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Application Proof of

INDIGO STAR HOLDINGS LIMITED

靛藍星控股有限公司

(the “**Company**”)

(Incorporated in the Cayman Islands with limited liability)

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Important: If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

INDIGO STAR HOLDINGS LIMITED

靛藍星控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED])

Number of [REDACTED] : [REDACTED] Shares (subject to reallocation)

Number of [REDACTED] : [REDACTED] Shares (subject to reallocation and the [REDACTED])

[REDACTED] : Not more than [REDACTED] per [REDACTED] and expected to be not less than [REDACTED] per [REDACTED] (payable in full on application plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund)

Nominal value : HK\$0.01 per Share

Stock code : [REDACTED]

Sole Sponsor



[REDACTED]

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[REDACTED] should consider carefully all the information set out in this document and, in particular, should consider and evaluate the matters discussed in the section headed “Risk Factors” in this document before making any investment decision in relation to our Company.

The [REDACTED] will not be more than [REDACTED] per [REDACTED] and is expected to be not less than [REDACTED] per [REDACTED] unless otherwise announced. The [REDACTED] (for itself and on behalf of the other [REDACTED]) may, with the consent of our Company, reduce the indicative [REDACTED] range below that stated in this document at any time prior to the [REDACTED], which is expected to be on or around [REDACTED], or such other date as may be agreed between our Company and the [REDACTED] (for itself and on behalf of the other [REDACTED]). In such case, our Company will, as soon as practicable following the decision to make such reduction, publish the notice of such change on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.indigostar.sg.

The final [REDACTED] is expected to be determined by the [REDACTED] to be entered into between our Company and the [REDACTED] (for itself and on behalf of the other [REDACTED]) on the [REDACTED]. If, for any reason, our Company and the [REDACTED] (for itself and on behalf of the other [REDACTED]) are unable to reach any agreement on the [REDACTED] by the [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws of the U.S. and may not be offered, sold, pledged, or transferred within the U.S., except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

[REDACTED] of the [REDACTED] should note that the [REDACTED] (for itself and on behalf of the other [REDACTED]) has the right, in its sole and absolute discretion, to terminate the obligations of the [REDACTED] under the [REDACTED] upon the occurrence of any of the events set out in the section headed “[REDACTED] — Grounds for termination of the [REDACTED]” in this document, at any time at or before 8:00 a.m. (Hong Kong time) on the [REDACTED]. Should the [REDACTED] (for itself and on behalf of the other [REDACTED]) terminate the obligations of the [REDACTED] under the [REDACTED] in accordance with its terms, the [REDACTED] will not become unconditional and will lapse immediately.

[REDACTED]

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. [REDACTED] should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated [REDACTED].

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, [REDACTED] should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO [REDACTED]

This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this document pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this document to make your investment decision. Our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], any of our/their respective directors, officers, employees, agents or representatives, or any other person or party involved in the [REDACTED] have not authorised anyone to provide you with information which is different from what is contained in this document. Any information or representation not contained or made in this document must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], any of our/their respective directors, officers, employees, agents or representatives, or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document and therefore does not contain all the information which may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” of this document. You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary” of this document.

OVERVIEW

We are an established subcontractor in Singapore. Our business specialises in providing reinforced concrete works. Since we established our business in 1996, we have been providing mainly steel reinforcement works. Expansion took place in 2005 when we broadened our scope of services into reinforced concrete works comprising steel reinforcement works, formwork erection and concrete works. We may provide such services individually or as a total package comprising all three, depending on our customers’ requirements.

Our Group actively participates as a subcontractor for reinforced works in large-scale general building and civil engineering projects. During the Track Record Period, our Group had completed 16 general building projects and one civil engineering project as a subcontractor. As at the Latest Practicable Date, we had five general building projects and two civil engineering projects on hand with aggregate contract sums of approximately S\$71.4 million and S\$39.0 million, respectively, while their outstanding contract sums were approximately S\$48.5 million and S\$29.4 million, respectively.

Our Group is involved in both public sector and private sector projects. We had four public sector projects and 13 private sector projects during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we had four public sector projects and three private sector projects on hand with aggregate contract sums of approximately S\$99.2 million and S\$11.2 million, respectively, while their outstanding contract sums aggregated at approximately S\$68.7 million and S\$9.2 million, respectively.

Our revenue for the two years ended was approximately S\$29.9 million and S\$30.1 million, respectively. For the two years ended 31 December 2016, we achieved profit for the year of approximately S\$2.5 million and S\$3.0 million, respectively.

OUR PRINCIPAL BUSINESS ACTIVITIES

Our Group engages in different types of general building and civil engineering projects, including residential housing, offices, commercial, industrial and institutional developments, special purposes constructions, MRT stations and infrastructure. We specialise in providing reinforced concrete works, comprising steel reinforced works, formwork erection and concrete works.

The diagram below illustrates our operation process, which involves four major phases:



Notes:

1. The time frame is for illustrative purposes only. The actual frame of a given project may vary significantly as it depends on various factors, including (i) change of designs; (ii) adjustment to the scope of work; and (iii) inclement weather conditions.
2. We would have internal evaluation where our tenders are unsuccessful.

For further details, please refer to the section headed “Business — Operation Process” of this document.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe that our Group possesses the following competitive strengths:

- Our proven track record has established a reputation in the construction industry
- We maintain good relationships with our customers and our subcontractors
- We have the ability to secure skilled and efficient labour force for our projects
- We have an experienced management team
- We are committed to delivering timely quality works

For details, please refer to the section headed “Business — Our competitive strengths” of this document.

OUR BUSINESS STRATEGIES

To achieve our Group’s objective of gaining a market share in the construction industry in Singapore, we have the following business strategies:

- Upgrade our licences so as to expand our business through bidding for larger public sector projects
- Set up our dormitory and cut and bend factory
- Strengthen our manpower in managerial and technical expertise

For details, please refer to the section headed “Business — Our business strategies” of this document.

OUR PRICING STRATEGY

Our tender pricing is usually determined by the project size based on the quantum of works involved and complexity of the project as well as the site environment.

MAIN QUALIFICATIONS, LICENCES AND CERTIFICATIONS

As a subcontractor in Singapore carrying out steel reinforcement works, formwork erection and concrete works, we do not require any specific licences, including GB1 licence, for carrying out such works for our projects. To facilitate our business growth, we have applied for and obtained various licences since 2014.

Our Group currently holds a GB1 licence issued by the BCA under the BLS, which enables us to undertake contracts for general building works. A GB1 licence is required to carry out private sector building works and public sector building works. In addition, we are registered with the BCA under the CRS and currently we operate under the C1 grade for both workhead for “General Building” (CW01) and workhead for “Civil Engineering” (CW02), which enable us to tender for public sector building works with a tendering limit of S\$4 million as at the Latest Practicable Date. Also, being an approved scaffold contractor, we are qualified to provide scaffolding works without having to outsource them to third parties when providing our subcontracting works. For details, please refer to the section headed “Business — Main qualifications, licences and certifications” of this document.

CUSTOMERS

Our direct customers are primarily the main contractors of various types of general building or civil engineering projects in Singapore, which comprise main contractors engaged by government bodies and project developers. During the Track Record Period and up to the Latest Practicable Date, our Group was awarded two projects in which we acted as a main contractor and hence these two customers were project developers. For the two years ended 31 December 2016, revenue from our largest customer accounted for approximately 44.4% and 42.3% of our revenue, respectively. Revenue from our five largest customers for the corresponding periods accounted for approximately 97.3% and 96.6% of our revenue, respectively. For details, please refer to the section headed “Business — Customers” of this document.

SUMMARY

SUPPLIERS

Our suppliers mainly supply the following to us: (i) accommodation for the foreign workers we employ; (ii) construction materials such as steel, timber, metal formwork as well as metal ware products. We maintain a list of approved suppliers, which is reviewed and updated regularly. For the two years ended 31 December 2016, suppliers of construction materials from our largest supplier (excluding our subcontractors) accounted for 15.8% and 33.4% of our total supplies, respectively. Supplies from our five largest suppliers (excluding our subcontractors) for the corresponding periods accounted for 44.7% and 80.5% of our total supplies, respectively. For details, please refer to the section headed “Business — Suppliers” of this document.

SUBCONTRACTORS

We may engage subcontractors in our construction projects. The works we typically subcontract to our subcontractors include the labour intensive tasks and works not within our specialisation. Our subcontractors include sole proprietors as well as limited liability companies. For the two years ended 31 December 2016, subcontracting charges incurred by our largest subcontractor accounted for approximately 27.7% and 24.9%, respectively of our Group’s total subcontracting charges. Subcontracting charges incurred by our five largest subcontractors for the corresponding periods accounted for approximately 75.6% and 81.6% of our total subcontracting charges, respectively.

COMPETITION

According to the Euromonitor Report, the construction industry in Singapore is a highly fragmented market. As of April 2017, 1,887 companies were registered under the General Building workhead of BCA’s Contractor Registration System. There were also a substantial number of 998 companies registered under the Civil Engineering category. Within the General Building workhead, 16.2% of the companies (i.e. 306 companies) qualified for A1, A2, B1 and B2 grades, which allow them to bid on projects valued at S\$13 million or more. Hence, the General Building sector has a broad-based structure with a large number of small players; 60.6% belonging to the C3 grade, leading to intense competition among these players. The distribution of companies is similar for the Civil Engineering workhead, where 56.5% of the 998 companies under this workhead qualified for C3 Grade, while only 19.7% qualified for A1, A2, B1 or B2 grades.

SHAREHOLDER INFORMATION

After completion of the [REDACTED] and the [REDACTED], without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme. Amber Capital will control approximately [REDACTED] of our Company’s Shares in issue. Amber Capital is held as to 96.77% by Mr. Goh, the chairman and our executive Director, and 3.23% by Ms. Tan, the spouse of Mr. Goh and our executive Director. Accordingly, Amber Capital, Mr. Goh and Ms. Tan will become a group of our Controlling Shareholders upon completion of the [REDACTED] and the [REDACTED]. Please refer to the section headed “Relationship with Controlling Shareholders” of this document.

SUMMARY OF HISTORICAL FINANCIAL PERFORMANCE

The tables below set out a summary of the audited consolidated financial information of our Group for the two years ended 31 December 2016, which is derived from the Accountants’ Report set out in Appendix I to this document. You should read this summary in conjunction with our consolidated financial information included in the Accountants’ Report set out in Appendix I to this document and the section headed “Financial Information” of this document.

SUMMARY

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

Combined statements of profit or loss and other comprehensive income

	Year ended 31 December 2015	Year ended 31 December 2016
	<i>S\$'000</i>	<i>S\$'000</i>
Revenue	29,942	30,068
Direct costs	<u>(24,122)</u>	<u>(24,286)</u>
Gross profit	5,820	5,782
Other expenses and income, net	(340)	163
Administrative expenses	(2,580)	(2,626)
Finance costs	<u>(23)</u>	<u>(37)</u>
Profit before taxation	2,877	3,282
Income tax expense	<u>(374)</u>	<u>(308)</u>
Profit for the year	<u>2,503</u>	<u>2,974</u>
Profit and other comprehensive income for the year	<u><u>2,503</u></u>	<u><u>2,974</u></u>

Revenue

Our revenue was principally derived from providing reinforced concrete works, which cover the main areas of steel reinforcement works, formwork erection and concrete works, in Singapore. During the Track Record Period, 23 projects in total had recognised revenue, of which 17 projects were completed and six were still ongoing as at 31 December 2016. For the completed projects, 16 projects were related to general building works and one project was related to civil engineering works. As at the Latest Practicable Date, we had five general building projects and two civil engineering project on hand with aggregate contract sums of approximately S\$71.4 million and S\$39.0 million, respectively. The following table sets out our revenue generated from projects related to general building works and civil engineering works:

	For the year ended 31 December					
	2015			2016		
<i>No. of projects handled (Note)</i>	<i>S\$'000</i>	<i>%</i>	<i>No. of projects handled</i>	<i>S\$'000</i>	<i>%</i>	
Revenue						
General building projects	13	28,873	96.4	15	21,859	72.7
Civil engineering projects	<u>2</u>	<u>1,069</u>	<u>3.6</u>	<u>2</u>	<u>8,209</u>	<u>27.3</u>
	<u><u>15</u></u>	<u><u>29,942</u></u>	<u><u>100.0</u></u>	<u><u>17</u></u>	<u><u>30,068</u></u>	<u><u>100.0</u></u>

Note: The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year during the Track Record Period.

SUMMARY

During the Track record Period, our Group engaged in construction projects from both public and private sectors. Public sector projects refer to projects where the ultimate employer(s) are Singapore government departments and statutory bodies, while private sector projects refer to projects where the ultimate employer(s) are corporate property developer(s) and land owner(s). The following table sets forth the revenue generated from the sector where our ultimate project employers belong to:

	For the year ended 31 December					
	2015			2016		
	<i>No. of projects handled (Note)</i>	<i>S\$'000</i>	<i>%</i>	<i>No. of projects handled (Note)</i>	<i>S\$'000</i>	<i>%</i>
Revenue						
Public sector projects	5	6,540	21.8	6	21,790	72.5
Private sector projects	10	23,402	78.2	11	8,278	27.5
	<u>15</u>	<u>29,942</u>	<u>100.0</u>	<u>17</u>	<u>30,068</u>	<u>100.0</u>

Note: The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year during the Track Record Period.

