission of the offence was a director, chief executive officer, manager, or other similar officer or a partner of the company, or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he had exercised all such diligence as to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

Taxation

Companies operating in Malaysia have to submit its tax returns, pay its income taxes, excise duty, sales tax and goods and services taxes and otherwise comply with the guidelines and regulations and otherwise comply with the requirements under the Excise Act, 1976, Sales Tax Act, 1972, the Goods and Services Tax Act, 2016, Income Tax Act 1967, the Real Property Gains Tax Act, 1976 and the Investment Incentive Act 1986. Also, generally, under these Malaysian legislations dealing with taxation, companies operating in Malaysia are required to acquire or supply goods, services and real properties at arm's length price. Where the relevant authorities has reason to believe that any goods, services and real property is acquired or supplied at a price which is either less than or greater than the price which it might have been expected to fetch if the parties to the transaction had been independent persons dealing at arm's length, it may substitute the price in respect of the transaction to reflect an arm's length price for the transaction in determination of the taxes or deductions allowed under the relevant legislations.

The Sales Tax Act, 1972 has been abolished in 1 April 2015 and replaced with the Goods and Services Tax Act, 2014. License to own vehicle for the transportation of their own workers and goods is issued by the Commercial Vehicle Licensing Board.

Capital gains are generally not subject to tax in Malaysia. However, under the Real Property Gains Tax Act, 1976, real property gains tax is charged on gains arising from the disposal of real property situated in Malaysia or of interest, options or other rights in or over such land as well as the disposal of shares in real property companies.

The major tax incentives for companies investing in the manufacturing sector are the Pioneer Status and the Investment Tax Allowance. Eligibility for Pioneer Status and Investment Tax Allowance is based on certain priorities, including the level of value-added, technology used and industrial linkages. Eligible activities and products are termed as "promoted activities" or "promoted products". The granting of such tax incentives are normally subject to certain terms and condition and the beneficiary of the grant will need to comply with such terms and conditions and utilising the correct accounting method to claim the Investment Tax Allowance Incentive or Pioneer Status Investment Tax Allowance.

Failure to comply with the provisions of the Excise Act, 1976, Sales Tax Act, 1972, the Goods and Services Tax Act, 2016, Income Tax Act 1967, the Real Property Gains Tax Act, 1976 and the Investment Incentive Act 1986 may result fine and/or imprisonment. There could also be penalty taxes being imposed by the tax authorities.

Factory Vehicle Licence

Companies wishing to operate their own vehicles for transportation of their own workers and goods are required to apply for a licence from the Commercial Vehicle Licensing Board pursuant to the Commercial Vehicle Licensing Board Act 1987.

Failure to obtain such a licence shall constitute an offence and on conviction be liable to a fine not exceeding of not less than one thousand ringgit but not more than ten thousand ringgit or to imprisonment for a term not exceeding one year or to both.

Where an offence against the Commercial Vehicle Licensing Board Act 1987 or any regulations made thereunder has been committed by a company, any person who at the time of the commission of the offence was a director, chief executive officer, manager, or other similar officer or a partner of the company, or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he had exercised all such diligence as to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

IBS Status Certification by the Construction Industry Development Board

Industrialised Building System ("IBS") is a term used in Malaysia for a technique of construction where by components are manufactured in a controlled environment, either at site or off site, placed and assembled into construction works. Worldwide, IBS is also known as Pre-fabricated/Pre-fab Construction, Modern Method of Construction (MMC) and Off-site Construction. The Construction Industry Development Board of Malaysia, through IBS Centre is promoting the usage of IBS to increase productivity and quality at construction sites through various promotion programmes, training and incentives.

The IBS Centre also handles the IBS Manufacturer & Product Registration Programme. The IBS Manufacturer & Product Registration Programme is a scheme to assess and certify IBS manufacturers, distributors, suppliers and agents of IBS products, based on a set of certification requisites. The aim is to produce a list of certified IBS manufacturers for the Malaysian construction industry. There are two scope of certification as mentioned below:

- IBS Status Manufacturer

- IBS Status Distributor/Supplier/Agent

These two categories are further classified into six specialisation groups, which are:

- Precast Concrete System
- Metal Framing System
- Formwork System
- Timber Framing System
- Blockwork System
- Other IBS System (applies to labour saving component)

The certified manufacturers are entitled for the following benefit:

- Listing in the "Certified IBS Manufacturer List". The list is to facilitate the government and private organisations in choosing certified quality products and firms.
- Participation in promotional activities by CIDB Malaysia through listing in IBS Digest, IBS Centre web, electronic and Orange Book directory.

Distributive Trades

For the business activity of trading of precast hollow core concrete wall panel and other varieties of customised precast concrete wall panel systems by Joe Green MKT Malaysia as well as distribution of OEM products by Joe Green Precast in Malaysia, such business activities fall under the category of distributive trades. It is recommended that foreign owned companies such as the Company should obtain the approval from the Ministry of Domestic Trade, Co-operatives and Consumerism. The approval is renewable every two years. The applicant must comply with the requirements set out for its category of wholesale and retail trade activities as set out in the Guidelines for Foreign Participation in Distributive Trade Guidelines issued by the Ministry of Domestic Trade, Co-operative and Consumerism. Depending on the nature of the OEM Products to be distributed, additional approvals and licences may be required from other governmental agencies or departments.

The requirement to obtain such an approval is not a legal requirement and there are no legal sanctions against non-compliance. However it is a reflection of the aspirations and policies of the Malaysian government. Although there are no legal sanctions against non-compliance, failure to comply means that the relevant company is not in good standing with the government policies and aspirations of Malaysia and as such may face difficulties in its dealings with governmental agencies and departments of Malaysia.

Exchange Control Regulations

The transfer of foreign currencies, cash dividends, loans or advances, purchase consideration and sale proceeds whether actual or notional into or out of the country by or to any company or its shareholders is subject to notifications and/or approvals under the rules and regulations imposed by the Malaysian Central Bank (Bank Negara Malaysia) pursuant to the Exchange Control Act, 1953 which has been repealed and replaced by the Financial Services Act, 2013 with effect from 30 June 2013. Contravention of these regulations constitute an offence for which upon conviction the offender could be liable to a fine of not exceeding RM50,000,000 and/or a jail sentence not exceeding 10 years.

Malaysia PDPA

The collection and processing of personal data in Malaysia is governed and regulated under the Malaysia PDPA.

The Malaysia PDPA applies to any person who processes and has control over or authorises the processing of any "personal data" in respect of commercial transactions ("data user"). The Malaysia PDPA even applies to persons not established in Malaysia (for example: foreign companies), if they use equipment in Malaysia for the processing of personal data otherwise than for the purposes of transit through Malaysia.

Certain classes of data users (e.g.: licensed insurers; legal, auditing, accounting, engineering and architecture firms; housing developers; medical and dental clinics) are required to register themselves with the Department of Personal Data Protection.

Generally speaking, "personal data" covered by the Malaysia PDPA is information that relates to a data subject who is identifiable from that information. This broad definition will typically cover information like names, contact details, national registration identity card numbers, and passport numbers. Personal data also includes any sensitive personal data such as the physical or mental health of that data subject, his political opinions and religious beliefs, and criminal convictions, among others.

Under the Malaysia PDPA, data users are required to comply with Seven Personal Data Protection Principles.

1. General: Personal data can only be processed with the data subject's consent.

2. Notice and Choice: Data subjects must be informed by written notice of, among other things, the type of data being collected and the purpose, its sources, the right to request access and correction, and the choices and means by which the data subject can limit the processing of their personal data.

3. Disclosure: Personal data may not be disclosed without the data subject's consent for any purpose other than that which the data was disclosed at the time of collection, or to any person other than that notified to the data user.

4. Security: Data users must take practical steps to protect the personal data from any loss, misuse, modification or unauthorised access or disclosure, alteration or destruction.

5. Retention: Personal data shall not be kept longer than is necessary for the fulfilment of its purpose.

6. Data Integrity: Data users must take reasonable steps to ensure that personal data is accurate, complete, not misleading and kept up to date.

7. Access: Data subjects must be given access to their personal data and be able to correct any personal data that is inaccurate, incomplete, misleading or not up to date.

Failure to comply with the provisions of the Malaysia PDPA is an offence and the offender may conviction, be liable to a fine not exceeding five hundred thousand ringgit or to imprisonment for a term not exceeding three years or to both.

If a body corporate commits an offence under the Malaysia PDPA, any person who at the time of the commission of the offence was a director, chief executive officer, chief operating officer, manager, secretary or other similar officer of the body corporate or was purporting to act in any such capacity or was in any manner or to any extent responsible for the management of any of the affairs of the body corporate or was assisting in such management shall also be guilty of an offence.

Employment of Non-Citizen of Malaysia

The Employment (Restriction) Act 1968 prohibits the employment of non-citizen in Malaysia unless such person possesses a valid employment permit, The employment of such foreign labour is subject to the approval of the Ministry of Home Affairs Malaysia, which imposes conditions, amongst other things, on the number, the positions, the duration of employment and the sources or country of origin of the foreign workers. Application is also required to be made for Visit Pass (Temporary Employment) to the Foreign Workers Division, Immigration Department of Malaysia.

Any person, who fails to comply with the provisions of the Employment (Restriction) Act 1968 shall be guilty of an offence and shall on conviction be liable to a fine not exceeding five thousand ringgit or to imprisonment for a term not exceeding one year or both.

Malaysia Employment Act

The main legislation, the Malaysia Employment Act applies to all employees in Peninsular Malaysia and the Federal Territory of Labuan whose monthly wages do not exceed RM1,500 and all manual labourers irrespective of their wages. Employers may draw up the contract of service but it should not contravene the minimum benefits stipulated under the law. Employees who earn between RM1,500 and RM5,000 a month can seek redress at the Labour Court on terms and conditions in their individual contracts of service.