The following table sets forth our revenue derived from our projects at different completion stages during the Track Record Period:

	For the year ended 31 December					
	2015			2016		
	<i>No. of projects handled (Note)</i>	<i>S\$'000</i>	<i>%</i>	<i>No. of projects handled (Note)</i>	<i>S\$'000</i>	<i>%</i>
Revenue						
Revenue derived from projects brought forward	8	21,954	73.3	9	21,193	70.5
Revenue derived from new projects commenced	7	7,988	26.7	8	8,875	29.5
	<u>15</u>	<u>29,942</u>	<u>100.0</u>	<u>17</u>	<u>30,068</u>	<u>100.0</u>

Note: The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year during the Track Record Period.

For the two years ended 31 December 2016, we recorded revenue of approximately S\$29.9 million and S\$30.1 million, respectively. The increase in our revenue was mainly attributable to (i) the increase in revenue recognised for Project Sengkang General Hospital 2 and Project Orchard Station as a result of greater portions of works performed during the year ended 31 December 2016; and (ii) the commencement of Project Outram Community Hospital during the year ended 31 December 2016. The effect was partially offset by (i) the decrease in revenue recognised for Project Tanjong Pagar Mixed Development, Project Amkor and Project Tanjong Pagar resulting from lesser portions of works being performed during the year ended 31 December 2016 as they were substantially completed as at 31 December 2015; and (ii) no revenue being recognised for Project Sengkang General Hospital 1 during the year ended 31 December 2016 as it was completed as at 31 December 2015.

Please refer to the tables under the paragraphs headed “Projects on hand” and “Projects completed” for further details of our projects involving general building and civil engineering projects.

SUMMARY

Direct costs

The following table sets out the breakdown of our direct costs during the Track Record Period:

	For the year ended 31 December			
	2015		2016	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Cost of construction materials and consumables	2,310	9.6	6,482	26.7
Direct labour	12,932	53.6	10,185	41.9
Subcontracting charges	5,771	23.9	5,533	22.8
Accommodation expenses	1,081	4.5	746	3.1
Other direct costs	2,028	8.4	1,340	5.5
	<u>24,122</u>	<u>100.0</u>	<u>24,286</u>	<u>100.0</u>

Gross profit and gross profit margin

The following tables set forth our gross profits and gross profit margins by business type and business sector for the Track Record Period:

	For the year ended 31 December			
	2015		2016	
	<i>Gross profit</i> <i>S\$'000</i>	<i>Gross profit</i> <i>margin</i> %	<i>Gross profit</i> <i>S\$'000</i>	<i>Gross profit</i> <i>margin</i> %
General building projects	5,225	18.1	4,185	19.1
Civil engineering projects	<u>595</u>	<u>55.7</u>	<u>1,597</u>	<u>19.5</u>
	<u>5,820</u>	<u>19.4</u>	<u>5,782</u>	<u>19.2</u>

	For the year ended 31 December			
	2015		2016	
	<i>Gross profit</i> <i>S\$'000</i>	<i>Gross profit</i> <i>margin</i> %	<i>Gross profit</i> <i>S\$'000</i>	<i>Gross profit</i> <i>margin</i> %
Public sector projects	1,635	25.0	4,986	22.9
Private sector projects	<u>4,185</u>	<u>17.9</u>	<u>796</u>	<u>9.6</u>
	<u>5,820</u>	<u>19.4</u>	<u>5,782</u>	<u>19.2</u>

Our gross profit remained stable at approximately S\$5.8 million and S\$5.8 million for the two years ended 31 December 2016, respectively. The gross profit increased in line with the increase in our revenue. Our gross profit margin remained relatively stable at approximately 19.4% and 19.2% for the two years ended 31 December 2016, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately S\$0.5 million, or approximately 20.0% from approximately S\$2.5 million for the year ended 31 December 2015 to S\$3.0 million for the year ended 31 December 2016.

Our net profit margin also slightly increased from approximately 8.4% for the year ended 31 December 2015 to approximately 9.9% for the year ended 31 December 2016. The increase in net profit margin for the year was mainly attributable to (i) net other income being recognised for the year ended 31 December 2016, whereas net other expenses were recognised for the year ended 31 December 2015; and (ii) a decrease in income tax expense for the year.

SUMMARY

Highlights of combined statements of financial position

	At 31 December	
	2015	2016
	S\$'000	S\$'000
Total non-current assets	5,448	6,715
Total current assets	18,378	19,592
Total current liabilities	14,197	16,327
Total liabilities	14,503	16,510
Total assets less current liabilities	9,629	9,980
Net current assets	4,181	3,265
Net assets	9,323	9,797

Highlights of combined statements of cash flows

	Years ended 31 December	
	2015	2016
	S\$'000	S\$'000
Operating cash flows before movements in working capital	3,576	3,591
Net cash generated from operating activities	2,907	7,891
Net cash used in investing activities	(286)	(96)
Net cash used in financing activities	(1,329)	(5,032)
Net increase in cash and cash equivalents	1,292	2,763
Cash and cash equivalents at the end of year	4,252	7,015

SUMMARY OF KEY FINANCIAL RATIOS

The table below sets out certain financial ratios of our Group during the Track Record Period:

The following sets out our key financial ratios during the Track Record Period:

	As at 31 December	
	2015	2016
Profitability ratios		
Return on equity ⁽¹⁾ (%)	26.8	30.4
Return on total assets ⁽²⁾ (%)	10.5	11.3
Liquidity ratios		
Current ratio ⁽³⁾ (times)	1.3	1.2
Capital adequacy ratios		
Gearing ratio ⁽⁴⁾ (%)	25.0	21.4
Interest coverage ratio ⁽⁵⁾ (times)	126.1	89.7

Notes:

- Return on equity is calculated by dividing profit for the year by total equity at the end of the respective years and multiplying the resulting value by 100%.
- Return on total assets is calculated by dividing profit for the year by total assets at the end of the respective years and multiplying the resulting value by 100%.
- Current ratio is calculated as total current assets divided by total current liabilities.
- Gearing ratio is calculated as total debt (summation of amount due to a director, bank borrowing and obligation under finance leases) divided by total equity and multiplied by 100%.
- Interest coverage ratio is calculated by dividing profit before finance costs and tax from continuing operations by finance costs.

SUMMARY

For details of these ratios, please refer to the section headed “Financial Information — Summary of key financial ratios” of this document.

RECENT DEVELOPMENT OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

In late April 2017, our Group was granted a letter of award in relation to construction of an industrial building as main contractor for Project Tanjong Penjuru. The contract sum of Project Tanjong Penjuru was approximately S\$7.5 million. This project is expected to commence work in around May 2017 and complete in around January 2018. As at the Latest Practicable Date, construction work for such project had not yet commenced.

DIVIDENDS

During the Track Record Period, no dividend had been paid or declared by our Company. IEPL declared and paid dividends of approximately S\$1.1 million and S\$2.5 million to the then shareholders for the two years ended 31 December 2016, respectively. After the Track Record Period, IEPL proposed a special dividend of approximately S\$4.5 million, which will be settled by setting off against the amount due from Mr. Goh. Our Directors consider that there has not been any material adverse impact on our Group’s financial and liquidity position arising out of the dividend payment as our Group continues to maintain net current assets and net assets positions after such payment.

We currently do not have a dividend policy. There is no expected or predetermined dividend payout ratio after the [REDACTED]. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group’s future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders’ approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.

Dividends may be paid only out of our Company’s distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

REASONS FOR THE [REDACTED] IN HONG KONG

Our Directors believe that our Company and its Shareholders will benefit as a whole from the [REDACTED] for the following reasons:

(i) Accelerate the implementation of our corporate strategies

Our Group is operating in a labour-intensive and capital-intensive environment, and we have spent considerable efforts in managing our financial and human resources. Most of the [REDACTED] from the [REDACTED] are expected to be dedicated to the implementation of our corporate strategies. The [REDACTED] grants our Group access to a larger investor base and additional fund-raising channels where we can promptly raise new capital from time to time, and accelerates our pace of achieving our business objective.

(ii) Promote our corporate profile and reputation

Our Group has been contemplating the growth and expansion of our business and accordingly, [REDACTED] has been considered. Our Company has never applied for [REDACTED] of our Shares in other jurisdictions including the Singapore Stock Exchange. We believed that [REDACTED] in Singapore was not conducive to our Group in terms of long-term growth and financing needs. Our Group explored other platforms and concluded that the Stock Exchange is a suitable platform given its level of internationalism, maturity in the global financial world and sufficient institutional capital and funds following listed companies in Hong Kong.

SUMMARY

Our Directors believe that the [REDACTED] on the Stock Exchange will provide an indirect complimentary advertising to raise our Group’s brand awareness and publicity on an international level, making our Company’s range of services known to new potential local and international customers for their projects in Singapore, in the hope of leading to an increase in our Company’s market share. Being a publicly traded company, the flow of information is established towards different stakeholders, including Shareholders, customers, suppliers, subcontractors and our employees. The [REDACTED] status and the public disclosure of our information will allow these parties to know ourselves better and, hence, are an effective way to promote our corporate profile as well as enhance our Group’s reputation.

In addition, our Directors also believe that customers may prefer contractors who are listed given their reputation, [REDACTED] status, public financial disclosures and general regulatory supervision by relevant regulatory bodies. Given the continuing expansion plans of our Group, the [REDACTED] would give us an additional fund raising option by issuance of Shares. Therefore, although our Group has a strong financial position during the Track Record Period, the publicity from the [REDACTED] would be beneficial to our Group. Our Directors have confirmed that to the best of their knowledge and belief, there would have been no impediments to our Company if we were to list on the Singapore Stock Exchange.

(iii) Facilitate capital structure’s optimisation

In choosing between debt financing and equity financing, our Directors have taken into account (i) the nature of construction industry, especially the reinforced concrete works industry in which our Group operates, where upfront cash outflow is often incurred in the early phase of our project. The early cash outflow is also expected to be in place quickly after our customer has engaged us, which would mean equity financing is a more appropriate source since funds raised from the issue of equity are a committed source of fund and does not entail a maturity date; (ii) debt financing from banks or financial institutions normally require the pledge of properties or other significant assets, which our Group lacks or does not require for our operation; and (iii) debt financing and equity financing are not mutually exclusive, but our Group is expected to have a better position to negotiate with banks and financial institutions if we are a listed company with enlarged equity and financial capital base. Our Directors further believe that the [REDACTED] would broaden our shareholder base and enhance the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the [REDACTED]. Our Directors seek to optimise our Company’s capital structure and take the view that the [REDACTED] will give our Group the flexibility in doing so.

[REDACTED]

Our estimated [REDACTED] primarily consist of [REDACTED] commissions in addition to professional fees paid to the Sole Sponsor, legal advisers and the reporting accountant for their services rendered in relation to the [REDACTED]. Assuming the [REDACTED] is not exercised and assuming an [REDACTED] of [REDACTED] per Share, being the mid-point of our indicative price range for the [REDACTED] stated in this document, the total [REDACTED] will be [REDACTED] (equivalent to [REDACTED]), of which approximately [REDACTED] (equivalent to [REDACTED]) is directly attributable to the [REDACTED] and is expected to be capitalised after the [REDACTED]. The remaining amount of approximately [REDACTED] (equivalent to [REDACTED]) is expected to be charged to the Company’s combined statements of comprehensive income for the year ending 31 December 2017. During the Track Record Period, we did not incur any [REDACTED]. The estimated [REDACTED] are subject to adjustments based on the actual amount incurred or to be incurred.

THE [REDACTED] STATISTICS

	Based on the minimum indicative [REDACTED] of [REDACTED] per [REDACTED]	Based on the maximum indicative [REDACTED] of [REDACTED] per [REDACTED]
Market capitalisation of our Shares (<i>Note 1</i>)	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted combined net tangible assets of our Group per Share (<i>Note 2</i>)	[REDACTED] (equivalent to approximately [REDACTED])	[REDACTED] (equivalent to approximately [REDACTED])

SUMMARY

Notes:

1. The calculation of the market capitalisation of our Shares is based on [REDACTED] Shares in issue immediately after completion of the [REDACTED] but does not take into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued pursuant to [REDACTED].
2. The unaudited pro forma adjusted combined net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this document for further details.

FUTURE PLANS AND [REDACTED]

Our Directors estimate that the [REDACTED] from the [REDACTED] (after deducting the [REDACTED] commission and estimated expenses payable by our Company in connection with the [REDACTED], but assuming the [REDACTED] is not exercised) will be approximately [REDACTED] (equivalent to approximately [REDACTED] based on the [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range between [REDACTED] and [REDACTED] per [REDACTED])). We intend to apply the [REDACTED] as follows:

Plans	From the Latest Practicable Date to 31 December 2017 <i>HK\$'000</i>	For the six months ending		Total <i>HK\$'000</i>	Approximate % of [REDACTED]
		30 June 2018 <i>HK\$'000</i>	31 December 2018 <i>HK\$'000</i>		
Acquiring property for our dormitory and cut and bend factory	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Renovating the new dormitory and cut and bend factory	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Purchasing one single production line of cut and bend system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The remaining [REDACTED], approximately [REDACTED]% of the [REDACTED], will be used as our Group’s general working capital. For details, please refer to the section headed “Future Plans and [REDACTED]” of this document.

RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in its operations, some of which are beyond our Group’s control. Our Group has categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to the [REDACTED]. Some of the major risks generally associated with our business include the following:

- Our revenue was primarily generated from contracts awarded by our top five customers and any significant decrease in the number and/or the contract amount of projects with our major customers and any liquidity problems of our major customers may materially and adversely affect our financial condition and operating results.
- Our revenue is mainly derived from projects which are non-recurring in nature and our Group may not be able to secure new customers or projects continuously.
- Tender prices may not reflect the actual construction costs involved. The profitability and revenue of our Group vulnerable to fluctuations in material costs and subcontracting costs.
- Failure to provide timely and quality services could materially affect our financial performance as well as tarnish our reputation.
- We could be negatively affected by the performance by our subcontractors.
- Our operations may subject us to claims or we are exposed to litigation or dispute.

SUMMARY

- Our workforce is largely made up of foreign workers and any adverse change in the government policies in relation to foreign workers could materially affect our operations and financial performance.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had the following non-compliance incidents: (i) failure to submit accounts and tax computation; (ii) failure to timely repatriate foreign ex-employees; (iii) failure to ensure health and safety of a worker; (iv) failure to submit incident reports of work injury in a timely manner; (v) late payment of CPF contribution; (vi) not holding annual general meetings within the stipulated time; (vii) failure to pay salary to workers in a timely manner; and (viii) failure to obtain a clearance certificate from Public Utilities Board before commencement of work. For details of our non-compliance, please refer to the section headed “Business — Regulatory non-compliance” of this document.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there had been no material adverse change in the financial or trading or prospects of our Group since 31 December 2016, being the date to which our latest audited financial information was prepared, and there had been no event since 31 December 2016 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Group prepared by the Reporting Accountants set out in Appendix I to this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Amber Capital”	Amber Capital Holdings Limited, a company incorporated in the BVI with limited liability on 7 March 2017, one of our Controlling Shareholders and owned as to 96.77% by Mr. Goh and 3.23% by Ms. Tan
“[REDACTED]”	the [REDACTED] and [REDACTED] or, where the context requires, any of them, relating to the [REDACTED]
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on [●] 2017, which will become effective on the [REDACTED], and as amended, supplemented and otherwise modified from time to time, a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“BCA”	the Building and Construction Authority of Singapore, a statutory board under the Ministry of National Development of Singapore
“bizSAFE”	bizSAFE is a five-step programme which assists companies to build up their workplace safety and health capabilities in order to achieve quantum improvements in safety and health standards at the workplace, and organised under the Workplace Safety and Health Council of Singapore
“BLS”	the Builders Licensing Scheme of BCA, which aims to promote professionalism among builders by requiring them to meet minimum standards of management, safety record and financial solvency
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands

DEFINITIONS

“[REDACTED]”	the issue of [REDACTED] to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — A. Further Information about Our Company — 4. Resolutions in writing of our sole Shareholder passed on [●] 2017” in Appendix IV to this document
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)
“CCASS Operational Procedures”	the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“CEO”	the chief executive officer of our Company
“Chairman”	the chairman of our Board
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Indigo Star Holdings Limited (靛藍星控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2017

DEFINITIONS

“Compliance Adviser”	Guotai Junan Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under SFO
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this document, refers to Amber Capital, Mr. Goh and Ms. Tan or, where the context so requires, any one of them. The shareholding of each of our Controlling Shareholders in our Company immediately following completion of the Reorganisation, the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme) are set out in the section headed “History, Reorganisation and Group Structure” in this document
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Corporate Governance Code”	Appendix 15 to the GEM Listing Rules as amended, supplemented or otherwise modified from time to time
“CPF”	Central Provident Fund of Singapore, a comprehensive social security system for Singapore citizens and permanent residents
“CRS”	Contractors Registration System of BCA, which serves the construction and construction-related procurement needs of the public sector including government ministries and statutory boards. Companies wishing to participate in construction tenders or as subcontractors for the public sector are required to register under this system
“Deed of Indemnity”	the deed of indemnity dated [●] 2017 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding certain indemnities as more particularly set out in the section headed “Statutory and General Information — E. Other Information — 1. Estate duty/other indemnity” in Appendix IV to this document
“Deed of Non-competition”	the deed of non-competition undertakings dated [●] 2017 entered into by each of our Controlling Shareholders in favour of our Company (for itself and as trustee for our subsidiaries), as more particularly set out in the section headed “Relationship with Controlling Shareholders” of this document
“Director(s)”	the director(s) of our Company

DEFINITIONS

“Euromonitor”	Euromonitor International Limited, an independent market research company
“Euromonitor Report”	an independent market research report prepared by Euromonitor and commissioned by our Company, the content of which is quoted in this document
“FWL”	Foreign Worker Levy, which is a pricing mechanism to regulate the number of foreign workers (including foreign domestic workers) in Singapore
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our existing subsidiaries, our existing subsidiaries
“[REDACTED]”	[REDACTED]
“HDB”	the Housing & Development Board of Singapore, which is Singapore’s public housing authority and a statutory board under the Ministry of National Development of Singapore
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards (which include HKAS) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	[REDACTED], the branch share registrar and transfer office of our Company in Hong Kong

DEFINITIONS

“Hong Kong Government”	the Government of Hong Kong
“IAS”	International Accounting Standards
“IBCPL”	Interno Building Construction Pte. Ltd., a company incorporated in Singapore with limited liability on 17 September 2014 and beneficially and wholly owned by Mr. Goh immediately prior to its application for striking off in January 2017
“ICPL”	Interno Construction Pte. Ltd., a company incorporated in Singapore with limited liability on 3 September 2013 and a wholly-owned subsidiary of our Company
“IEPL”	Interno Engineering (1996) Pte. Ltd., a company incorporated in Singapore with limited liability on 17 December 1996 and a wholly-owned subsidiary of our Company
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected person(s) of our Company
“Indigo Link”	Indigo Link Holdings Limited, a company incorporated in the BVI with limited liability on 10 March 2017 and a wholly-owned subsidiary of our Company
“ISO 14001:2004”	an environmental management system standard that maps out a framework that a company or organisation can follow to set up an effective environmental management system, to provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved
“ISO 9001:2008”	a quality management system standard that is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement
“Joint Operator”	a construction company incorporated in Singapore with which our Group entered into a joint operation responsible for the share of formwork erection part of Project Tanjong Pagar Mixed Development
“Latest Practicable Date”	20 April 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
“[REDACTED]”	the [REDACTED] of our Shares on GEM

DEFINITIONS

“[REDACTED]”	the date, expected to be on or about [REDACTED] on which dealings in our Shares first commence on GEM
“[REDACTED]”	the [REDACTED] of the Stock Exchange
“LTA”	the Land Transport Authority of Singapore, which is responsible for planning, operating and maintaining Singapore’s land transport infrastructure and systems, a statutory board under the Ministry of Transport of Singapore
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on [●] 2017, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this document
“MOM”	Ministry of Manpower of Singapore
“Mr. Goh”	Mr. Goh Cheng Seng (吳進順), our founder, Chairman, CEO, one of our executive Directors and Controlling Shareholders, the managing director of IEPL and the spouse of Ms. Tan
“MRT”	Mass Rapid Transit, the railway system of Singapore
“Ms. Tan”	Ms. Tan Soh Kuan (陳素寬), one of our executive Directors and Controlling Shareholders, and the spouse of Mr. Goh
“Ms. Wu”	Ms. Wu Wei Ling (鄔慧玲), one of the shareholders and directors of ICPL immediately before the Reorganisation
“MYE”	Man-Year Entitlements work permit allocation system, setting out the requirements for hiring workers in construction and process sector workers from non-traditional source countries and China
“[REDACTED]”	the final [REDACTED] per [REDACTED] (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) which will be not more than [REDACTED] per [REDACTED] and is expected to be not less than [REDACTED] per [REDACTED] at which the [REDACTED] are to be offered for subscription pursuant to the [REDACTED], to be determined as further described in the section headed “Structure and Conditions of the [REDACTED]” in this document
“[REDACTED]”	the [REDACTED] and the [REDACTED]

DEFINITIONS

- “[REDACTED]” the option to be granted by our Company to the [REDACTED] under the [REDACTED] to require our Company to issue up to an additional [REDACTED] at the [REDACTED], representing [REDACTED] of the number of the [REDACTED] under the [REDACTED], details of which are set out in the section headed “Structure and Conditions of the [REDACTED]” of this document
- “OHSAS 18001” an international standard setting out requirements for an occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
- “PGSC” Prowess General Service Contractor, a sole proprietorship registered in Singapore on 22 October 1991 and beneficially and wholly owned by Mr. Goh immediately prior to its dissolution in January 2017
- “[REDACTED]” the conditional [REDACTED] of the [REDACTED] by the [REDACTED] for and on behalf of our Company at the [REDACTED], as further described under the section headed “Structure and Conditions of the [REDACTED]” of this document
- “[REDACTED]” the [REDACTED] (subject to reallocation and [REDACTED]) offered for subscription by our Company at the [REDACTED] under the [REDACTED]; and a “[REDACTED]” means one of these Shares
- “[REDACTED]” the [REDACTED] of the [REDACTED] who are expected to enter into the [REDACTED] to [REDACTED] the [REDACTED]
- “[REDACTED]” the conditional [REDACTED] relating to the [REDACTED] to be entered into between, amongst others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the [REDACTED] and the [REDACTED], particulars of which are summarised in the section headed “[REDACTED] — [REDACTED] Arrangements and Expenses” in this document
- “PRC” or “China” the People’s Republic of China which, for the purpose of this document and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“[REDACTED]”	the agreement to be entered into between our Company and the [REDACTED] (for itself and on behalf of the other [REDACTED]) and our Company on or around the [REDACTED] to determine and record the [REDACTED]
“[REDACTED]”	the date, expected to be on or around [REDACTED], or such other date as may be agreed between our Company and the [REDACTED] (for itself and on behalf of the other [REDACTED]), on which the [REDACTED] is determined by entering into the [REDACTED]
“Project Amkor”	a construction project undertaken by our Group and located at Science Park Drive, Singapore
“Project Jalan Buroh”	a construction project undertaken by our Group and located at Jalan Buroh, Singapore
“Project Jalan Pemimpin”	a construction project undertaken by our Group and located at Jalan Pemimpin, Singapore
“Project Jurong Island”	a construction project undertaken by our Group and located at Merliman Road, Singapore
“Project Micron”	a construction project undertaken by our Group and located at Admiralty, Singapore
“Project New State Courts”	a construction project undertaken by our Group and located at Havelock Square, Singapore
“Project Orchard Station”	a construction project undertaken by our Group and located at Orchard MRT Station and tunnels for Thomson-East Coast Line, Singapore
“Project Outram Community Hospital”	a construction project undertaken by our Group and located at Jalan Bukit Merah, Singapore
“Project Paya Lebar Central”	a construction project undertaken by our Group and located at Paya Lebar Road, Singapore
“Project Sengkang General Hospital 1”	a construction project for the ground floor and above level undertaken by our Group and located at Sengkang East Road, Singapore
“Project Sengkang General Hospital 2”	a construction project for the basement level undertaken by our Group and located at Sengkang East Road, Singapore
“Project SICC”	a construction project undertaken by our Group and located at Sime Road, Singapore

DEFINITIONS

“Project Tanjong Pagar Hotel”	a construction project undertaken by our Group and located at Peck Seah Street/Choon Guan Street, Singapore
“Project Tanjong Pagar Mixed Development”	a construction project undertaken by our Group and located at Peck Seah Street/Choon Guan Street, Singapore
“Project Tanjong Penjuru”	a construction project undertaken by our Group and located at Tanjong Penjuru, Singapore
“[REDACTED]”	the issue and [REDACTED] of the [REDACTED] for subscription by the public in Hong Kong for cash at the [REDACTED] on and subject to the terms and conditions stated in this document and in the [REDACTED] as further described in the section headed “Structure and Conditions of the [REDACTED]” of this document
“[REDACTED]”	the [REDACTED] new Shares (subject to reallocation) initially being [REDACTED] by our Company for subscription in the [REDACTED], as described in the section headed “Structure and Conditions of the [REDACTED]” of this document
“[REDACTED]”	the [REDACTED] of the [REDACTED] whose names are set out in the section headed “[REDACTED] — The [REDACTED]” of this document
“[REDACTED]”	the [REDACTED] dated [●] 2017 relating to the [REDACTED] entered into between, amongst others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED], details of which are set forth in the section headed “[REDACTED] — [REDACTED] and Expenses — The [REDACTED] — [REDACTED]” of this document
“Reorganisation”	the corporate reorganisation of our Group in preparation for the [REDACTED], details of which are set out in the section headed “History, Reorganisation and Group Structure — Reorganisation” of this document
“S\$”	Singapore dollars, the lawful currency of Singapore
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company