Some of the obligations of an employer under the Malaysia Employment Act are as follows:

i. Every employee must be given a written contract of service containing the terms and conditions of the employment, including provisions relating to the termination of contract.

ii. Maintaining of labour register pertaining to personal particulars of employees, payment of wages and deduction of wages.

iii. Special provisions for the protection of female employees pertaining to night work and maternity benefits.

iv. Normal hours of work and other provisions relating to numbers of working hours.

v. Entitlement of paid annual leave, sick leave and public holidays.

vi. Rate of payment for overtime and extra work.

Any person who commits any offence under, or contravenes any provision of, the Malaysia Employment Act, or any regulations, order, or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be liable, on conviction, to a fine not exceeding ten thousand ringgit.

Trade Unions

The government encourages the growth of healthy, democratic and responsible trade unions and, towards this end, has enacted the Trade Unions Act 1959 and the Trade Unions Regulations 1959 to enable the administrative authority to have the general supervision, direction and control of all matters relating to trade unions throughout Malaysia.

Under the Trade Unions Act 1959:

i. a trade union may be formed by workmen with its membership confined exclusively to workmen and may also be formed by employers with its membership confined exclusively to employers;

ii. a trade union must confine its membership exclusively to workmen whose place of work is located in the Peninsular Malaysia, Malaysia, Sabah or Sarawak, as the case may be, or to employers employing workmen in Peninsular Malaysia, Sabah or Sarawak, as the case may be;

iii. a trade union must confine its membership exclusively to workmen whose within any particular establishment, trade, occupation or industry or to workmen within any similar trade, occupation or industry, as the case may be, or to employers within any particular industry or to employers within any similar industries, as the case may be;

iv. a trade union must be registered;

v. a trade union of workmen cannot call for strike without first obtaining the consent by secret ballot of at least two-thirds of its total number of members who are entitled to vote; and

vi. trade unions are inspected regularly to ensure compliance with the laws.

Industrial Relations Act 1967

The Department of Industrial Relations, Malaysia is the guardian of employer and employee through the Industrial Relation Act 1967 in order to maintain industrial harmony. The Act regulates relations between employers and workmen and their trade unions, including the prevention and settlement of trade disputes. The Act outlines the following:

i. Protection of the legitimate rights of employers and workmen and their trade unions;

ii. Handle claims for recognition and the scope of representation of trade unions for collective bargaining such as those relating to promotion, transfer, recruitment, retrenchment, dismissal, reinstatement, allocation of duties, and prohibition of strikes and lockouts over any of these issues;

iii. The Act emphasises on self-government within the industries as the key to industrial harmony whereby employers and trade unions negotiate and settle their differences without any intervention. In the event that the negotiation fails, the parties may refer to the Director General of the Department of Industrial Relation for conciliation. Where the matter fails to be resolved, it may be referred to the Industrial Court of Arbitration;

iv. The Minister of Human Resources may intervene and refer at any stage of any trade dispute to the Industrial Court for Arbitration;

v. A prohibition of strikes and lockouts once a trade dispute has been referred to the Industrial Court on any matters covered by a collective agreement or by an award of the Industrial Court.

Relations in Non-Unionised Establishments

In a non-unionised establishment, the normal practice for settling disputes is for the employee to try to obtain redress from his supervisor, foreman or employer directly. An employee can also lodge a complaint with the Ministry of Human Resources which will then conduct an investigation.

EPF

The Employees Provident Fund Act 1991 stipulates a compulsory contribution for employees. Under the Act, all employers and employees (except foreign workers and those who are listed under the First Schedule) must contribute to the EPF.

Employees who are not Malaysian Citizens may also elect to contribute to EPF.

All employers must register their employees with EPF immediately upon employment except for those who are exempted under the Employees Provident Fund Act 1991.

Any person who contravenes any provision of the Employment Provident Fund Act 1991 or any regulations or rules made thereunder shall be guilty of an offence and shall, on conviction, be liable to imprisonment for a term not exceeding six months or to a fine not exceeding two thousand ringgit or to both.

Social Security Organisation (SOCSO)

The Social Security Organisation (SOCSO) provides two social security schemes to protect the welfare of local Malaysian employees and their dependents under the Employees' Social Security Act 1969. The two social security schemes namely are:

- Employment Injury Insurance Scheme
- Invalidity Pension Scheme

The Employment Injury Insurance Scheme provides employees with coverage by way of cash benefits and medical care in the event of any disablement or death due to employment injury.

The Invalidity Pension Scheme provides 24-hour coverage to employees against invalidity or death due to any cause not connected with his employment. However, the employee must fulfill the condition to be eligible for invalidity pension.

Any employer who hires one or more employees as defined under the Social Security Act 1969 is required to register and make contributions to SOCSO.

An employer who contravenes the provisions of the Social Security Act 1969 shall be guilty of an offence and upon conviction shall be punishable with imprisonment for a term which may extend to two years, or with fine not exceeding ten thousand ringgit, or with both.

Workmen's Compensation Act 1952

The Workmen's Compensation Act 1952 is only applicable for foreign workers. Under the Foreign Workers' Compensation Scheme (Insurance) Order 2005 issued pursuant to the Workmen's Compensation Act 1952, every employer employing foreign workers is required to insure with the panel of insurance companies appointed under this order and to effect payment of compensation for injuries sustained from accidents during and outside working hours.

Failure to comply with this regulation may result in the work permit to employ such foreign worker not being granted.

An employer who fails to comply with this order shall be guilty of an offence and shall be liable on conviction to a fine not exceeding twenty thousand ringgit or to imprisonment for a term not exceeding two years or to both.

Occupational Safety and Health

The DOSH, under the Ministry of Human Resources, has been assigned the responsibility of administrating and enforcing legislation related to occupational safety and health (osh) to ensure that safety, health and welfare of people at work as well as others are protected from hazards resulting from occupational activities in the various sectors which include manufacturing; mining and quarrying; construction; agriculture, forestry and fishing; utilities (gas, electricity, water and sanitary services); transport, storage and communication; wholesale and retail trades; hotels and restaurants; finance, insurance, real estate and business services; public services and statutory authorities. The department has taken all necessary actions to ensure excellent delivery system and has achieved MS ISO 9001:2000 certification from the Department of Standards Malaysia. Therefore, it is committed to improve its service to customers through the effective management of its ISO system. The department carries out enforcement activities on industries governed by the three legislations which are the OSHA, FMA; and Petroleum Act (Safety Measure) 1984.

OSHA

The OSHA provides the legislative framework to promote, stimulate and encourage high standards of safety and health at work. The aim is to promote safety and health awareness, and establish effective safety organisation and performance through self-regulation schemes designed to suit the particular industry or organisation. The long-term goal of the Act is to create a healthy and safe working culture among all Malaysian employees and employers.

A person who by any act or omission contravenes any provision of the OSHA or any regulation made thereunder shall be guilty of an offence, and if no penalty is expressly provided shall, on conviction, be liable to a fine not exceeding ten thousand ringgit or to imprisonment for a term not exceeding one year or to both and, in the case of a continuing offence, to a fine not exceeding one thousand ringgit for every day or part of a day during which the offence continues after conviction.

Where a body corporate contravenes any provision of OSHA or any regulation made thereunder, every person who at the time of the commission of the offence is a director, manager, secretary or other like officer of the body corporate shall be deemed to have contravened the provision and may be charged jointly in the same proceedings with the body corporate or severally, and every such director, manager, secretary or other like officer of the body corporate shall be deemed to be guilty of the offence.

FMA

The objective of the FMA, on the other hand, is to provide for the control of factories on matters relating to the safety, health and welfare of persons, and the registration and inspection of machinery. Some high risk machinery such as boilers, unfired pressure vessels, passenger lifts and other lifting equipment such as mobile cranes, tower cranes, passenger hoists, overhead travelling cranes and gondolas, must be certified and inspected by DOSH. All factories and general machinery must be registered with DOSH before they can be installed and operated in Malaysia.

Under the FMA, manufacturers are required to:

i. obtain design approval of "certificated machinery", i.e. steam boilers, unfired pressure vessels and hoisting machines such as cranes and lifts

ii. obtain a "Certificate of Fitness" prescribed for "certificated machinery"

iii. serve written notice to the nearest Inspector of Factories and Machinery of the intention to take occupancy of the factory and operate the machines.

Any person guilty of an offence under the FMA and the regulations made thereunder may be liable to a fine not exceeding two hundred and fifty thousand ringgit or to imprisonment for a term not exceeding five years or to both and to a further fine not exceeding two thousand ringgit for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded.

Where an offence against the FMA or any regulations made thereunder has been committed by a company, any person who at the time of the commission of the offence was a director, chief executive officer, manager, or other similar officer or a partner of the company, or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he had exercised all such diligence as to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

Petroleum (Safety Measures) Act 1984

The Petroleum (Safety Measures) Act 1984 governs the safety aspects of transportation, storage and handling of petroleum, and the use of related equipment. This law applies to transportation of petroleum by road, railway, water air and pipeline. Among its provisions, it requires permits for the construction of petroleum pipelines and notice of and inquiry into any accidents involving petroleum that cause personal injury or loss of life.

Any person who uses any equipment, gadgets, materials, plants, appliances, buildings, structures and installations or any part thereof in contravention of the Petroleum (Safety Measures) Act 1984 shall be guilty of an offence and shall on conviction be liable to a fine not exceeding twenty thousand ringgit and to a further fine of two thousand ringgit for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded.