DEFINITIONS

“Shareholder(s)”	holder(s) of our Share(s)
“[REDACTED]”	the [REDACTED] and the [REDACTED]
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on [●] 2017, a summary of the principal terms of which is set out under the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this document
“Singapore”	The Republic of Singapore
“Singapore Legal Advisers”	Rajah & Tann Singapore LLP, the legal advisers to our Company as to Singapore laws
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Sole Sponsor”	Guotai Junan Capital Limited, being the sole sponsor to the [REDACTED] and a corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activity as defined in the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, for the purpose of this document, refers to our Shareholders disclosed in the section headed “Substantial Shareholders” of this document or, where the context so requires, any one of them
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the two financial years ended 31 December 2015 and 31 December 2016
“[REDACTED]”	the [REDACTED] and the [REDACTED]
“[REDACTED]”	the [REDACTED] and the [REDACTED]
“US\$”	United States dollars, the lawful currency of the United States of America
“[REDACTED]”	the [REDACTED] to be completed by applicants who want the [REDACTED] to be allotted and issued in their names in accordance with the instructions in the section headed “How to Apply for the [REDACTED]” of this document
“Work Injury Compensation Act” or “WICA”	the Work Injury Compensation Act (Chapter 354 of the laws of Singapore), as amended, supplemented or otherwise modified from time to time
“WSHA”	the Workplace Safety and Health Act, Chapter 354A of Singapore
“[REDACTED]”	the [REDACTED] to be completed by applicants who want the [REDACTED] to be allotted and issued in the name of HKSCC Nominees and deposited directly into CCASS in accordance with the instructions in the section headed “How to Apply for the [REDACTED]” of this document
“%”	per cent

DEFINITIONS

Unless otherwise specified, all references to any shareholding in our Company in this document assume no Shares are allotted and issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme.

Unless otherwise stated, the conversion of S\$ into HK\$ in this document is based on the exchange rate of S\$1.00 to HK\$5.54. Such conversions shall not be construed as representations that amounts in HK\$ will be or may have been converted into S\$ at such rates or any other exchange rates, or vice versa.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown in total in certain tables may not be the arithmetic aggregation of the figures preceding them.

If there is any inconsistency between this document and the Chinese translation of this document, this document shall prevail.

GLOSSARY

This glossary contains explanations of certain terms used in this document in connection with our Group and our business. Some of these terms may not correspond to standard industry definitions.

“CAGR”	compound annual growth rate
“main contractor”	in respect of a construction project, a contractor appointed by the project employer’s construction consultant, who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other contractor
“sq.m.”	square metres
“subcontractor”	in respect of a construction project, a subcontractor appointed by the main contractor or another subcontractor involved in the construction, who generally carries out specific work tasks of the construction
“variation order(s)”	such additional works, omissions or changes requested by the customer for specifications not included in the original contract

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements which are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- (a) our business prospects, operating strategies and plans of operation;
- (b) our contracts on hand;
- (c) our capital expenditure plans;
- (d) the amount and nature of, and potential for, future development of our business;
- (e) our operations and business prospects;
- (f) our overall financial condition and performance;
- (g) our ability to reduce costs;
- (h) fluctuation in the prices of raw materials and our Group's ability to pass through any increases in price to customers;
- (i) our Group's ability to hire and retain talented employees;
- (j) our dividend policy;
- (k) our planned projects;
- (l) various business opportunities that our Group may pursue;
- (m) the regulatory environment of our industry in general and restrictions that may affect the industry in which we operate;
- (n) the general industry outlook, competition for our business activities and future development in our industry;
- (o) the global and domestic economy;
- (p) macroeconomic measures taken by the Singapore government to manage economic growth and general economic trends in Singapore;
- (q) general political and economic conditions in Singapore, Hong Kong and overseas;
- (r) other statements in this document that are not historical facts;
- (s) realisation of the benefits or our future plans and strategies; and
- (t) other factors beyond our control.

FORWARD-LOOKING STATEMENTS

The words "aim", "anticipate", "believe", "consider", "continue", "could", "estimate", "expect", "intend", "may", "might", "ought", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

In this document, statements of or references to our intentions or those of our Directors are made as of the date of this document. Any such information may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this document including the risks and uncertainties described below before making an investment in the [REDACTED]. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

Our Group considers that certain risks are involved in its business and operations as well as in connection with the [REDACTED]. Such risks can be categorised into: (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS

Our revenue was primarily generated from contracts awarded by our top five customers and any significant decrease in the number and/or the contract amount of projects with our major customers and any liquidity problems of our major customers may materially and adversely affect our financial condition and operating results

A significant portion of our revenue was derived from projects awarded by our top five customers during the Track Record Period. Our top five customers accounted for approximately 97.3% and 96.6% of our revenue for the two years ended 31 December 2016 respectively. For the same period, our largest customer accounted for approximately 44.4% and 42.3% of our revenue respectively.

There is no guarantee that our Group will be able to continually obtain contracts or secure contracts of considerable amounts from our major customers in the future. If there is a significant decrease in the number and/or the contract amount of projects with our major customers, and we are unable to secure projects of a comparable scale from new customers as a replacement, the business, financial condition and results of operations may be adversely affected.

In addition, in the event that our major customers, comprising mostly main contractors and some project developers, experience any liquidity problems, delays or defaults in making payments to us may be caused, which may materially and adversely affect the business, financial position and prospects of our Group. For details of our major customers, please refer to the section headed "Business — Customers" of this document.

Our revenue is mainly derived from projects which are non-recurring in nature and our Group may not be able to secure new customers or projects continuously

Our contracts are mainly project-based and the work projects are largely non-recurring in nature. Hence, it is crucial that our Group is able to secure new projects of similar or larger value or a similar number of projects on a continual basis. The duration of our work projects relating to steel reinforcement works, formwork erection and concrete works typically ranges from six to 48 months. As our revenue is mainly derived from projects which are non-recurring in nature, there is no assurance that we will be able to secure new customers or new projects from our existing customers. To secure new contracts, our Group has to go through a competitive tendering or quotation process. In the event that we

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are unable to maintain business relationships with our existing customers or secure contracts with new customers, our revenue will be adversely affected, which will adversely affect the financial performance of our Group.

In addition, we obtain our major projects primarily through the tendering process whereby we submit a tender document specifying the general terms of the contract to be entered into between us and our potential customer together with other necessary tendering requirements. During the Track Record Period, our Group's success rates of bidding for contracts as a subcontractor with sum exceeding S\$1 million from invited tenders were approximately 18.2%, 13.3% and nil for the two years ended 31 December 2016 and the period from 1 January 2017 to the Latest Practicable Date, respectively. There is, however, no assurance that we will succeed in the tender process or maintain comparable success rates in the tender process in the future.

So far as our Directors are aware, most of our customers maintain an evaluation system with respect to their tenders to ensure that their subcontractors meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance, which may change from time to time. If a subcontractor receives a poor safety performance review or an accident due to the subcontractor's negligence, an unsatisfactory feedback in the evaluation may be resulted, which may affect the subcontractor's success rates of bidding for contracts from tenders. Further, in serious cases, the subcontractor's qualifications may be suspended and during the suspension period, the contractor may be prohibited from tendering for works requiring such qualifications. We cannot assure you that our overall score under the evaluation system maintained by our customers will not decrease. The decrease in such score may be due to fatal accidents in our projects or material breaches of any applicable law. In the event that these incidents happen, our Group may not be granted any tender, which will in turn materially and adversely affect our business operations, financial results, profitability and prospects.

Our success depends on our key personnel and our ability to attract, motivate and retain a sufficient number of competent or qualified employees

Our Group is dependent on our executive Directors for various key aspects of our business, including but not limited to, project management and on-site supervision, maintenance of customer relationships as well as sales and marketing. Mr. Goh and Ms. Tan, both being our executive Directors, have been with our Group for over 20 years and they are supported by a team of senior management personnel equipped with ample practical experience ranging from 18 to 35 years and the requisite industry expertise in the construction industry. In addition to our senior management, our Group is equipped with a team of experienced and professional technical staff comprising the approved person, technical controllers, engineers and quantity surveyors, who all play an essential role in the operations of our construction work. As such, our Group's success and growth therefore depend to a large extent on our ability to hire and retain competent, skilled and qualified key personnel. If any of our executive Directors or any member of our key personnel ceases to be involved in our Group in the future and we are unable to locate a suitable replacement in a timely manner, our overall management and administration and implementation of our business development strategies may be negatively affected, thereby producing an adverse impact on the overall business, operations and financial performance of our Group.

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Tender prices may not reflect the actual construction costs involved. The revenue and profitability of our Group are vulnerable to fluctuations in material costs and subcontracting costs

Most of the contracts with our customers have a pre-determined and fixed fee or fixed unit rates throughout the contract period and price adjustment is often not allowed. Accordingly, we generally have to bear the risk of cost fluctuations, which arises mainly due to the actual manpower required and, to a certain extent, the material construction costs incurred. The fixing of the contract fees for the purpose of submitting our tender or quotation is largely based on our estimation of project costs, which mainly comprise labour costs, material costs and subcontracting costs. After we enter into an agreement with a customer, we will then start to recruit enough manpower, in particular foreign workers procure the necessary materials and engage subcontractors, if necessary. There is normally a time lapse between the submission of the tender or quotation and the procurement of materials and the hiring of a subcontractor. For details of the operation of our projects, please refer to the section headed “Business — Operation Process” of this document. There is no assurance that the actual time and costs to be involved would be within our budget. Any inaccurate estimation of the amount of time and costs to be involved in completing a project may be affected by various factors, including unexpected significant increase in manpower and associated labour costs, material costs, unforeseen site conditions, accidents, departure of key management personnel, adverse weather conditions, labour strikes and non-performance by our subcontractors. Should there be any material inaccurate estimation of the amount of time, manpower and costs involved, delays in completing a project and/or cost overruns may be caused, thereby materially and adversely affecting the financial condition, profitability and liquidity of our Group.

Failure to provide timely and quality services could materially affect our financial performance as well as tarnish our reputation

Our Group’s revenue is recognised on the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract and billing is based on monthly progress claims. Thus, a delay in completion of an entire project or a particular stage of a project will affect our billings, revenue, operational cash flows as well as financial performance. Delays may result from a number of factors, including but not limited to, a shortage of labour or machinery, major machinery downtime, late delivery of materials, delayed completion by our subcontractors, adverse weather conditions, or factors attributable to the main contractor of the construction projects. Despite the delays, we are still required to pay our workers, suppliers and subcontractors as long as they have fulfilled their contractual obligations. As such, our operational cash flows will be affected. Any of the above-mentioned factors may cause serious disruptions to our operations and delays in completing our work. In the event that our Group fails to complete our work on schedule as specified in the contracts or as required by our customers and the delay is caused by us, we are liable to pay our contracting parties for the liquidated damages stipulated in the contracts. The payment of damages would have an adverse impact on the business, financial condition and results of operations of our Group.

In addition, our Group has built up our reputation over the years, which we believe, play a crucial role in securing projects and attracting new customers. To maintain our reputation, we have to continue to provide quality services for our customers apart from on-time delivery of our works. Provision of such services relies upon a number of factors, including but not limited to, adequate manpower, efficient machinery operation, punctual delivery of materials and proper performance of our subcontractors. If we

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are not able to continue to provide quality services in the future or our customers are no longer satisfied with the quality of the services our Group provides, our reputation would be tarnished, which will in turn negatively impact our business, financial condition and results of operations of our Group.

Our short-term revenue and profitability may not be indicative of the long-term results of operations

Our Group's revenue from the ongoing projects may be recognised across financial years according to the percentage of progress of each project to be made in the particular financial year. There is a possibility that the progress payment of a project is remarkably higher for a certain financial year, reflecting a better short-term result for that particular financial year. Hence, there is no assurance that our short-term revenue recognition and profitability will be indicative of our long-term results of operations.

Our Group's business is dependent on the continuous provision of supplies and services by our suppliers

Our Group does not enter into any long-term contracts with our suppliers and therefore there is no assurance that they will be able to continue to provide us with materials, supplies and services at prices acceptable to our Group in the future. Despite the fact that certain construction materials are provided by our customers in most of our contracts, we are still required to supply materials in some of our projects, in particular those involving formwork erection. Moreover, our Group is highly dependent on the provision of accommodation for our foreign workers by dormitory providers. In the event that any of our major suppliers is unable to provide the required materials, supplies or services to our Group and we are not able to seek alternative providers on similar terms or terms more favourable to us, or the costs of supplies or services provided by our suppliers increase substantially, our business, results of operations, financial performance may be adversely affected.

During the Track Record Period, our five largest suppliers (excluding our subcontractors) accounted for approximately 44.7% and 80.5% of our total supplies for the two years ended 31 December 2016 respectively.

We could be negatively affected by the performance by our subcontractors

Our Group engages subcontractors from time to time to provide various services for our construction projects. During the Track Record Period, the subcontracting charges accounted for approximately 23.9% and 22.8% of our total direct costs for the years ended 31 December 2016, respectively. There is no assurance that we are able to keep track of the performance of our subcontractors as directly and efficiently as with our own staff. Nor can we ensure that they will be able to complete their scope of work pursuant to the contract on schedule. Moreover, as our subcontractors do not have any direct contractual relationships with our customers, we, being a contractual party in the contracts with our customers, are obliged to bear the risks of any non-performance, late performance or delivery of poor quality works from our subcontractors. Should a subcontractor fail to provide services as contractually required by our customers, we may need to source for these services on a delayed basis or at a higher price than estimated. As a result, if the performance of our subcontractors does not meet the standard or contractual requirements, we may experience deterioration in the quality of our services,

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incur additional costs, and/or be exposed to liability in relation to their performance, which may have impact on our profitability, financial performance and reputation, or even result in litigation or damages claims.

In addition, our Group is also subject to claims arising from defective work performed by our subcontractors. In the event that the works performed by our subcontractors are not to the satisfaction of our customers, we may be required to compensate them. In return, we will claim our subcontractors for compensation. However, if no corresponding claim can be asserted against our subcontractors, or the amounts we compensate for our customers cannot be recovered in full or at all from our subcontractors, we may be required to bear some or all the costs of the claims despite the fact that the defective work is caused by our subcontractors. This could adversely affect the business, financial position, results of operations and prospects of our Group.

Failure to collect our receivables or receive the retention monies on time and in full may affect our liquidity position

Our Group prepares and submits monthly progress claims to our customers in respect of the value of the work we have performed for the preceding month. Subject to our customers' confirmation, we will then issue the invoices with the credit term stipulated in the respective contracts. Our normal practice is that 5% or 10% of each of the certified amounts (but subject to a maximum of 5% or 10% of the contract sum) is withheld by our customers as retention monies, of which half will be released upon agreement of the final accounts between our customer and us and the remaining half will be released upon completion of our past of works, upon completion of the works under the main contract or upon expiration of the defects liability period as stipulated in our contract with our customer or in the main contract of the relevant project. Generally, the defects liability period lasts for up to 18 months from the date of completion for our projects as subcontractor. As for the projects in which we act as a main contractor, the defects liability period lasts for 12 months from the date of completion.

As at 31 December 2015 and 31 December 2016, our Group's retention sum receivables were approximately S\$3.8 million and S\$5.6 million, respectively, accounting for approximately 29.5% and 82.4% of our trade and retention sum receivables for the corresponding periods. Should any of our customers delay the payment of, or fail to release our retention monies as agreed, our cash flow and working capital positions may be materially and adversely affected even though we are able to recover the amount accrued at a later stage, which has to undergo a time-consuming recovery process. Besides, if any disputes over retention monies arise, additional financial and other resources may be incurred.

During the Track Record Period, except for the provision of impairment loss for the retention sum receivables of S\$225,000 recognised for the year ended 31 December 2015, our Group had not encountered any material delay or default in progress payment and retention monies by our customers. However, there can be no assurance that we will suffer no such delay or default in the future. Besides, the risk in relation to the collectability of our trade and retention sum receivables is either uninsurable or not cost-justifiable, which could affect the financial position of our Group.

Our cash flows may fluctuate due to the payment practice applied to our projects

Our construction projects normally incur net cash outflows in the initial stage of carrying out our works when we are required to pay for the setting up, wages for workers, accommodation costs, purchase of construction materials and consumables, hiring of subcontractors, and commencement of

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works. As the works proceed, our customers settle the progress payments at various stages, which will move gradually from net cash outflows at the early stage to accumulative net cash inflows. Our Group undertakes a number of projects at any given period and therefore we could offset the cash inflow of certain projects against the cash outflow of other ones. However, should the mix of our projects be such that more upfront for the abovementioned expenses are in the initial stage, our Group's corresponding cash flow position may be adversely affected.

Our operations may subject us to claims or we are exposed to litigation or dispute

Our Group is primarily engaged in the provision of services in relation to steel reinforcement works, formwork erection and concrete works. Claims may be made against us by various parties, including our customers, suppliers, subcontractors or other third parties. Claims against us by our customers may involve substandard works, unfinished work or delay in completion of contracts, casualties, property damages or breach of warranties which may result in us incurring liquidated damages under the terms of the contracts with our customers. Claims may also arise after disputes with our suppliers and subcontractors due to factors such as delay in making payments and provision of substandard products or services. These claims could result in time-consuming and costly litigation, arbitration, administrative proceedings or other legal procedures, which could have a material and adverse effect on the business, financial condition, results of operations and prospects of our Group. There is, however, no assurance that any outcome will be in our favour or that any dispute will be resolved in a timely manner. In addition, should any legal proceedings finally result in an unfavourable judgment or findings, our reputation would be undermined, which may cause instant financial losses to our Group and ruin our prospects of winning contracts in the future. Failure to secure adequate payments in time or manage past due debts effectively could materially and adversely impact the business, financial condition and liquidity position of our Group.

The insurance coverage of policies maintained by our customers, acting as main contractors, and us may be insufficient to cover all losses or potential claims arising in the course of operations

Any of our employees who has suffered an injury arising out of and in the course of employment has two options to make a claim. He can choose to either submit a claim under the Work Injury Compensation Act for compensation through MOM without having to prove negligence or fault of anyone's part or commence legal proceedings to claim damages under common law against his employer or a third party for breach of duty or negligence. Pursuant to the Work Injury Compensation Act, an injured employee (or the deceased's family/dependant in the case of death) is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death, subject to certain stipulated limits. Damages under a common law claim are usually more than an award claimed under the Work Injury Compensation Act and may include compensation for pain and suffering, loss of wages, medical expenses and any future loss of earnings. We may be liable for the injuries sustained by the employees of our subcontractors during the course of the work we are engaged as a main contractor. Furthermore, we may face claims from third parties from time to time, including those who suffer personal injuries at the sites where we provide services.

RISK FACTORS

Our Group has maintained the requisite insurance policies pursuant to Singapore laws and regulations. When we act as a subcontractor of a project, the work injury compensation policy and the contractors' all risks policy are generally taken out by the main contractor. As a main contractor, like most of our customers, we have purchased the work injury compensation policy and contractors' all risks policy for the project we undertake to cover against loss of or damage to materials and third party liability for accidental bodily injury in connection with the performance of the contract. In addition, we have purchased for our foreign workers medical and hospitalisation policies, as stipulated by MOM. We have also purchased fire insurance, motor vehicle insurance and machinery and equipment all risks insurance. However, we may become subject to liabilities against losses which we are not insured (either under the insurance policies maintained by us or our main contractor customers) adequately or at all or liabilities against losses which cannot be insured. In the event that any significant property damage or personal injury occurs in our facilities or to our employees due to accidents, natural disasters or other similar events which are not covered or adequately covered by our insurance, our business may be adversely affected, potentially leading to a loss of assets, lawsuits, employees' compensation obligations or other forms of economic loss. Besides, our Group has not taken out insurance policies against losses arising from our environmental liabilities, work stoppages, civil unrest or other activities. Such insurance is not compulsory pursuant to Singapore laws and regulations. Should we purchase such additional insurance, our Group would incur additional costs for our business operations.

During the Track Record Period, our Group had paid medical expenses and/or employees' compensation claims with an aggregate settlement amount of approximately S\$85,000. All of these claims were in relation to personal injuries of our employees or ex-employees. Substantially all claims arising from work injuries took place up to the end of Track Record Period were within the limit of claims under the insurance policies maintained by our main contractor customers or us. Nevertheless, our compensation to a work injury which took place in May 2015 already exceeded the limit of the claim under the relevant insurance policies by approximately S\$28,000 which were borne by our Group.

As at the Latest Practicable Date, we had two common law claims, which had not been brought before the relevant courts in Singapore, in relation to work-related accidents involving foot fracture and mouth injury. The claim amount of these two work-related common law claims had not been finalised. For details of our employees' compensation claims since the Track Record Period, please refer to the section headed "Business — Occupational Health and Safety — Employees' compensation claims" of this document.

Our Group does not maintain insurance policies against all risks associated with our business, either because our Directors have deemed it commercially unfeasible to do so, or the risk is minimal. For example, insurance covering losses from acts of war, terrorism, epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks is either uninsurable or not cost-justifiable. Our Group believes that insurance coverage of policies maintained by our customers, acting as main contractors, and us is generally sufficient to meet the needs of our operations and appropriate for our risk profile as well. However, we cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. If we face any operating risks arising from the above-mentioned events in relation to either the inadequate insurance coverage or the failure to take out a relevant insurance policy, we may bear a substantial cost, which could have a material adverse effect on our business. There is no assurance that we can renew our policies or renew them on similar or other

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acceptable terms in the future. Should we suffer unexpected substantial losses or losses that far exceed the policy limits or that are not insured, our business, financial condition and results of operations may be materially and adversely affected.

Our workforce is largely made up of foreign workers and any adverse change in the government policies in relation to foreign workers could materially affect our operations and financial performance

Given that the local construction workforce is limited in supply and hence more costly, our business is highly dependent on foreign workers. Any shortage in the supply of foreign workers, any increase in the FWL for foreign workers or any restrictions on the number of foreign workers we can employ for our construction works (including those imposed by MOM for regulatory non-compliances and disputes in salary claims), will adversely affect our business operations as well as our financial performance.

The supply of foreign workers in Singapore is subject to the policies and regulations imposed by the MOM. In respect of each construction project, the MOM imposes a quota, in terms of MYE, on the number of foreign workers which the main contractor (or via its subcontractors) can employ for the entire project. Being a subcontractor, we negotiate with our main contractor and make a request before the commencement of the construction work for the MYE to be needed to complete our works. Furthermore, dependency ceilings are also applied to limit the number of foreign workers that a construction company can hire based on its pool of local workers. For details of MYE and dependency ceilings, please refer to the section headed “Regulatory Overview”. Any tightening of such quota (either under MYE or dependency ceilings) could affect our operations and hence our financial performance. In addition, any changes in the policies regarding the countries of origin of foreign workers may also affect the supply of foreign workers, which may force us to employ local workers at higher costs or cause disruptions to our operations or delays in the completion of our projects.

Further, the MOM imposes the FWL for foreign workers, which is subject to changes as and when announced by the government of Singapore. For example, the FWL for basic skilled workers under the construction sector who are on MYE will increase from S\$650 to S\$700 from 1 July 2017. Any increase in the FWL will increase our operating expenses, thereby affecting the financial performance of our Group.

Our Group’s business operations involve inherent industrial risks and occupational hazards and the materialisation of such risks may tarnish our reputation as well as affect our financial results

We are faced with certain inherent industrial risks and occupational hazards, which may not be eliminated through the implementation of safety measures. Our construction workers participate in activities which may present risks of bodily harm and dangers, which include dismantling of formwork, lifting, cutting and bending of steel reinforcement, working with sharp and/or heavy equipments, and working at height. They may have to work at height or at the construction sites. Hence, they are therefore exposed to risks related to these activities such as machinery and equipment failures, industrial accidents and fire. These risks may have a material and adverse impact on us in the future. The materialisation of any of these risks in the worst case scenario may disrupt our business operations as well as tarnish our reputation. Furthermore, the validity of our relevant qualifications and results of operations may also be affected.

RISK FACTORS

Cancellation or suspension of or failure to renew our current licences and workheads registration may affect our operations and financial performance

Our Group’s business and construction activities are regulated by BCA, which sets out the criteria to be eligible for the granting, renewal and/or maintenance of our licence i.e. our General Builder Class 1 Licence as well as registration of our workheads i.e. CW01 and CW02 workheads under the CRS. The maintenance and renewal of our licence and our workheads registration are subject to compliance with the relevant regulations of BCA, which may change from time to time, in particular, (i) minimum paid-up capital and net worth; (ii) qualified personnel with the necessary professional qualifications and practical experience; (iii) the necessary performance track records; (iv) contract profile; and (v) certification obtained. Failure to maintain or renew our current licence and CW workheads could result in restriction or prohibition of the business activities of our construction projects where we act as a main contractor, which will have a material and adverse effect on the business, financial position, results of operations and prospects of our Group.

Should we fail to comply with the applicable requirements or any required conditions to maintain our licence and workheads registration, they may be downgraded, suspended or even cancelled. When we renew such licence and registrations upon expiry, delays or refusal may occur. In cases where our Group tenders for projects in the public sector, we have to meet the minimum BCA grading level stipulated. In cases where we give quotes for projects in the private sector, our BCA gradings may be taken into consideration. As such, failure to renew or maintain our BCA gradings may reduce the number of project opportunities for our Group, which will materially and adversely impact our operations and thus our financial performance. For details, please refer to the section headed “Business — Main qualifications, licences and certifications” of this document.