LAWS RELATING TO THE CARRYING ON OF THE BUSINESS OF THE TARGET GROUP IN INDONESIA

Franchising

Under the Indonesian law, there are several legal provisions that regulate franchise businesses in Indonesia, such as the (i) Governmental Regulation No. 42 of 2007 dated July 23, 2007 regarding Franchises ("**GR 42/2007**"); (ii) Ministry of Trade ("**MOT**") Regulation No. 71 of 2019 dated September 4, 2019 regarding Implementation of Franchises ("**MOT 71/2019**"); (iii) Director General of Domestic Trade Decision No. 16/PDN/KEP/3/2014 regarding Technical Guidelines for the Franchise Implementation and Monitoring ("**DGDT 16/2014**") and (iv) Law No. 20 of 2008 and dated July 4, 2008 regarding Micro, Small and Medium Businesses ("**UMKM Law**") (collectively, the "**Franchise Regulations**").

Applicability of Indonesian Franchise Regulations towards a Franchise Agreement

The Franchise Regulations set out the definition of a franchise and the requirements that any franchise agreement must fulfill in order for an arrangement to be considered as franchise in Indonesia.

A franchise is defined as a special right owned by a person or legal entity to a business system with certain characteristics to sell goods and/or services that is proven successful and may be used by another party based on a franchise agreement. In order for an arrangement to be considered as franchise in Indonesia, such arrangement must fulfill certain requirements as listed below:

(a) having certain business characteristic that is not easily imitated by others, has added value and easily taught to other party. Such characteristic can be in the form of management system, how to sale and service, arrangement system, or how to distribute the products that has specific characteristic from the franchisor;

(b) proven to have provided profits, which refers to the franchisor's experience that has been accumulated for approximately five years and has obtained business strategies to resolve issues during the course of its business, evidenced by the survivability and the development of such business in profit;

(c) having a written standard operational procedure as the guideline for the franchisee;

(d) easily taught and applied so that a franchisee with no knowledge or experience of similar business is capable of performing such business system well based on the continuous operational and management guidance given by the franchisor;

(e) supported continuously by the franchisor, such as operational guidance, training, promotion, distribution of goods and others to support the smooth business; and

(f) having registered the intellectual property rights which has obtained registration certificates or is in the process of registration with the relevant government institution.

Additionally, apart from fulfilling the abovementioned requirements, there is an unwritten policy that there has to be an explicit mention of the word "franchise" in a franchise arrangement between the franchisor and the franchisee so that such franchise arrangement will be considered as a franchise arrangement under the Indonesian law.

Registration by the Franchisor and Franchisee at the Ministry of Trade

The Franchise Regulations require both the franchisor and the franchisee to obtain a franchise registration certificate (the "**Certificate**") issued by the MOT through the online Single Submission before the franchise agreement is signed. Depending on the role of the franchise provider, the Certificate will terminate if (i) the franchise agreement expires; (ii) the franchisor, sub-franchisor and/or the franchisee, sub-franchisee terminates its business activities; or (iii) the intellectual property rights registration is not approved or its term has expired.

Requirements of the Franchise Agreement

Pursuant to the Franchise Regulations, the franchisor must deliver the draft franchise agreement to the franchisee at least two weeks prior to the execution. The franchise agreement needs to contain clauses covering at least the followings:

(a) name and address of the parties;

(b) types of intellectual property rights;

(c) business activities;

(d) rights and duties of the parties. This covers rights and duties of:

   (i) for franchisor or sub-franchisor:

      - the right to receive fee or royalty from the franchisee or sub-franchisee; and

- the duty to provide continuous support to the franchisee or sub-franchisee.

(ii) for franchisee or sub-franchisee:

- the right to use intellectual property rights or certain business characteristics owned by the franchisor; and

- the duty to guard the ethic code/secret of intellectual property rights or certain business characteristics granted by the franchisor.

(e) assistance, facilities, operational, training and marketing guidance given by the franchisor to the franchisee;

(f) business areas;

(g) term of agreement;

(h) payment of remuneration;

(i) ownership, change of ownership, and the rights of heirs;

(j) dispute resolution;

(k) procedure for extension and termination of the agreement;

(l) guarantee from the franchisor or sub-franchisor to carry out its obligations to the franchisee or sub-franchisee in accordance with the terms of the contract until the term expires; and

(m) the number of outlets that would be managed by the franchisee during the term of the agreement.

The franchise agreement must be governed by the laws of the Republic of Indonesia. It must also be translated into the Indonesian language, the failure of which may invalidate the franchise agreement with reference to previous case laws. In performing the franchise agreement, the parties must also comply with the laws and regulations related to their business activities.

Use of Franchise Logo

Pursuant to the Franchise Regulations, save for foreign franchisor, the franchisor and the franchisee who have obtained the Certificate must use the franchise logo which shall be granted by the MOT with the franchise logo specifications as stipulated in the attachment to MOT 71/2019. The franchise logo should be placed or installed in an open place and should be easily visible at the head office and each outlet. The franchise logo has two components, namely the logo in the form of a franchise emblem and the text of the "Ministry of Trade" as the advisory institution of the franchise. The logo design is represented in the form of a box and contains the words "Registered Indonesian Franchise". Any person or legal entity is prohibited from changing or misusing or falsifying the franchise logo.

Use of Local Content

Pursuant to the Franchise Regulations, franchisors, sub-franchisors, franchisees and sub-franchisees must prioritize the use of local goods and/or services as long as it fulfills the quality standard of the franchisor that is made in writing. In providing franchise, franchisors must prioritize processing of raw materials locally. DGDT 16/2014 provides that 80% of the raw materials and business tools used and goods or services sold by a franchisor and franchisee must be produced in and by the business actors in Indonesia although the MOT may permit a deviation from this local content requirement in certain circumstances upon application to the Assessment Team. GR 42/2007 provides that domestic products should be used insofar as such domestic products fulfill the quality standards stipulated in writing by the Franchisor.

Partnership Requirement

Pursuant to the Franchise Regulations, a franchisor must cooperate with a small and medium enterprise in the local area as the franchisee or supplier of goods and/or services so long as it fulfills the terms and conditions stipulated in writing by the franchisor.

Under the UMKM Law, a "small enterprise" is defined as productive business that is established independently, conducted by individuals or business entities that are not the subsidiary or the branch entity of a company that is owned, controlled, or is a part of, whether directly or indirectly, a medium enterprise or a big enterprise, which fulfils the following requirements:

(a) has net assets of IDR50,000,000 to IDR500,000,000, not including land and buildings of the place of business; or

(b) has annual net sales of IDR300,000,000 to IDR2,500,000,000.

A "medium enterprise" is defined as productive business that is established independently, conducted by individuals or business entities that are not the subsidiary or the branch entity of a company that is owned, controlled, or is a part of, whether directly or indirectly, a small enterprise or a big enterprise which fulfils the following requirements:

(a) has net assets of IDR500,000,000 to IDR10,000,000,000, not including land and buildings of the place of business; or

(b) has annual net sales of IDR2,500,000,000 to IDR50,000,000,000.

Training Requirement

Pursuant to the Franchise Regulations, the franchisor and sub-franchisors must provide guidance to the franchisee and sub-franchisee in the following areas:

(a) education and training regarding the franchise management system, so the franchisee may conduct the franchise business well and profiting;

(b) routinely provide guidance on operational management, so any operational faults can be immediately handled;

(c) assist in market development through promotion; and

(d) market and product research and development.

Reporting Obligation

Pursuant to the Franchise Regulations, domestic franchisor, sub-franchisor from a foreign franchise, sub-franchisor from a domestic franchise, and a franchisee from a foreign franchise must submit a report on the franchise activities to the director of business development of the MOT annually at the latest by 31 June of the following year by submitting the form provided in MOT 71/2019. A franchisee from a domestic franchise, sub-franchisee from a foreign franchise, and sub-franchisee from a domestic franchise must submit a report on the franchise activities to the trade office of the DKI Jakarta government or local regional MOT offices.

Limitations or Restrictions to the Franchisor and Franchisee

Limitation on Business Activities

The franchisor and franchisee may only conduct business activities as stipulated in their business licenses. In certain circumstances, the franchisor and franchisee may sell supporting goods, but the maximum amount of supporting goods sold that may be 10% of the total goods sold (e.g., branded traveler coffee cups for a coffee shop franchise). The implementation of this requirement will be supervised by the Assessment Team.

Restriction on the Appointment of a Franchisee

The franchisor cannot appoint a franchisee that is directly or indirectly controlled by the franchisor in the form of (i) blood relationship; (ii) work relationship (as the employee); and (iii) share ownership relationship.

Termination of a Franchise Agreement

In the event the franchise agreement is unilaterally terminated by the franchisor prior to its expiration, the franchisor may not appoint a new franchisee in the same territory before an agreement is made between the parties regarding the dispute resolution (i.e. clean break) or until a valid and binding court decision is made.

General Licencing requirements

Foreign investors intending to conduct business activities in Indonesia will need to establish a limited liability company consisting of at least two shareholders ("**Indonesian PT(s)**"), subject to Law No. 25 of 2007 regarding investments. Depending on its business line, the Indonesian PT may be subject to different auspices of Indonesian authorised institutions from whom they will obtain their business licence ("**Business Licence**"). These institutions are, among others, the Indonesian Financial Services Authority ("**OJK**") for banks and non-bank financial institutions, the Indonesian Central Bank ("**BI**") for payment system providers, and the Capital Investment Coordination Body ("**BKPM**") for business lines falling under the authority of certain ministries which have delegated their authority to the BKPM (e.g., industries, trade).

An Indonesian PT established under the auspices of BI and OJK will need to be established before taking the necessary steps to obtain its Business Licence.

In establishing the Indonesian PT, the foreign investor must take note of the limitation of foreign ownership as set forth in the Presidential Regulation No. 44 of 2016 regarding List of Business Lines Which Are Closed and Open with Certain Requirements in Investments ("**Perpres 44/2016**"). Under Perpres 44/2016, certain lines of business are reserved for micro, small, medium-sized business or cooperation ("**UMKMK**") or local investment companies (i.e., companies with no foreign ownership), requires partnership with UMKMK, or is open for foreign investment partially (e.g., maximum 49% foreign ownership). If a business line is not mentioned in Perpres 44/2016, then it is generally understood that such business line is open for 100% foreign ownership. The Indonesian Government will update the list of business lines which are closed and open with certain requirements in investments from time to time.

Typically, the technical ministries delegate their authorities to BKPM to issue the Business Licence. However, there are several ministries that do not delegate their authorization to BKPM to issue the Business Licence. If this is the case, then the Indonesian PT may need to obtain additional technical licences from the technical ministries other than the Business Licence.

Other than the Business Licence, in order to operate, the Indonesian PT will also be required to obtain its routine corporate licences upon establishment. These corporate licences consists of the certificate of domicile (*Surat Keterangan Domisili Perusahaan*), the taxpayer identification number (*Nomor Pokok Wajib Pajak*) and the company registration certificate (*Tanda Daftar Perusahaan*).

Company Law

Limited liability companies established in Indonesia must comply with Law No. 40 of 2007 regarding limited liability companies ("**Indonesian Company Law**"). The Indonesian Company Law regulates, among others, the establishment and the status of a company, the articles of association and its amendments, capital requirements, increase, and reduction, issuance of shares, share certificates, and shareholders register, board of directors, board of commissioners, and shareholders of the company (including their authorities in the company, meetings and quorum requirement thereof), protection of minority shareholders, business plan, annual report, merger, consolidation, acquisition, spin-off, dissolution, and liquidation of the company.

The company is further subject to the provisions of its articles of association, which sets forth details relating to the company (such as its share capital, shareholders, board of directors and board of commissioners), as well as certain details on the matters stipulated under the Indonesian Company Law (such as quorum for meetings of shareholders, board of directors, and board of commissioners, and reserved matters).

Taxation

Corporate Income Tax

A company incorporated or domiciled in Indonesia will be considered, for tax purposes, as a resident of Indonesia. The same is applicable towards a foreign company conducting business through the establishment of a permanent establishment in Indonesia. Generally, a flat rate of 25% is imposed towards the income of Indonesian PTs.

There are certain tax incentives for investment granted by the Indonesian government depending on certain line of business and/or designated regions in Indonesia. Indonesia has entered into tax treaties with approximately 60 plus countries which may benefit the taxpayer in both countries in reducing the income tax, subject to the provisions in the respective tax treaties.

Value Added Tax (VAT)

VAT is imposed upon the delivery or utilisation of taxable goods or services, import of taxable goods and export of tangible or intangible taxable goods as well as export of taxable services within Indonesia. The prevailing rate of VAT is 10% of the tax collection basis.

Other Taxes

Other taxes that are applicable are the land and building tax that is paid annually and stamp duty in the amount of either IDR3,000 or IDR6,000 depending on the value indicated in the documents.

Employment

In operating the Indonesian PT, it must comply with the manpower law and regulations stipulated under Law No. 13 of 2003 and its implementing regulations. In the event the Indonesian PT employs expatriates, then the expatriates will need to obtain the work permit processed through the regional manpower office. If the Indonesian PT has more than 10 employees, then it requires to have the Company Regulation that is registered with the local manpower office and renewable every two years. Both expatriates and local employees are mandatory to participate in the social security scheme called BPJS.

Exchange control

Even though it is allowed to have bookkeeping in USD, which is subject to the Ministry of Finance approval, the domestic transactions are conducted in Rupiah. There is restriction of transferring IDR outside of the country, but no restriction on foreign exchange currency transfer. Any foreign loan needs to be reported to Bank Indonesia together with the repayment made. The Target Group currently does not have any ongoing business in Indonesia aside from the franchise arrangement. Therefore, as of the date of this Circular, save for the laws and regulations in relation to franchising, the Target Group will not be subject to the above requirements.

Set out below is a summary of certain provisions of the constitutional documents of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 April 2007 under the Cayman Companies Law. The Company's constitutional documents consist of its Second Amended and Restated Memorandum of Association ("Memorandum") and Articles of Association ("Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles are to be adopted at the EGM. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee both before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgement of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

A resolution in writing signed by all the Directors (or their respective alternate Directors) shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors (or their respective alternate Directors) and for this purpose a facsimile signature of a Director (or its alternate Director) shall be treated as valid.

Notwithstanding the foregoing, a resolution in writing shall not be passed in lieu of a meeting of the Board for the purposes of considering any matter or business in which a substantial member of the Company or a Director has a conflict of interest and the Board has determined such conflict of interest to be material.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution – majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

Such resolution may be contained in one document or in several documents in like form each signed by one or more of the members and for this purpose a facsimile signature of a member shall be treated as valid.

(g) Voting rights

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares by or in accordance with the Articles, at any general meeting on a poll, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or, where allowed, on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 12 April 2007 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

The authorised share capital may be increased by resolution of the shareholders in general meeting and will take effect as of such date. Following the increase, notice of increase of share capital must be filed within thirty days with the Registrar of Companies.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares.

Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) of the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Cayman Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is ultra vires the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

(o) Register of directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the company resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, a declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

(t) Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Law, 2018, which became effective on 1 January 2019, together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VIII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Enlarged Group.

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

For the avoidance of doubt, for the purpose of giving this Responsibility Statement, the Provisional Liquidators have acted on, to the best of their knowledge and having made all reasonable enquiries, all available information to the extent provided to them in their capacity as the Provisional Liquidators subsequent to their appointment on 25 February 2015, including any historical information in respect of the Company prior to such date. The Provisional Liquidators note that the historical information provided by the Company is incomplete and insufficient to establish a reliable view of historical transactions, trading and financial position.

The Investors, being Mr. Widjaja, Ms. Lim and Ms. Limarto, jointly and severally accept full responsibility for the accuracy of the information relating to the Investors and the Target Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the Investors and the directors in the Target Group in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

B. FURTHER INFORMATION ABOUT THE ENLARGED GROUP

1. Incorporation

The Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 12 April 2007. The Company's place of business in Hong Kong is at 22/F., Prince's Building, Central, Hong Kong. The Company was registered in Hong Kong as a non-Hong Kong company under Part XI of the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong as in force from time to time before 3 March 2014) on 21 April 2008. Upon Resumption, Mr. Widjaja and Mr. Fung Nam Shan will be appointed as the authorised representatives of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution comprising the Memorandum and the Articles. A summary of various provisions of the Company's constitution and certain relevant aspects of the Companies Law is set out in Appendix VI to this circular.

2. Changes in share capital of members of the Group

There has been no alteration in the share capital of the Group during the two years immediately preceding the date of this circular.

3. Repurchase of shares

This section includes information relating to the repurchase of securities required by the Listing Rules which is set out as follows:

(a) Shareholders' approval

The Company's sole listing is on the Stock Exchange. All proposed repurchases of shares by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the articles of association of the Company, Listing Rules, and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

The laws of the Cayman Islands provide that shares of the Company may only be repurchased out of profits of the Company, out of the share premium account, out of the proceeds of a fresh issue of the shares made for the purpose or, if so authorised by the articles of association of the Company and subject to the provisions of the Companies Law, out of capital under certain circumstances. Any premium payable on a repurchase over the par value of the shares of the Company to be repurchased must be provided for either or both out of profits of the Company or out of the Company's share premium account or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital under certain circumstances.

(c) Trading Restrictions

The shares of the Company proposed to be repurchased by the Company must be fully paid up. Under the Listing Rules, the total number of shares which a company is authorised to repurchase on the Stock Exchange is shares representing up to a maximum of 10% of the existing issued share capital as at the date of the resolution granting such general mandate. A company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. The Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. The Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request.

(d) General

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Save as aforesaid, the Provisional Liquidators are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed minimum percentage required by the Stock Exchange is prohibited unless otherwise waived by the Stock Exchange.

4. Changes in share capital of members of the Target Group

The Target Group Companies are referred to in the Accountant's Report, the text of which is set forth in Appendix I to this circular.

Save as disclosed in the section headed "History and Background of the Target Group", there has been no alteration in the share capital of the Target Group Companies within the two years immediately preceding the date of this document.

5. Corporate reorganisation

The Target Group underwent the Reorganisation to rationalise the Target Group's structure in preparation for the New Listing Application. For more details regarding the Reorganisation of the Target Group, please refer to the section headed "History and Background of the Target Group – Reorganisation" in this circular.

6. Intellectual property of the Enlarged Group

(a) Trademark

As at the Latest Practicable Date, the Enlarged Group owned the following trademarks which are material in relation to its business:

Trademark	Registration Number	Registered Owner	Place of Registration	Class	Expiry Date
JOE green concrete panel	T0913260E	JOE Green Pte. Ltd.	Singapore	19	17 November 2029
FlexShield	40201721466V	JOE Green Pte. Ltd.	Singapore	19	1 November 2027
CrackShield	40201721467W	JOE Green Pte. Ltd.	Singapore	19	1 November 2027
JOE GREEN	40201721468Y, 40201721469P, 40201721470S, 40201721474R, 40201721478X, 40201721472W	JOE Green Pte. Ltd.	Singapore	2, 6, 7, 8, 17, 19	1 November 2027
JOE	40201721475P, 40201721476Y, 40201721473T, 40201721477U, 40201721471V	JOE Green Pte. Ltd.	Singapore	2, 6, 7, 8, 17	1 November 2027

(b) Domain names owned by the Enlarged Group

As at the Latest Practicable Date, the Enlarged Group had registered the following domain name which is material in relation to its business.