The requirement to take out performance bonds to secure our due performance of construction contracts will affect our cash flows and financial position

There exists a common practice in the construction industry in Singapore that contractors often have to take out performance bonds or performance guarantees furnished by a bank or an insurance company either at a fixed sum or at a percentage of the contract value. This arrangement is to protect customers of a construction project such that the contractual performance of the contractor can be secured. Under this performance bond arrangement, should the contractor fail to perform in accordance with the requirements as agreed in the contract, the customer is guaranteed a compensation for monetary loss up to the amount of the performance bond taken out.

During the Track Record Period, approximately three of our contracts as a subcontractor and one main contract obliged us to take out performance bonds for the two years ended 31 December 2016. Yet as our Group plans to expand our business and decides to adopt a business strategy of taking on more projects, it is believed that the number of performance bonds we are required to take out for our construction contracts will be increasing in the future. As such, our ability to secure performance bonds is crucial to the expansion of our business. In the event that we are unable to take out the performance bonds as required in our contracts for any reason, our award of these contracts will be revoked owing to our failure to fulfil the conditions therein. Such revocation may materially and adversely affect our business, financial condition, results of operations and prospects.

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Further, in the event that we fail to satisfactorily complete our works as required by our customers to whom performance bonds have been given, these customers may demand that the bank or the insurance company compensate them for their losses arising from our works. Thus, our Group becomes liable to compensate the bank or the insurance company accordingly, which may adversely affect our cash flows and financial position.

Increase in the depreciation charge due to the additional capital expenditure may affect our financial performance

Our Group intends to expand our operations by investing in property for our dormitory, cut and bend factory as well as machinery and equipment for operating our cut and bend factory. The capital expenditures which our Group had incurred amounted to approximately S\$0.8 million and S\$0.2 million for the two years ended 31 December 2016, respectively. We expect to incur capital expenditures of approximately nil and S\$12.6 million for the two years ending 31 December 2018 due to the aforesaid plan. Accordingly, to our Directors' best estimation, additional depreciation is expected to be nil and S\$0.1 million for the two years ending 31 December 2018, respectively. Such additional depreciation is expected to have an adverse impact on our financial performance.

RISKS RELATING TO OUR INDUSTRY

The performance of our Group may be affected by the cyclical fluctuation in the Singapore market, in particular, the construction industry

Our Group's revenue is primarily derived from our operations in Singapore. Any unforeseen circumstances such as economic downturns or recession, natural disasters, outbreak of an epidemic and any other incidents happening in Singapore may have a material and adverse impact on our business, financial condition, results of operations and prospects.

In addition, the performance of our Group, which is heavily dependent on the construction industry in Singapore, is exposed to cyclical fluctuations. A downswing in the construction industry in Singapore may cause postponement or cancellation of our construction projects or even delays or defaults in payment of our contract fees by our customers.

The current business profile of our Group consists of a certain portion of public sector projects and it is likely that we will continue to participate in the public sector. According to the Euromonitor Report, despite an increase in the forecasted construction demand for public sector of between S\$20 billion and S\$24 billion in terms of value of contracts awarded in 2017 compared with that of approximately S\$15.8 billion in 2016, the construction demand is estimated to have a decrease to between S\$18 billion and S\$23 billion during the years 2018 to 2021. Such a decrease in the overall construction demand for public sector projects in Singapore may affect our Group's business, results of operations and prospects.

On the other hand, our Group is also involved in projects in the private sector. In case there is any economic downturn in Singapore, the overall construction demand for private sector projects may be affected, which may affect our Group's business, results of operations and prospects.

RISK FACTORS

The construction industry is highly competitive

Our Group is engaged in the construction industry and we face intense competition, with some competitors having strong manpower, adequate resources and sufficient licences and qualifications. The large number of competitors may subject us to severe downward pricing pressure, which will reduce our profit margins. Should we fail to adapt to market conditions and customer preferences effectively or offer a relatively competitive bid or quote, we may not be able to secure our existing customers or attract new customers. Further, if our competitors adopt an aggressive pricing policy or endeavour to establish relationships with our existing customers, we may not be able to secure contracts with our existing customers in the future. Our Group may also compete in other areas, including the hiring of subcontractors and qualified employees. If we fail to compete in these areas, our business, financial condition, results of operations and prospects will be materially and adversely affected.

Our inability to recruit, retain or replace skilled foreign workers may affect our business and our labour costs may increase accordingly

In accordance with the Euromonitor Report, material shortage of skilled foreign workers is one of the key risk factors in the construction industry in Singapore. Such shortage arises from a number of factors, including the tightening measures taken by the Singapore government with respect to the hiring of foreign workers and shrinking local labour force development practices. Our industry is a labour intensive one and we generally have to compete for skilled foreign workers with similar business operators whether the shortage exists or not. If we are unable to retain or replace such skilled foreign workers, we may need to increase our reliance on our subcontractors or offer a wage increase. To ensure that we can secure sufficient skilled foreign workers for our construction projects, we encourage our basic-skilled foreign workers to get upgraded to higher-skilled foreign workers to enjoy lower FWL and we can even hire them without the need to use MYE. However, despite our efforts, we cannot guarantee that we will be able to maintain sufficient skilled foreign workers necessary for the execution of our operations, nor can we guarantee that our staff costs will not increase. If either of these occurs, our business, financial condition and results of operations may be materially and adversely affected.

The operations of construction companies in Singapore are subject to compliance with a number of regulatory requirements, which may affect our operating costs and profitability

As with other similar operations, the operations of our Group are required to comply with various safety, employee protection and environmental protection laws, regulations and requirements in Singapore, among which certain material ones are summarised in the section headed "Regulatory Overview" of this document. In the event that our operations fail to meet these requirements, we may be subject to fines or other remedial measures. Further, our ability to obtain new projects in the future will be affected by any of our non-compliance with the applicable laws, regulations and requirements. Besides, our Group may incur additional costs to ensure compliance if there are any changes in the relevant requirements in the future.

RISK FACTORS

During the Track Record Period and up to the Latest Practicable Date, in the ordinary course of our business, we were involved in a number of non-compliance incidents, including failure to submit accounts and tax computation, failure to timely repatriate foreign ex-employees, failure to ensure health and safety of a worker, failure to submit incident reports of work injury in a timely manner, late payment of CPF contribution, not holding annual general meetings within the stipulated time, failure to pay salary to workers in a timely manner and failure to obtain a clearance certificate from Public Utilities Board before commencement of work. For further details of non-compliance of our Group, please refer to the section headed “Business — Regulatory Non-compliance” of this document.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

No public market for our Shares existed prior to the [REDACTED]. Following completion of the [REDACTED], the Stock Exchange will be the only market on which our Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the [REDACTED]. Moreover, we cannot assure you that our Shares will trade in the public market subsequent to the [REDACTED] at or above the [REDACTED]. The [REDACTED] is expected to be fixed by agreement among the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company, and may not be indicative of the market price of our Shares following the completion of the [REDACTED]. If an active trading market for our Shares does not develop or is not sustained after the [REDACTED], the market price and liquidity of our Shares could be materially and adversely affected.

The trading prices and volume of our Shares may be volatile, which could result in substantial losses to you

The trading prices of our Shares may be volatile and could fluctuate to a large extent in response to factors which are beyond our control, including but not limited to, variations in the level of liquidity of our Shares, changes in the estimates of our financial performance of securities analysts (if any), [REDACTED] perceptions of our Group, changes in laws, regulations and taxation systems which affect our operations, the general market conditions in the [REDACTED] in Hong Kong and the general investment environment. In particular, the trading price performance of our competitors of which securities are listed on the Stock Exchange may affect the trading prices of our Shares. These broad market and industry factors may significantly affect the market prices and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the trading prices and volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing our business and growth strategies, involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of our Shares to change unexpectedly. Any of these factors may result in material and sudden changes in the trading prices and volume of our Shares.

RISK FACTORS

The [REDACTED] is entitled to terminate the [REDACTED]

[REDACTED] should note that the [REDACTED] (for itself and on behalf of other [REDACTED]) is entitled to terminate its obligations under the [REDACTED] by giving notice in writing to us upon the occurrence of any of the events sets out in the section headed “[REDACTED] — Grounds for Termination” of this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Such events may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, pandemic, fire, floods, tsunami, explosions, acts of terrorism, earthquakes, strikes or lock-outs. Should the [REDACTED] (for itself and on behalf of the [REDACTED]) exercise its rights and terminate the [REDACTED], the [REDACTED] will not proceed and will lapse.

Future sale of substantial amounts of our Shares in the public market may adversely affect the prevailing market price of our Shares

Sale of substantial amounts of our Shares in the public market after completion of the [REDACTED], or the perception that such sale could occur, may adversely affect the prevailing market price of our Shares and materially impair our future ability to raise capital through offerings of our Shares. We cannot assure you that our major Shareholders would not reduce their shareholding by disposing of our Shares. Any significant disposal of our Shares by any of our major Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may impose greater difficulty for us to issue new Shares in the future at a time and price our Group deems appropriate, thereby limiting our liability to raise further capital.

We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

Historical dividends are not indicative of our Group’s future dividends

IEPL declared and paid dividends of approximately S\$1.1 million and S\$2.5 million during the two years ended 31 December 2016, respectively to the then shareholders. After the Track Record Period, IEPL proposed a special dividend of approximately S\$4.5 million prior to the [REDACTED], which will be settled by setting off against the amount due from Mr. Goh. The value of dividends declared and paid in previous years should not be relied upon by potential investors as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future at a similar level or at all. The amount of any dividends in the future will be subject to, among other factors, our Directors’ discretion, having taken into account the substantial capital requirements of our Group in the foreseeable future, the availability of distributable profits, our Group’s earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

In any event, we cannot guarantee that our Company will receive sufficient distribution from our subsidiaries to support any future profit distribution to our Shareholders, or that the amounts of any dividends declared by our Company in the future, if any, will be of a level comparable to dividends declared and paid by us in the past, or by other listed companies in the same industry as our Group.

RISK FACTORS

The interests of our Controlling Shareholders may differ from those of other Shareholders

The interests of our Controlling Shareholders may differ from the interests of other Shareholders. Should the interests of our Controlling Shareholders conflict with those of other Shareholders, or should our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, you could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, such as mergers, acquisitions and disposal of all of our assets, election of directors, and other significant actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of other Shareholders.

The [REDACTED] of our Shares is higher than our net tangible book value per Share and your Shares may be diluted

Should you invest in our Shares at the [REDACTED], you will pay more for the [REDACTED] than our net book value on a per Share basis. As a result, you will experience an immediate dilution in the net tangible asset value and our existing Shareholders will receive an increment in the pro forma adjusted consolidated net tangible asset value per Share of their Shares.

We may issue additional Shares in the future in which your Shares may be diluted

We may be required to issue up to an additional [REDACTED] at the [REDACTED] (representing [REDACTED] of the number of the [REDACTED] under the [REDACTED] should the [REDACTED] exercise the [REDACTED]). We may also consider issuing and offering additional Shares in the future to raise additional funds, finance acquisitions or for other purposes. In the event that we issue additional Shares in the future, the percentage ownership of our existing Shareholders and the earnings per Share may be diluted. Moreover, such new Shares may have preferred rights, options or pre-emptive rights that make them more valuable than the Shares.

Different remedies available to Shareholders

We are incorporated under Cayman Islands law and Cayman Islands law may provide different remedies to shareholders when compared with the laws of Hong Kong and other jurisdictions.

Our Company is governed by the Memorandum, the Articles, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands in relation the protection of the interests of minority shareholders could differ in some respects from those established under the laws of Hong Kong and other jurisdictions. As a result, the remedies available to our Shareholders may be different from those they would otherwise have under the laws of Hong Kong or other jurisdictions. For further details of the Memorandum of Association and the related Cayman Companies Laws, please refer to Appendix III to this document.

RISK FACTORS

There are risks associated with the granting of options under the Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme and may grant share options thereunder in the future. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in a dilution in the percentage of ownership of the Shareholders and the net asset value per Share. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

Under the HKFRS, the costs of the options to be granted to staff under the Share Option Scheme will be charged to statements of comprehensive income over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

The industry statistics and forward-looking information contained in this document may not be accurate, reliable and fair

Statistics and other information in relation to our industry particularly contained in the section headed “Industry Overview” of this document have been compiled partly from various public available publications as well as the industry report we commissioned from an independent industry consultant. We believe that the sources of such information are appropriate sources and we have taken reasonable care in extracting and reproducing such information. We have 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. However, we cannot assure you of the quality of such source materials. None of our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other persons or their respective directors, advisers or affiliates involved in the [REDACTED] has independently verified such information, and makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Hong Kong. Such information may not be complete or latest. As the ways of collecting the information may contain faults or may not be effective, or there may exist variations and other problems between the information published and market practices, the industry information and statistics contained of this document may not be accurate and should not be unduly relied upon when making decisions on your investment in our Company or otherwise.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements and information which are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should”, “will” or similar terms. These statements and information, which relate to us and the subsidiaries comprising our Group, are based on the beliefs of our management as well as the assumptions made by and information currently available to our management. They reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. However, these statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect.