Domain name	Registrant	Expiry Date
www.joegreenpanel.com	JOE Green Pte. Ltd.	8 September 2020

(c) Designs

As at the Latest Practicable Date, the Enlarged Group is the owner of the following registered designs which are material in relation to its business:

Design	Design Application Number	Registered Owner	Place of Registration	Class/ Sub-class	Expiry Date
Prefabricated Building Panelling	D20121023D	JOE Green Pte.	Singapore	25-02	28 August 2027
Prefabricated Building Panelling	D20121046D	JOE Green Pte.	Singapore	25-02	2 August 2028

(d) Patents

As at the Latest Practicable Date, the Enlarged Group has filed the following patent applications which are pending, published and material to its business:

No.	Title of Invention	Applicant	Place of application	Application number	Date of filing
1.	A reinforcement tape and an assembly of the reinforcement tape and a substrate	Joe Green Pte. Ltd.	Malaysia, Singapore, Indonesia, China and the United States	PI2017701117, 10201704761Q, PID201702039, 201710203547.50, 15/474,590	30 March 2017
2.	Precast lightweight wall panel installation machine	Joe Green Pte. Ltd.	Malaysia, Singapore, Indonesia, China and the United States	PI2017701115, 10201702638T, PID201702040, 201710203724.x, 15/475,106	30 March 2017

C. FURTHER INFORMATION RELATING TO THE COMPANY AND THE WHITEWASH WAIVER

1. The Company

As at the Latest Practicable Date, the Provisional Liquidators confirm that:

(a) the Company did not have any interests in any securities, shares, options, warrants, derivatives or convertible securities of the Concert Group;

(b) save as disclosed in the paragraph headed "E. Disclosure of Interests" in this appendix, none of the existing Directors had any interests in the securities, shares, options, warrants, derivatives or convertible securities of the Company or of the Concert Group;

(c) none of the subsidiaries of the Company, nor pension funds of the Company or of a subsidiary of the Company, nor advisers to the Company nor persons who are associates of the Company as specified in class (2) of the definition of "associate" in the Takeovers Code owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company or of the Concert Group;

(d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" in the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" in the Takeovers Code, nor owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company or of the Concert Group;

(e) there were no shareholdings in the Company which were managed on a discretionary basis by fund managers connected with the Company;

(f) none of the existing Directors have any beneficial shareholding in the Company;

(g) none of the existing Directors or the Company had borrowed or lent any shares, warrants, options, convertible securities or derivatives of the Company or the Concert Group; and

(h) there was no benefit to be given to any existing Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Restructuring Framework Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

2. Sole Sponsor

The Sole Sponsor has made the New Listing Application on behalf of the Company to the Listing Committee for the listing of and permission to deal in the New Shares in issue upon completion of the Capital Reorganisation and the allotment and issue of the New Shares pursuant to the Acquisition and the Share Offer. For the purpose of the New Listing Application, the Sole Sponsor is considered an independent sponsor pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive HK$9.4 million as their sponsor's fee.

As at the Latest Practicable Date,

(a) neither the Sole Sponsor, nor any persons controlling, controlled by or under the same control as the Sole Sponsor, owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company;

(b) neither the Sole Sponsor, nor any persons controlling, controlled by or under the same control as the Sole Sponsor, had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity or option arrangement, or any agreement or understanding, formal or informal, by whatever nature, relating to the shares or other securities in the Company which may be an inducement to deal or refrain from dealing) with any persons; and

(c) there was no agreement, arrangement or understanding between the Sole Sponsor or persons controlling, controlled by or under the same control as the Sole Sponsor on the one part and any of the existing Directors or Shareholders on the other part, which was conditional on or dependent upon the outcome of, or otherwise in connection with, the Acquisition or the Preferential Offer.

3. Other Advisers to the Company

As at the Latest Practicable Date, none of the Independent Financial Adviser, nor any persons controlling, controlled by or under the same control as the Independent Financial Adviser, any bank, financial and professional advisers to the Company in relation to the Acquisition, the Share Offer and the Whitewash Waiver and any persons controlling, controlled by or under the same control as such banks, financial and professional advisers, owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company.

4. Dealings in securities

The Company had not dealt in any securities, shares, options, warrants, derivatives or convertible securities of the Concert Group and of the Company during the period between 16 August 2016, being the date six months prior to 16 February 2017, which is the date of the Announcement, and up to and including the Latest Practicable Date.

None of the persons referred to in paragraphs 1(c), (d), (e) and (f) above in this section C had dealt for value in the Shares or any other securities, shares, options, warrants, derivatives or convertible securities of the Company during the period between 16 August 2016, being the date six months prior to 16 February 2017, which is the date of the Announcement, and up to and including the Latest Practicable Date.

None of the Concert Group, the directors of the Concert Group nor the Directors had dealt in any Shares or other securities, shares, options, warrants, derivatives or convertible securities of the Company during the period between 16 August 2016, being the date six months prior to 16 February 2017, which is the date of the Announcement, and up to and including the Latest Practicable Date.

D. FURTHER INFORMATION RELATING TO THE CONCERT GROUP AND THE WHITEWASH WAIVER

1. Principal members of the Concert Group

Set out below are details and the principal members of the Concert Group and their respective directors:

Name	Address	Director(s)	Shareholder(s)	Shareholding
Mr. Widjaja	19 Jalan Jelita 278343 Singapore	N/A	N/A	N/A
Ms. Lim	19 Jalan Jelita 278343 Singapore	N/A	N/A	N/A
Ms. Limarto	Apt Blk 604 Bedok Reservoir Road #02-600 Singapore	N/A	N/A	N/A
Amazana Investments	Commerce House Wickhams Cay 1 P.O. Box 3140 Road Town Tortola British Virgin Islands VG1110	Mr. Widjaja	Mr. Widjaja	100%
Amazana Equity	Commerce House Wickhams Cay 1 P.O. Box 3140 Road Town Tortola British Virgin Islands VG1110	Ms. Lim	Ms. Lim	100%
Amazana Ventures	Commerce House Wickhams Cay 1 P.O. Box 3140 Road Town Tortola British Virgin Islands VG1110	Ms. Limarto	Ms. Limarto	100%

2. Negative statement

As at the Latest Practicable Date:

(a) none of the members of the Concert Group nor any person acting in concert with any one of them (including their respective directors) owned or controlled any shares or convertible securities, warrants, options or derivatives of the Company;

(b) none of the members of the Concert Group or any person acting in concert with any one of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity or option arrangement, or any agreement or understanding, formal or informal, by whatever nature, relating to shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with any person;

(c) there was no agreement, arrangement or understanding (including any compensation arrangement) between any member of the Concert Group or any person acting in concert with any one of them, and any of the directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Acquisition, the Share Offer and the Whitewash Waiver;

(d) apart from the consideration of the Sale Equity Interest pursuant to the Restructuring Framework Agreement, there is no other consideration, compensation or benefit in whatever form has been or will be paid by the Concert Group to the Company, its substantial Shareholder or any party acting in concert with any of them;

(e) there was no understanding arrangement, agreement or special deal between the Concert Group on the one hand, and the Company and any party acting in concert with it on the other hand;

(f) there was no understanding, arrangement or agreement or special deal between (1) any Shareholder; and (2)(a) the Concert Group, or (b) the Company, its subsidiaries or associate companies;

(g) none of the members of the Concert Group borrowed or lent, nor had borrowed or lent, any shares, warrants, options, convertible securities or derivatives of the Company and members of the Concert Group during the period between 16 August 2016, being the date six months prior to 16 February 2017, which is the date of the Announcement, and up to and including the Latest Practicable Date;

(h) none of the members of the Concert Group nor any person acting in concert with any one of them (including their respective directors) had dealt for value in any shares or convertible securities, warrants, options or derivatives of the Company during the period between 16 August 2016, being the date six months prior to 16 February 2017, which is the date of the Announcement, and up to and including the Latest Practicable Date;

(i) no person has made an irrevocable commitment to vote for or against the Acquisition, the Capital Reorganisation, the Share Offer or the Whitewash Waiver; and

(j) there was no agreement, arrangement or understanding entered into by any member of the Concert Group or any person acting in concert with any one of them for the transfer, charge or pledge of the Shares or the New Shares to any other persons.

E. DISCLOSURE OF INTERESTS

1. Interests and/or short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations

As at the Latest Practicable Date, so far as is known to the Provisional Liquidators, none of the Directors (there is no chief executive of the Company) had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or was deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

2. Interests and/or short positions of substantial shareholders in the shares and underlying shares of the Company

So far as it is known to the Provisional Liquidators of the Company, as at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

		As at the Latest Practicable Date	
Name of substantial shareholder	**Capacity**	**Total interests in Underlying Shares**[1]	**Approximate % of total issued Shares**
Mr. Suo Lang Duo Ji	Interest of controlled corporations and beneficial owner	1,875,846,510(L)[2]	33.5
Rich Pass International Ltd.	Interest of controlled corporation	1,068,445,707(L)[3]	19.0
Ascend Concept Technology Limited	Beneficial owner	1,068,445,707(L)	19.0
Nice Ace Technology Limited	Beneficial owner	807,396,731(L)	14.4

Notes:

(1) The Letter "L" denotes a long position in the Shares and/or underlying Shares.

(2) These Shares represent (i) 1,068,445,707 Shares held by Ascend Concept Technology Limited ("Ascend Concept"); (ii) 807,396,731 Shares held by Nice Ace Technology Limited ("Nice Ace"); and (iii) 4,072 Shares held by Mr. Suo as beneficial owner. Both Ascend Concept and Nice Ace are companies wholly-owned by Mr. Suo Lang Duo Ji and therefore Mr. Suo Lang Duo Ji is deemed by virtue of the SFO to be interested in the Shares held by Ascend Concept and Nice Ace.