RISK FACTORS

The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group’s control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligations to update publicly or release any revision of any forward-looking statements, whether as a result of new information, future events or otherwise. For further details, please refer to the section headed “Forward-looking Statements” of this document.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or media regarding our Group or the [REDACTED]

Prior to the publication of this document, there may be press and media coverage regarding our Group or the [REDACTED], which may include certain financial information, financial projections and other information about our Group which do not appear in this document. We have not authorised the disclosure of such information in the press or the media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, we expressly disclaim it. Accordingly, [REDACTED] should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this document but note that undue reliance should not be placed on any forward-looking statements in this document, which may not materialise or may change.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Goh Cheng Seng (吳進順先生) (Chairman and CEO)	25 Woodleigh Close # 02-33 Singapore 357920	Malaysian
Ms. Tan Soh Kuan (陳素寬女士)	25 Woodleigh Close # 02-33 Singapore 357920	Singaporean
Mr. Ng Sai Cheong (伍世昌先生)	Flat 7, 8/F, Block 2 Heng Fa Chuen Chai Wan Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Ma Yiu Ho Peter (馬遙豪先生)	Flat C, 8/F., Block 3 1 Yuk Tai Street Sausalito Ma On Shan New Territories	Chinese
Mr. Tan Kee Cheo (also known as Tan Kee Cheok) (陳祺石先生)	20 Binchang Rise Singapore 579887	Singaporean
Mr. Yip Ki Chi Luke (葉祺智先生)	Flat C, 6th Floor, Phase 6 Harrison Court, No. 10 Man Wan Road Homantin, Kowloon Hong Kong	Chinese

For further information on the backgrounds of our Directors, please refer to the section headed "Directors and Senior Management" of this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

Guotai Junan Capital Limited

A corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activity as defined in the SFO

26/F–28/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Legal advisers to our Company

As to Hong Kong laws

Stevenson, Wong & Co.

in association with AllBright Law Offices

Solicitors, Hong Kong

4/F., 5/F. and 1602, Central Tower
No. 28 Queen's Road Central
Central
Hong Kong

As to Singapore laws

Rajah & Tann Singapore LLP

9 Battery Road
#25-01, Singapore 049910

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to Cayman Islands laws

Conyers Dill & Pearman

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

**Legal advisers to the Sole Sponsor
and the [REDACTED]**

As to Hong Kong laws

Wan Yeung Hau & Co.

Solicitors, Hong Kong

Unit 2501, China Insurance Group Building

141 Des Voeux Road

Central

Hong Kong

Loeb & Loeb LLP

Solicitors, Hong Kong

21/F, CCB Tower

3 Connaught Road Central

Central

Hong Kong

Reporting accountants

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

31/F, Gloucester Tower

The Landmark

11 Pedder Street

Central, Hong Kong

Compliance adviser

Guotai Junan Capital Limited

26/F–28/F, Low Block

Grand Millennium Plaza

181 Queen's Road

Central

Hong Kong

Receiving banks

[●]

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters	5, Upper Aljunied Link, #03-08 Quartz Industrial Building Singapore 367903
Principal place of business in Hong Kong	4/F., 5/F. and 1602, Central Tower 28 Queen's Road Central Central Hong Kong
Company's website	www.indigostar.sg <i>(information contained in this website does not form part of this document)</i>
Company secretary	Mr. Ng Sai Cheong <i>(CPA, ACIS, ACS)</i> Flat 7, 8/F, Block 2 Heng Fa Chuen Chai Wan Hong Kong
Compliance officer	Mr. Ng Sai Cheong
Authorised representatives	Mr. Goh Cheng Seng 25 Woodleigh Close #02-33 Singapore 357920 Mr. Ng Sai Cheong Flat 7, 8/F, Block 2 Heng Fa Chuen Chai Wan Hong Kong
Audit committee	Mr. Ma Yiu Ho Peter <i>(Chairman)</i> Mr. Tan Kee Cheo Mr. Yip Ki Chi Luke
Remuneration committee	Mr. Tan Kee Cheo <i>(Chairman)</i> Mr. Goh Cheng Seng Mr. Yip Ki Chi Luke
Nomination committee	Mr. Yip Ki Chi Luke <i>(Chairman)</i> Ms. Tan Soh Kuan Mr. Ma Yiu Ho Peter

CORPORATE INFORMATION

**Principal share registrar
and transfer office**

[REDACTED]

Hong Kong Share Registrar

[REDACTED]

Principal banker

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

INDUSTRY OVERVIEW

The information that appears in this Industry Overview has been prepared by Euromonitor International Limited and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor International Limited and set out in this Industry Overview has not been independently verified by the Group, the Sole Sponsor, the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED] and neither they nor Euromonitor International Limited give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

PERIOD COVERAGE

Market review for this report has been carried out for the period covering 2012–2021, unless otherwise stated.

SOURCES OF INFORMATION

We commissioned a report from Euromonitor to conduct an analysis of, and to report on, the construction industry in Singapore. A total fee of US\$65,000 was paid to Euromonitor for the preparation of the report.

Established in 1972, Euromonitor is the world leader in strategy research for both consumer and industrial markets. With both primary and secondary research in place, Euromonitor utilized both types of sources to validate all data and information collected, with no reliance on any single source. Furthermore, each respondent’s information and views were cross-checked against those of others to eliminate bias from the report’s sources. This Industry Overview contains information extracted from a commissioned research report (“the Euromonitor Report”), prepared by Euromonitor for the purposes of this document. The report was last updated in March 2017 based on data available at the time of publication.

METHODOLOGY

In compiling and preparing the Euromonitor Report, Euromonitor used the following methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent’s information and views against those of others:

- Secondary research involved the review of published sources such as the Singapore Department of Statistics and official sources such as Building and Construction Authority, Ministry of Manpower, Public Utilities Board, Urban Redevelopment Authority, Housing Development Board, Singapore Land Authority, specialist trade press and associations such as Singapore Contractors Association Limited, company reports including audited financial statements where available and independent research reports.
- Primary research involved interviews with a sample of leading industry participants and experts for the latest data and insights into future trends, supplemented by verification and cross-checking of data and research estimates for consistency.
- Projected data was obtained from a historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers.
- Review and cross-checks of all sources and independent analysis to build final estimates including the size, shape, drivers and future trends of the construction market in Singapore and prepare the final report.

ASSUMPTIONS

Euromonitor International based the Euromonitor Report on the following assumptions:

- The Singapore economy is expected to maintain steady growth over the forecast period;

INDUSTRY OVERVIEW

- The Singapore social, economic, and political environments are expected to remain stable during the forecast period;
- Key market drivers such as the government's continued regard towards public infrastructure development, policies in relation to housing, workplace skill development and measures to increase construction productivity growth are expected to boost the development of Singapore's construction market;
- Key drivers including Singapore's GDP growth and the adoption of more advanced construction technology by contractors are likely to drive the future growth of Singapore's construction market.

The research results may be influenced by the accuracy of these assumptions and the choice of these parameters. The market research was completed in March 2017 and all statistics in the Euromonitor report are based on information available at the time of reporting. Euromonitor's forecast data is derived from an analysis of the historical development of the market, the economic environment, and underlying market drivers, and it is cross-checked against established industry data and trade interviews with industry experts.

1.1 CONSTRUCTION INDUSTRY IN SINGAPORE

The Singapore economy registered moderate growth during the 2012 to 2016 period, with GDP growing by a CAGR of 3.2% to reach S\$410.3 billion in 2016. The construction industry accounted for 4.8% of GDP in 2016, with the industry's contribution to GDP increasing gradually during the review period, from 4.1% in 2012 to 4.8% in 2016.

In Singapore, construction activities are categorised into two main sectors — building works and civil engineering works. Building works is further sub-categorised by the development type, which includes residential, commercial, industrial, and institutional and others. On the other hand, civil engineering works typically relate to infrastructure projects, including construction of the MRT network, airports, roads and bridges.

Public sector construction projects in Singapore are required to follow the procurement procedure set by the Ministry of Finance. Majority of public construction are made available for open tender via the GeBIZ online portal, which is the Singapore Government's one-stop business centre. To be eligible for a public tender, companies need to hold a "Government Supplier Registration", which can be obtained from the Building and Construction Authority (BCA). For private construction projects, there are no mandatory requirements for a tender process. Private sector projects are usually publicised through construction industry networks or through word-of-mouth among industry players.

Subcontracting is a prevalent practice in the construction industry in Singapore, whereby it is common for main contractors to subcontract different parts of the construction work for each project to a wide range of specialised contractors. Due to the large number of subcontractors in Singapore, specialising in various segments of the design and construction work, there is intense competition for construction works at the lower end of the value chain, especially for general construction works.

1.1.1 Market activities

Total construction demand, measured by the value of contracts awarded, registered a negative CAGR of 4.1% from 2012 to 2016. In 2016, total construction demand moderated to S\$26.1 billion due to the slowdown in the property market, resulting in a decline in construction demand for all private sector building types with the exception of commercial developments. Public sector projects accounted for S\$15.8 billion worth of construction demand in 2016, a significant improvement from S\$13.3 billion in 2015, due to the rolling out of more major infrastructure contracts including those for the Thomson-East Coast MRT Line. However, public sector building construction demand registered a year-on-year decline of 16.7%, due to falling demand across all building types. Comparatively, the private sector only contributed S\$10.3 billion to total construction demand in 2016, falling from S\$13.8 billion in 2015. All building types, with the exception of commercial developments, saw a decline in construction demand. By the end of 2016, public sector construction demand accounted for 60.5% of overall construction demand, up from 31.0% in 2012.

Total certified payments grew at a CAGR of 2.6% during the review period, in contrast with the 4.1% negative CAGR for contracts awarded. In 2016, total certified payments fell 3.7% to S\$35.1 billion, as a result of the 30.2% contraction in the value of contracts awarded in 2015. Certified payments in the public sector grew at a CAGR of 7.9%, driven by the strong growth in residential and institutional building activities over the review period, and the large number of civil engineering projects

INDUSTRY OVERVIEW

carried out from 2014 to 2016; while certified payments in the private sector saw a negative CAGR of 1.3%, weighed down by a sustained property market slump, causing a reduction of construction activities across private sector residential, commercial and industrial building types.

Civil engineering was the largest contributor of construction demand, accounting for 36.0% of overall construction contracts awarded, by value, in 2016. Public sector civil engineering contracts awarded registered a CAGR of 38.9% from 2012 to 2016, supported by a strong pipeline of transport infrastructure projects, including various Thomson-East Coast Line contracts. Residential building works represents 24.7% of the value of total construction contracts awarded in 2016. Public residential construction contracts awarded in 2016 were worth S\$3.3 billion, down from S\$3.8 billion in 2015. Residential housing demand has fallen sharply since 2014 for both public and private housing, as a result of oversupply of housing and the government's property cooling measures.

Contracts awarded for institutional and other developments by the public sector contracted at a negative CAGR of 0.1% over the review period to reach S\$3.7 billion in 2016. Value of contracts awarded nearly doubled in 2014 from the previous year to reach S\$5.2 billion, as a result of contracts awarded for the Sengkang General and Community Hospitals and the Tampines Town Hub projects. However, public sector demand for institutional and other developments has been on a downward trend since 2015, registering a decline of 21.7% and 10.7% in 2015 and 2016 respectively. Major contracts awarded in 2016 include the Outram Community Hospital, Centre for Oral Health and New State Courts Building.

Private sector contributes to the bulk of construction demand for industrial development, accounting for 77.3% of all industrial developments in 2016. From 2012 to 2016, contracts awarded for public sector industrial construction projects grew strongly at a CAGR of 24.7% to reach S\$742.9 million in 2016. On the other hand, demand for private sector industrial construction projects registered a negative CAGR of 19.8% over the review period to reach S\$2.5 billion, in line with the general slowdown in the manufacturing sector over the same period. Construction demand for commercial developments from the public sector grew moderately at a CAGR of 14.8% over the review period to reach S\$176.4 million in 2016. Conversely, demand for private sector commercial developments registered a negative CAGR of 2.0% during the 2012 to 2016 period, falling to S\$2.7 billion in 2016.

Steel reinforcement work and formwork are part of common construction activity and pertain to the structural work carried out for all types of construction projects. Therefore, the performance of the steel reinforcement work and formwork sectors is directly correlated to and mirrors the development of the overall construction industry. Typically, steel reinforcement work and formwork projects for high-rise buildings, buildings with deep basement and structures with unconventional designs tend to be of higher value, due to increased complexity of the project, requirement for more raw materials and more man-hours to execute.

1.1.2 Legislative and regulatory policies specific to the industry

The construction industry in Singapore is regulated by the Building and Construction Authority (BCA), which ensures that buildings in Singapore are designed, constructed and maintained to high standards of safety through its building regulatory system. Jointly with other relevant government agencies, the BCA has developed extensive regulations governing various aspects of the construction industry, including contractor registration, employment of foreign workers, buildability (Minimum Buildable Design Score) and construction methods (Minimum Constructability Score).

The number of foreign workers employed in the construction industry is regulated via the Man-Year Entitlement (MYE) quota system and FWL. As part of the national strategy to achieve productivity-driven growth, MOM has gradually reduced the MYE quota over the years, leading to a cumulative 45% cut in MYE allocation between July 2010 and July 2013. Under the MYE waiver system, contractors are allowed to renew the work permits of experienced foreign construction workers without the need for MYE. To qualify for the MYE waiver, a construction worker must have at least two years of working experience in the construction sector in Singapore. From July 2017 onwards, the minimum experience requirement for MYE-waiver workers will be raised from two to three years to encourage firms to retain their more experienced workers to support productivity.