(3) Ascend Concept is a direct wholly-owned subsidiary of Rich Pass International Ltd. ("Rich Pass") and therefore Rich Pass is deemed by virtue of the SFO to be interested in the Shares held by Ascend Concept.

Save as disclosed above, as at the Latest Practicable Date, as far as is known to the Provisional Liquidators, none of the person (other than the existing Directors and there is no chief executive of the Company) who had an interest (or long position) or short position in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group.

3. Particulars of service contracts

As disclosed in the announcements of the Company dated 26 April 2011 and 27 June 2012, Mr. Zhang Zhigang and Mr. Zhang Daming were re-elected as the Directors of the Company.

As disclosed in the announcement of the Company dated 16 September 2014, Mr. Shi Jianping entered into a service agreement with the Company for an initial term of three years commencing on 16 September 2014. According to the aforementioned service agreement, Mr. Shi Jianping is entitled to a fixed annual remuneration of HK$1,080,000 and a discretionary year-end payment.

No Annual General Meetings were held after the 2012 annual general meeting, therefore from the available information no re-election of Directors has been initiated since then. Save as disclosed, any further information regarding the changes of existing service contracts entered into by the Company are not available to the Provisional Liquidators.

Save as disclosed above, as far as is known to the Provisional Liquidators, none of the Directors had any existing or proposed services contract with any members of the Group as at the Latest Practicable Date (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

As at the Latest Practicable Date, as far as is known to the Provisional Liquidators, no Director has entered into any service agreement with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) nor has any of the Directors entered into any service contract with any member of the Enlarged Group or associated companies which are in force and are fixed term contracts and which have more than 12 months to run irrespective of the notice period or which are continuous contracts with a notice period of 12 months or more, or which (including both continuous and fixed term contracts) has been entered into or amended within six months prior to the date of the Announcement.

As at the Latest Practicable Date, none of the proposed Directors had entered into any service contract or letter of appointment with the Company, or any of its subsidiaries or associated companies. The Company intends to enter into a service contract with each of the proposed Directors upon Completion.

4. Directors' remunerations

Based on the best available information, the remunerations (including fees, salaries, allowances and benefits in kind and retirement benefit scheme contributions) paid to the former independent executive Directors in aggregate for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 and 31 May 2019 were approximately HK$0, HK$0, HK$0 and HK$0, respectively.

Except as disclosed above, no other payments have been paid or are payable, or have any benefits in kind been granted, during the Track Record Period, by the Company or any of its subsidiaries to the Directors.

Under the current arrangements and on the assumption that the proposed executive Directors and the proposed independent non-executive Directors will be appointed upon Completion, the aggregate remunerations (including fees, salaries, allowances and benefits in kind and retirement benefit scheme contributions) estimated to be payable to the proposed Directors for the year ending 31 December 2019 are approximately S$1.1 million.

There was no other arrangement under which a Director waived or agreed to waive any emoluments and no remuneration was paid by the Enlarged Group to the Directors as an inducement to join or upon joining the Enlarged Group or as compensation for loss of office.

5. Employee's remuneration

As far as is known to the Provisional Liquidators and based on the best information available to the Provisional Liquidators, there is no evidence that the Company periodically reviewed remuneration policies and packages of the Company.

Please refer to the section headed "Business of the Target Group – Employees and workers" in this circular for further details of the emoluments of the employees of the Target Group.

6. Arrangements affecting the Directors

Save as disclosed in the paragraph headed "I. Summary of material contracts" in this appendix, as at the Latest Practicable Date, as far as is known to the Provisional Liquidators, there was no material contract entered into by the Company or by members of the Concert Group in which any of the existing Directors had a material personal interest.

None of the existing Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Acquisition, the Share Offer or the Whitewash Waiver and there is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Acquisition, the Share Offer or the Whitewash Waiver or otherwise connected with the Acquisition, the Share Offer or the Whitewash Waiver.

7. Competing interests

As far as is known to the Provisional Liquidators, none of the existing Directors or the proposed Directors and their respective close associates was interested in any business apart from the business of the Enlarged Group, which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

F. MARKET PRICES

The Takeovers Code requires information on the closing prices of the Shares as recorded on the Stock Exchange on (i) the end of each of the calendar month during the period commencing six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date; (ii) the last business day immediately preceding the date of the Announcement; and (iii) the Latest Practicable Date.

Trading in the Shares has been suspended since 25 March 2014 and therefore no closing prices of the Shares were recorded during the period under (i) and for (iii) above. The closing price of the Shares on the last business day immediately preceding the date of the Announcement was HK$1.25.

G. DISCLAIMERS

(a) Save as disclosed in the paragraph headed "E. Disclosure of interests" in this appendix, none of the Directors or chief executive of the Company has made the Provisional Liquidators aware of any other Director or chief executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporation (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code;

(b) None of the Directors nor any of the persons whose names are listed in the paragraph headed "L. Qualifications and consents of experts" in this appendix has made the Provisional Liquidators aware of any person who is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this circular been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) None of the Directors nor any of the persons whose names are listed in the paragraph headed "L. Qualifications and consents of experts" in this appendix has made the Provisional Liquidators aware of any person who is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group;

(d) Save as disclosed in the paragraph headed "Particulars of service contracts" in this appendix, none of the Directors has made the Provisional Liquidators aware that they have entered or have proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(e) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this circular to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the introduction or related transaction as mentioned in this circular; and

(f) So far as is known to the Provisional Liquidators, none of the Directors, their respective associates or Shareholders who are interested in 5% or more of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

H. MATERIAL CHANGE OF THE GROUP AND THE TARGET GROUP SINCE 31 MAY 2019

As at the Latest Practicable Date, there have been no material changes in the financial, operational or trading position of the Group and save as the impact of the restructuring of the Company, there have been no material changes in the outlook of the Group since 31 May 2019, being the date to which the latest published audited financial statements of the Group were made up. Upon completion of the Acquisition, the Company will discontinue the existing business and solely be engaged in manufacturing and sale of green precast concrete wall panel system and sale of related accessories.

There has been no material change in the financial or trading position or outlook of the Target Group since 31 May 2019, being the date to which the latest audited combined financial statements of the Target Group were made up, up to and including the date of this circular.

I. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by members of the Enlarged Group) were entered into by members of the Enlarged Group within two years preceding the date of the Announcement in relation to, inter alia, the execution of the Restructuring Framework Agreement and up to the Latest Practicable Date, and are or may be material:

(a) the Restructuring Framework Agreement dated 23 September 2016 entered into among Mr. Widjaja, Ms. Lim, Ms. Limarto, the Company and the Provisional Liquidators in respect of the Proposed Restructuring of the Company;

(b) seven amendment letters dated 29 September 2017, 29 December 2017, 27 April 2018, 26 November 2018, 25 April 2019, 29 July 2019 and 31 October 2019 entered into among Mr. Widjaja, Ms. Lim, Ms. Limarto, the Company and the Provisional Liquidators in respect of the Restructuring Framework Agreement;

(c) a sale and purchase agreement dated 27 March 2017 entered into among JOE Green Capital Limited, Mr. Lau Ching Kei, Mr. Widjaja and Ms. Lim in relation to the acquisition of the entire issued share capital of Linktopz Entertainment Limited at the consideration of HK$3.0;

(d) a share swap agreement dated 22 November 2019 entered into, among others, JOE Green Capital Limited, Mr. Widjaja, Ms. Lim and Ms. Limarto, pursuant to which JOE Green Capital Limited agreed to acquire the entire equity interest in each of JOE Green Pte. Ltd., JOE Green Precast Sdn. Bhd., JOE Green Marketing Pte. Ltd. and JOE Green Marketing Sdn. Bhd. from Mr. Widjaja, Ms. Lim and Ms. Limarto, respectively, in consideration of and in exchange for (i) the allotment of 48 shares in JOE Green Capital Limited to Mr. Widjaja credited as fully paid; (ii) the allotment of 47 shares in JOE Green Capital Limited to Ms. Lim credited as fully paid; and (iii) the allotment of two shares in JOE Green Capital Limited to Ms. Limarto credited as fully paid;

(e) a trademark licensing deed dated 28 March 2017 entered into between Amazana Gratia Pte Ltd and JOE Green Pte Ltd in relation to the licensing of a trademark to JOE Green Pte Ltd at nil consideration ("**Trademark Licensing Deed**");

(f) an assignment dated 22 September 2017 entered into between Amazana Gratia Pte Ltd and JOE Green Pte Ltd in relation to the assignment of a trademark from Amazana Gratia Pte Ltd to JOE Green Pte Ltd at a consideration of S$10,000;

(g) a termination deed dated 22 September 2017 entered into between Amazana Gratia Pte Ltd and JOE Green Pte Ltd in relation to the termination of the Trademark Licensing Deed at nil consideration;

(h) the documents of the schemes of arrangement to be entered into between the Company and its creditors pursuant to Sections 666 to 675 of the Companies Ordinance and Section 86 of the Companies Law with, or subject to, any modification, addition or conditions approved or imposed by the High Court and the Grand Court;

(i) the Deed of Non-Competition; and

(j) the Deed of Indemnity.

J. LEGAL PROCEEDINGS OF THE ENLARGED GROUP

The Provisional Liquidators confirm that as at the Latest Practicable Date, except the legal proceeding disclosed in this section, the Company is not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Provisional Liquidators to be pending or threatened against the Company that would have a material adverse effect on its business, results of operations or financial condition other than the winding-up petition of the Company in the Cayman Islands.

On 4 October 2017, the Provisional Liquidators received an originating summons (the "OS") from a party from whom the Provisional Liquidators have been seeking assistance (the "Third Party"). The OS was taken out for the purpose of clarifying the extent to which assistance should be provided to the Provisional Liquidators.

The Third Party and the Provisional Liquidators have since agreed to apply for a stay of the OS and such application was approved by the Grand Court on 23 February 2018.

The Company issued a writ of summons in respect of a claim against a third party (the "**Claim**") during the first half of 2018. Subsequently, a writ was served to the legal representative of that third party in January 2019. The Company, the Provisional Liquidators and their legal advisors are dealing with the matters in relation to the Claim. Upon completion of the Proposed Restructuring, the Claim, together with any contingent assets or liabilities arising from the Claim, will be transferred to the Scheme Company.

K. DEED OF INDEMNITY

The Controlling Shareholders (the "**Indemnifiers**") have entered into the deed of indemnity with and in favour of the Company (for itself and as trustee for each of the subsidiaries of the Enlarged Group) to provide indemnities in respect of, among other matters:

(a) any taxation including estate duty falling on any company of the Enlarged Group in any part of the world in respect of any income, profits, gains, transactions or things earned, accrued, received, entered into or occurring on or before Completion; or

(b) all of any of the liabilities in connection with any tax, duty, excise or customs that may arise or be incurred in Hong Kong, Singapore and/or Malaysia in the context and/or course of, or in relation to, the operation and/or business of the Enlarged Group on or before the Listing Date; or

(c) all or any liability due to certain outstanding legal proceedings against any member of the Group which any member of the Enlarged Group may suffer or incur as a result of such legal proceedings as they may continue to be subsisting as at the Listing Date (i) to the extent that such liabilities are not covered by the relevant insurance policies taken out by the Enlarged Group or any company of the Enlarged Group; or (ii) to the full extent of such liabilities in the event that neither the Group nor any company of the Enlarged Group has taken out any insurance policy to cover such liabilities, provided that such legal action or proceedings are commenced, or the cause of action for any subsequent legal action or proceedings that are commenced before or after the Listing Date, before the Listing Date,

save and except that the Indemnifiers shall be under no liability under the Deed of Indemnity:

(i) to the extent that full provision or allowance has been made in the audited accounts of members of the Enlarged Group for an accounting period ended on or before 31 May 2019; or

(ii) to the extent that such liability arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date; or

(iii) to the extent that such liability is caused by the act or omission of, or transaction voluntarily effected by, any members of the Enlarged Group which are carried out or effected in the ordinary course of business on or before the Listing Date; or

(iv) to the extent of any provisions or reserve made for such liability in the audited accounts of the Enlarged Group up to 31 May 2019 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce Indemnifier's liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

L. QUALIFICATIONS AND CONSENTS OF EXPERTS

Kingsway Capital Limited, Lego Corporate Finance Limited, Crowe (HK) CPA Limited, Equity Law LLC, the Law office of K K Chong & Company, Harney Westwood & Riegels, Knight Frank Petty Limited, Frost & Sullivan International Limited, Tang, Chun Kit Danny and Mirandah Law LLP have each given and have not withdrawn their respective written consents to the issue of this circular with copies of their reports, valuation certificates, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included. The qualifications of the experts which have given opinions in this circular are as follows:

Name	Qualification
Kingsway Capital Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Lego Corporate Finance Limited	Licensed to conduct Type 6 (advising in corporate finance) regulated activity as defined under SFO
Crowe (HK) CPA Limited	Certified public accountants
Equity Law LLC	Legal advisors to the Target Group as to Singapore Law
The Law office of K K Chong & Company	Legal advisors to the Target Group as to Malaysia Law
Harney Westwood & Riegels	Cayman Islands attorneys-at-law
Knight Frank Petty Limited	Independent property valuer
Frost & Sullivan International Limited	Industry consultant
Tang, Chun Kit Danny	Barrister-at-law in Hong Kong
Mirandah Law LLP	Legal advisors as to Singapore Law

M. TRANSACTION EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, and other expenses relating to the Acquisition and the Share Offer, are estimated to be approximately HK$83.9 million in aggregate paid or to be paid by the Enlarged Group. Among the estimated total transaction expenses of approximately HK$83.9 million, approximately HK$1.7 million is directly attributable to the issue of Reserved Shares that will be accounted for as a deduction from equity upon issuance of the Reserved Shares. Transaction expenses of approximately HK$8.3 million, HK$13.1 million, HK$8.4 million and HK$3.7 million had been charged to the profit or loss for the year ended 31 December 2016, the year ended 31 December 2017 and 2018 and the five months ended 31 May 2019, respectively, and the remaining transaction expenses of approximately HK$10.2 million and HK$38.5 million are expected to be charged to the profit or loss of the Enlarged Group for the seven months ending 31 December 2019 and the year ending 31 December 2020 respectively. The substantial portion of the estimated total transaction expenses is non-recurring in nature.

N. STAMP DUTY

Dealings in the Shares will be subject to Hong Kong stamp duty. An ad valorem stamp duty will be charged on the sale and purchase of Shares, at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. In addition, a fixed duty of HK$5.0 is currently payable on any instrument of transfer of Shares.

Shareholders and potential investors in the Shares of the Company are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in the Shares. None of the Company, the Sole Sponsor, the Financial Adviser, the Independent Financial Adviser, any of their respective directors, agents, employees or other advisers or parties involved in the Proposed Restructuring accepts responsibility for any tax effects on, or liabilities of, any person resulting from the Share Offer, purchase, holding or disposal of, dealing in, the Shares.

O. PROMOTER

The Company has no promoter for the purpose of the Listing Rules.

P. MISCELLANEOUS

Except as disclosed in this appendix to this circular:

(a) within the two years preceding the date of this circular:

(i) no share or loan capital of the Company or any of its subsidiaries had been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and

(iii) no share or loan capital of the Company or any of its subsidiaries was under option or was agreed conditionally or unconditionally to be put under option;

(b) as at the Latest Practicable Date, none of the persons whose names are listed in the paragraph "L. Qualifications and consents of experts" in this appendix had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(c) the Provisional Liquidators have been advised that no material liability for estate duty would be likely to fall upon any member of the Group;

(d) there is no arrangement under which future dividends declared by the Company have been waived or agreed to be waived;

(e) there had not been any interruption in the business of the Group which may have had a significant effect on the financial position of the Group in the 12 months preceding the date of this circular;

(f) neither the Company nor any of its subsidiaries had issued or agreed to issue any founder shares, management shares, deferred shares or any debentures;

(g) all necessary arrangements had been made with HKSCC for the Shares and the New Shares to continue to be accepted as eligible securities of CCASS;

(h) as far as is known to the Provisional Liquidators there is no person who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including options in respect of such capital) carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries; and

(i) other than the Shares, none of the Company's equity or debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

The English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company at 22/F, Prince's Building, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (other than public holidays) and also on the website of the Enlarged Group at www.joegreenpanel.com and of the SFC at www.sfc.hk from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company and the second amended and restated memorandum and articles of association of the Company upon the Articles Adoption;

(b) the memorandum of association and articles of association of JOE Green Capital Limited;

(c) the memorandum of association and articles of association of each of Amazana Investments Limited, Amazana Equity Limited and Amazana Ventures Limited;

(d) the letter from the Provisional Liquidators dated 29 November 2019, the text of which is set out in the section headed "Letter from the Provisional Liquidators" in this circular;

(e) the letter of advice from Lego Corporate Finance to the Independent Shareholders dated 29 November 2019, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(f) the annual reports of the Company for each of the years ended 31 December 2016, 2017 and 2018;

(g) the interim report of the Company for the six months ended 30 June 2017, 2018 and 2019;

(h) the accountants' report on the Target Group for the three years ended 31 December 2018 and the five months ended 31 May 2019 prepared by Crowe (HK) CPA Limited, the text of which is set out in Appendix I to this circular;

(i) the accountants' report from Crowe (HK) CPA Limited relating to the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(j) the letter, summary of valuations and valuation certificates relating to the values of property interests of the Target Group as at 30 September 2019 prepared by Knight Frank Petty Limited, the texts of which are set out to in Appendix IV to this circular;

(k) the letter summarising certain aspects of the Companies Law prepared by Harney Westwood & Riegels referred to in Appendix VI to this circular;

(l) the industry report prepared by Frost & Sullivan referred to in the section headed "Industry Overview" to this circular;

(m) the Singapore legal opinion prepared by Equity Law LLC, the legal advisers to the Target Group as to Singapore law, in respect of certain aspects of the Singapore law and regulations relating to the business of the Target Group;

(n) the Malaysian legal due diligence reports prepared by the Law office of K K Chong & Company, the legal advisers to the Target Group as to Malaysia law, in respect of certain aspects of the Malaysia law and regulations relating to the business of the Target Group;

(o) the Legal Opinion issued by Tang, Chun Kit Danny, barrister-at-law in Hong Kong on 22 November 2019;

(p) the legal opinion issued by Mirandah Law LLP dated 18 November 2019 in respect of a legal proceeding against JOE Green Pte. and JOE Green MKT Singapore in Singapore;

(q) a copy of each of the material contracts referred to in the paragraph "I. Summary of material contracts" in Appendix VII to this circular;

(r) the written consents referred to in the paragraph "L. Qualifications and consents of experts" in Appendix VII to this circular;

(s) the written letter of consent issued by Asian Capital Limited;

(t) the Companies Law; and

(u) a copy of this circular.

China Lumena New Materials Corp.

中国旭光高新材料集团有限公司

CHINA LUMENA NEW MATERIALS CORP.

(In Provisional Liquidation)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 67)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "Meeting") of China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") will be held at Room 1804, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Monday, 23 December 2019 at 2:00 p.m. to consider and, if thought fit, pass the following resolutions with or without amendments as special resolutions or ordinary resolutions (as the case may be). Capitalised terms defined in the circular dated 29 November 2019 issued by the Company (the "Circular") shall have the same meanings when used in this notice unless otherwise specified.

SPECIAL RESOLUTIONS

1. "THE WHITEWASH WAIVER

THAT:

(a) subject to the Ordinary Resolution 5 herein being passed and the Executive granting to Amazana Investments, Amazana Equity and Amazana Ventures the Whitewash Waiver and the satisfaction of any condition(s) attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, waiving the obligation of Amazana Investments, Amazana Equity and Amazana Ventures to make a mandatory general offer to all Shareholders other than Amazana Investments, Amazana Equity and Amazana Ventures as a result of the acquisition of the Consideration Shares be and is hereby approved; and

(b) any one or more of the JPLs (and subsequent to the resignation of the JPLs and completion of the Acquisition, any one or more of the newly appointed Directors) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or agreements or deeds on behalf of the Company and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Whitewash Waiver."

2. "ADOPTION OF SECOND AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

THAT the second amended and restated memorandum and articles of association of the Company in the form produced to the EGM be and are hereby adopted as the memorandum and articles of association of the Company in substitution for and to the exclusion of all existing memorandum and articles of association of the Company."

ORDINARY RESOLUTIONS

3. "THE CAPITAL REORGANISATION

THAT conditional upon: (i) approval of the Capital Reorganisation (as defined below) by the Grand Court of the Cayman Islands (the "Grand Court"); (ii) registration by the Registrar of Companies in the Cayman Islands of a copy of the Grand Court order confirming the Capital Reorganisation (as defined below) and the minute approved by the Grand Court containing the particulars required under the Companies Law in respect of the Capital Reorganisation (as defined below) and compliance with any condition as may be imposed by the Grand Court in relation to the Capital Reorganisation (as defined below); and (iii) the Listing Committee granting the listing of, and permission to deal in, the New Shares in issue, upon the date on which the Capital Reorganisation (as defined below) becomes effective:

(a) every forty (40) issued Shares of US$0.00001 each be consolidated into one (1) Consolidated Share of US$0.0004 (the "Share Consolidation");

(b) immediately following the Share Consolidation, all remaining authorised but unissued shares of the Company as at the Effective Date be cancelled (the "Authorised Share Capital Cancellation");

(c) upon the Share Consolidation and the Authorised Share Capital Cancellation, the authorised share capital of the Company be increased from approximately US$100,000 to US$2,000,000, divided into 5,000,000,000 New Shares of US$0.0004 each (the "Authorised Share Capital Increase" and together with the Share Consolidation, the Authorised Share Capital Cancellation, "Capital Reorganisation"); and

(d) any one or more of the Provisional Liquidators ("JPLs") (and subsequent to the resignation of the JPLs and completion of the Acquisition, any one or more of the newly appointed Directors) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or agreements or deeds on behalf of the Company and to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Capital Reorganisation and the transactions contemplated thereunder."

4. "THE SHARE OFFER

THAT:

(a) the SO Underwriting Agreements (a copy of which is marked "A" and tabled before the Meeting and initialled by the chairman of the Meeting for identification purposes) and the transactions contemplated thereunder, proposing the allotment and issue of 840,578,904 new adjusted ordinary shares, with a par value of US$0.0004 per share, at the price of HK$0.24 per share, be and are hereby approved, ratified and confirmed;

(b) subject to the fulfilment of the conditions in the SO Underwriting Agreements and conditional upon the Listing Committee approving the listing of, and granting permission to deal in the Public Offer Shares and the Company's Placing Shares, the JPLs be and are hereby granted a specific mandate (the "Public Offer Shares and the Company's Placing Shares Specific Mandate") to allot, issue, credited as fully paid, the Public Offer Shares and the Company's Placing Shares to the Subscribers and the Qualifying Lumena Shareholders pursuant to the SO Underwriting Agreements, provided that the Public Offer Shares and the Company's Placing Shares Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific mandate(s) which may from time to time be granted to the JPLs prior to or after the passing of this resolution; and

(c) any one or more of the JPLs (and subsequent to the resignation of the JPLs and completion of the Acquisition, any one or more of the newly appointed Directors) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or agreements or deeds on behalf of the Company and to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the SO Underwriting Agreements, the allotment and issue of the Public Offer Shares and the Company's Placing Shares and the transactions contemplated thereunder."

5. "THE ACQUISITION

THAT:

(a) the Restructuring Framework Agreement (a copy of which is marked "B" and tabled before the Meeting and initialled by the chairman of the Meeting for identification purposes) and the transactions contemplated thereunder, proposing the purchase of 2,241,543,744 Consideration Shares upon Capital Reorganisation at a price of HK$0.24 each, be and are hereby approved, ratified and confirmed;

(b) subject to the fulfilment of the conditions in the Restructuring Framework Agreement and conditional upon the Listing Committee approving the listing of, and granting permission to deal in the Consideration Shares, any one or more of the JPLs be and are hereby granted a specific mandate (the "Consideration Shares Specific Mandate") to allot, issue, credited as fully paid, the Consideration Shares to the Vendors pursuant to the Restructuring Framework Agreement, provided that the Consideration Shares Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific mandate(s) which may from time to time be granted to any one or more of the JPLs prior to or after the passing of this resolution; and

(c) any one or more of the JPLs (and subsequent to the resignation of the JPLs and completion of the Acquisition, any one or more of the newly appointed Directors) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or agreements or deeds on behalf of the Company and to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Restructuring Framework Agreement and the transactions contemplated thereunder."

6. "THE CREDITORS SCHEMES

THAT subject to (i) the applicable laws of Hong Kong and the Cayman Islands and the directions and sanctions of the High Court and the Grand Court; (ii) the Ordinary Resolutions and Special Resolutions herein being passed; and (iii) the approval of the Creditors (as defined in the Circular):

(a) the Creditors Schemes (as defined in the Circular), be and are hereby approved, subject to any modification thereof approved or imposed by the Grand Court and/or the High Court (if any);

(b) the proposed payment of approximately HK$90 million to Creditors in accordance with the proposed schemes of arrangement, funded from the net proceeds of: the Share Offer contemplated under Ordinary Resolution 4, be and is hereby approved;

(c) the proposed transfer of the existing assets of the Group (including but not limited to shares of all the subsidiaries of the Company) as at the effective date of the proposed schemes of arrangement to the scheme administrators or a company controlled by the scheme administrators for the purpose of restructuring the affairs of the Company and/or distributing dividends to the Creditors in accordance with the terms of the proposed schemes of arrangement, subject to any modification, addition or conditions approved or imposed by the High Court and the Grand Court, be and is hereby approved; and

(d) any one or more of the JPLs (and subsequent to the resignation of the JPLs and completion of the Acquisition (as defined in the Circular), any one or more of the newly appointed Directors) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or agreements or deeds on behalf of the Company and to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Creditors Schemes and the transactions contemplated thereunder."

7. "THE RESTRUCTURING FRAMEWORK AGREEMENT

THAT:

(a) the Restructuring Framework Agreement entered into between the Investors (as defined therein), the Company and its JPLs dated 23 September 2016 and any subsequent amendment letters in relation to the proposed restructuring of the Company which includes, inter alia, details of the Share Offer, the Acquisition and the Whitewash Waiver, and all the transactions contemplated thereby be and are hereby approved, confirmed and ratified."

8. "PROPOSED APPOINTMENT AND REMOVAL OF DIRECTORS

THAT:

Upon completion of the Acquisition and due to the change of principal business activities of the Group as enlarged it will be necessary for the Target Group to reconstitute the board of Directors, and all of the existing Directors will be replaced by new Directors with the necessary skills to manage the new business activities upon Completion.

(a) The removal of the following candidates as Directors with effect from completion of the Acquisition be and is hereby approved:

(i) Mr. Zhang Zhigang be removed as an executive Director;

(ii) Mr. Zhang Daming be removed as an executive Director; and

(iii) Mr. Shi Jianping be removed as an executive Director.

(b) The appointment of the following candidates as Directors with effect from completion of the Acquisition be and is hereby approved:

(i) Mr. Boediman Widjaja be appointed as executive Director;

(ii) Ms. Insinirawati Limarto be appointed as executive Director;

(iii) Ms. Incunirawati Limarto be appointed as executive Director;

(iv) Mr. Ng Eng Hong be appointed as executive Director;

(v) Mr. Lau Ching Kei be appointed as executive Director;

(vi) Mr. Jimmy Suwono be appointed as independent non-executive Director;

(vii) Mr. Kua Mong Lam be appointed as independent non-executive Director; and

(viii) Mr. Christanto Suryadarma be appointed as independent non-executive Director.

(c) The Board be and is hereby authorised to fix their remuneration."

For and on behalf of
China Lumena New Materials Corp.
(In Provisional Liquidation)
Man Chun So
Yat Kit Jong
Simon Conway
Provisional Liquidators
Acting as agents without personal liability

Hong Kong, 29 November 2019

Notes:

1. Every shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a shareholder of the Company.

2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

3. Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the Meeting if the shareholder so desires.

4. Where there are joint holders of any Share, any one of such joint holders may vote, either personally or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the joint holder whose name stands first on the register of members of the Company in respect of the joint holding who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

5. On 25 February 2015 by Order of the Grand Court, Mr. Man Chun So, Mr. Yat Kit Jong and Mr David Walker were appointed as the Joint and Provisional Liquidators of the Company. On 2 August 2016, by Order of the Grant Court, Mr. David Walker was released from his obligations to perform any further duties in his capacity as a Joint Provisional Liquidator of the Company and Mr. Simon Conway was appointed as a Joint Provisional Liquidator in place of Mr. David Walker.

6. As at the date of this notice, the Board consists of Mr. Zhang Zhigang, Mr. Zhang Daming and Mr. Shi Jianping, all being executive Directors.