Construction companies also pay a foreign worker levy of between S\$300 and S\$950 a month for each work permit holder employed. The amount varies depending on the individual workers' relevant academic or skills-based test qualification.

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1.1.3 Construction costs, raw materials and labour issues

The cost of construction projects typically falls under one of four main categories, namely, structural costs, architectural costs, mechanical and electrical (M&E) service costs, and external works costs. The BCA Building Works Tender Price Index (TPI) provides an indication of construction cost trends in Singapore through tracking the historical movement of tender prices in the construction industry for the building works of three major development types, namely, public sector residential, private sector non-landed residential and commercial office. During the review period, there was a marginal decline in construction costs, as TPI fell from 99.8 in 2012 to 98.0 in 2016. Since 2015, the TPI has been on a downward trend, as prices of basic construction materials, with the exception of steel bars, declined consistently over 2015 and 2016.

Significant fluctuation in cost of construction materials

During the review period, the construction industry saw an overall decline in construction material costs. The price of steel bars, which is the main raw material for steel reinforcement work, fell consistently from S\$705.90 per tonne in Q1 2014 to S\$397.10 in Q4 2015. However, price of steel bars staged a recovery in Q1 2016, rising by 12.5% to S\$446.60 per tonne, due to steel production cuts as part of the Chinese government's efforts to improve air quality ahead of the G20 summit in September 2016, increased domestic demand in anticipation of a revival in China's property market and a surge in infrastructure investment by state-owned enterprises. By the end of Q4 2016, the price of steel bars had climbed to S\$649.60 per tonne. Price of structural steelwork is more stable and has fallen from S\$5.40 per kilogram in Q1 2014 to S\$5.00 per kilogram in Q4 2016. Prices of bricks, plywood, timber formwork, and metal formwork have been stable from Q1 2014 to Q4 2016, with the prices of plywood and metal formwork being the same at S\$16.00 per square metre and S\$51.50 per square metre throughout the period respectively. The price of timber formwork fluctuated between S\$41.60 and \$43.90 per square metre during the Q1 2014 to Q4 2016 period; while the price of bricks has been S\$35.10 per square metre since Q3 2014.

As the prices of most construction materials relevant to the steel reinforcement work and formwork sectors have displayed some volatility over the period from Q1 2014 to Q4 2016, steel reinforcement work and formwork service providers are subject to the risks of these price fluctuations and have to take this into consideration when pricing for projects. Alternatively, steel reinforcement work and formwork sub-contractors may also pass on the risk of volatile raw material prices to their main contractors by having the main contractor pay for raw materials directly.

Construction labour costs on the rise due to tight labour market

Labour costs climbed steadily from 2012 to 2015, which was reflected in the positive annual increment in total wages. However, the rate of increase in wages saw a decline from 5.2% in 2013 to 3.1% in 2015. Due to the high level of construction activities between 2012 and 2014 and an increasingly tight labour market, construction workers were in high demand and contractors had to pay higher wages to retain existing manpower or hire additional manpower for their construction projects. The wage change in 2015 was the slowest during the review period, as construction activities slowed and the problem of manpower shortage became less acute.

Total construction employment registered a net gain of 46,600 between 2012 and 2016, at a CAGR of 2.5%. Most of the growth took place between 2012 and 2014, driven by the surge in construction activities. Employment growth has tapered since 2014, due to a combination of the government's foreign manpower tightening measures and a slowdown in the industry towards the end of the review period. In 2016, total construction employment fell by 11,500 to reach 488,500 workers, a decrease of 0.6% from the total employment of 500,000 in 2015, which marks the first annual decline over the review period.

The construction industry is heavily dependent on foreign manpower. In 2016, foreign workers accounted for 74.8% of the total construction employment in Singapore, marginally higher than 74.1% in 2012. The number of foreign workers in the industry increased every year up to the end of 2015. However, the rate of growth has eased noticeably since 2014, as government measures to restrict foreign manpower started taking effect. Employment change in foreign manpower fell to an increment of 6,800 in 2015, which is lower than the 9,700 increase in 2014 and significantly lower than the 31,600 increase in 2013. In 2016, the total number of foreign workers in the construction industry even fell by 10,100 workers, or 2.7%, while the number of local workers also declined by 1.1%. Moving forward, the current foreign labour trends are likely to continue into 2017, as the Singapore government continues to roll out manpower tightening measures, such as further increases in the foreign worker levy for the construction industry.

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New Design for Safety regulations and financial incentives encourage better construction safety practices

The construction industry continued to be the biggest contributor of workplace fatalities in Singapore. In October 2016, the government implemented incentives for companies to send workers for safety training. Basic Skilled (R2) workers with at least six years of construction experience and a Skills Evaluation Certificate (Knowledge) in the construction trade can be certified as Higher Skilled (R1) workers, provided that they also complete at least 120 hours of training in approved safety-related courses, or obtain an advanced certificate under the Singapore Workforce Skills Qualification framework. As the foreign worker levy for R1 workers is lower than that for R2 workers, construction companies who get their staff certified as R1 workers will be able to save \$350 a month per certified foreign worker. Higher Skilled (R1) workers can also be hired for up to 22 years, 12 more than their lower-skilled counterparts, which allows companies to retain skilled and experienced workers for a longer period. The new incentives are expected to boost the construction industry's workplace safety and health standards and quality of the construction workforce in the long term.

1.1.4 Market outlook

Based on construction demand forecast released by BCA in January 2017, total construction demand in 2017 is projected to be between S\$28.0 billion and S\$35.0 billion, an increase from S\$26.1 billion in 2016. However, revenue receipt of the construction industry is expected to decline from S\$35.1 billion in 2016, to between S\$30.0 billion and S\$32.0 billion in 2017, due to the impact of two consecutive years of decline in contracts awarded by 30.2% and 3.6% in 2015 and 2016 respectively.

A total of 374 public construction tenders are expected to be called in 2017, with 50% of the tenders each worth S\$13 million or more. Notable public sector contracts to be awarded in 2017 will include the second phase of the Deep Tunnel Sewerage System (DTSS phase 2), North-South Corridor, Circle Line 6, a steady pipeline of new public housing construction, upgrading works for HDB flats, HDB's Defu Industrial City, JTC's Logistics Hub @ Gul, and various healthcare and educational facilities. On the other hand, demand from the private sector is expected to remain subdued, with forecast value to range between S\$8.0 billion and S\$11.0 billion.

Outlook for the construction industry over the forecast period remains positive. Annual construction demand is expected to reach as high as S\$35.0 billion annually in 2018 and 2019, and increase further to S\$37.0 billion annually in 2020 and 2021. Civil engineering construction demand is likely to drive overall construction demand growth in the forecast period, boosted by major projects including the construction of the Jurong Regional Line, Cross Island Line, and various infrastructure developments for Changi Airport Terminal 5.

1.1.5 Steel reinforcement work in Singapore

Steel reinforcement work is done to strengthen and hold concrete in tension because concrete is hard and strong when compressed, but not when it is stretched. To enable the use of concrete in buildings and structures, wet concrete is cast around strong steel reinforcement bars. When the concrete sets and hardens around the bars, it becomes reinforced concrete. The concrete resists squeezing, while the steel resists bending and stretching, thus enabling it to work well in either tension or compression. The steel bars (also known as rebar) used to make reinforced concrete are typically made from twisted strands with ridges to anchor them firmly inside the concrete. Steel reinforcement work can be carried out either on-site or offsite, through prefabrication of rebar products such as rebar cages and the cutting and bending of rebars at off-site yards.

Steel reinforcement work is regulated by the BCA. The design of reinforced concrete structures and the use of steel reinforcement materials must comply with various standards and specifications stipulated by the BCA under Regulation 27 of the Building Control Regulations. There are no specific requirements for companies to qualify for bidding of steel reinforcement work in the public sector, apart from registration with BCA under CW01 (General Building) or CW02 (Civil Engineering) workheads.

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Steel reinforcement revenue fell slightly in 2016 and expected to decline further in 2017

Revenue receipts from steel reinforcement work grew at a CAGR of 2.8% during the review period from 2012 to 2016, reaching S\$6.2 billion in 2016. The performance of the steel reinforcement sector broadly mirrors the growth and decline of the overall construction industry, because steel reinforcement forms part of the structural work which is essential for most building projects. The sector's fastest growth of 9.3% was registered in 2012. This corresponded with 9.6% growth in the overall construction industry revenue receipts in the same year, as the industry was busy with a record number of contracts awarded in the previous year. Revenue receipts from steel reinforcement continued to grow in 2013 and 2014, albeit more moderately, supported by a large volume of ongoing projects. However, steel reinforcement slowed down significantly since 2015, with 1.8% growth in revenue receipts in 2015 and 3.2% decline in 2016, as a result of the sustained downturn in the property market and a significant reduction in private building construction activities.

Nevertheless, steel reinforcement work was supported by public sector projects which were in progress in 2016, such as the Liquefied Natural Gas Terminal at Jurong Island, Sengkang General and Community Hospitals, and construction of various stations and tunnels for the Thomson-East Coast MRT Line. However, revenue receipts for steel reinforcement works was weighed down by the significant decline in private sector construction output of 11.7%, resulting in an overall 3.2% decline in steel reinforcement work revenues for the year.

During the forecast period from 2017 and 2021, revenue receipt from steel reinforcement is projected to grow at a CAGR of 2.4%. Revenue is expected to decline more significantly in 2017, compared to 2016, as the consequence of declining contracts awarded in both 2015 and 2016. However, positive growth is expected from 2018 onwards, with the anticipated recovery in the housing market and mega public infrastructure projects which have been planned for award in 2017 and 2018.

Steel prices and labour are the main factors impacting cost of steel reinforcement work

One of the most important factors impacting cost of steel reinforcement work is the price of steel. Steel prices tend to fluctuate more than other construction materials, making the cost of steel reinforcement work relatively more volatile. Steel price is anticipated to increase in 2017, due to growing demand from China and the rest of the world. China is expected to produce more steel, but will also use most of its steel output, driven by the Chinese government's investments in public infrastructure projects which will continue well into 2017. Globally, many countries, including Brazil, India and the US, are showing signs of improved demand for steel.

The value of rebar projects typically depend on the cost price of rebar, measured by dollar per kilogram, and estimated man hours required to complete the project. This means the more complicated the building design is, the more man hours required and the more expensive the project. Steel reinforcement work is one of the most intensive types of construction work. It is estimated that structural work is the most labour intensive part of the construction process, consuming about 50% of the full construction time. BCA estimates that structural work is also the biggest employer of foreign workers among the different work types (structural, finishing, and mechanical & electrical), where 80% to 85% of the structural workforce are foreign workers. The major trades in structural work are formwork carpentry and steel reinforcement fixing. Therefore, the increase in foreign manpower levies and the cut in MYE quota will reduce the manpower pool for steel reinforcement work, which will have significant impact on manpower costs for steel reinforcement subcontractors, as they may have to pay higher wages or train up existing workers.

Prefabrication reduces manpower costs, but may reduce local revenue due to work being moved overseas

The government's push for the prefabrication method in the construction process will have a significant impact on manpower costs for steel reinforcement companies. Given the government's tightening of its foreign manpower policy and the slowdown in local labour force growth, prefabrication is growing increasingly relevant within the construction industry. On the other hand, prefabrication may result in lower revenue receipts for local sub-contractors providing steel reinforcement work as some main contractors have set up their own prefabrication plants in nearby

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countries, such as Malaysia, to reduce costs. Currently prefabrication work is mostly carried out for residential developments and is more prevalent in public sector residential projects in Singapore.

Table 1 Steel Reinforcement Work Revenues Receipts, Review (2012–2016) and CAGR 2017F–2021F

SGD million	2012	2013	2014	2015	2016	CAGR 2012–2016	CAGR 2017F– 2021F
Revenue receipts accrued from steel reinforcement work	5,564.3	5,902.4	6,314.0	6,429.0	6,220.8	2.8%	2.4%
Growth (%)	9.3%	6.1%	7.0%	1.8%	-3.2%	—	—

Source: Euromonitor estimates from desk research and trade interviews with leading steel reinforcement work service providers and the relevant trade associations in Singapore

1.1.6 Formwork in Singapore

Use of conventional formwork or modern system formwork depends on building type and project duration

Formwork involves the work of placing temporary or permanent molds which shape and support the concrete until it solidifies. Conventional formwork is built on-site out of timber and plywood or moisture-resistant particleboard. It is time consuming and labour intensive for large structures, whereby the formwork has to be repeatedly assembled and disassembled. On the other hand, modern system formwork, also known as engineered formwork system, is typically made of pre-fabricated modules of steel or aluminium, which is more robust and reusable. The advantages of using engineered system formwork includes being time-saving as modules can be assembled quickly and lowering construction cost since formwork made of steel or aluminum are more durable and can be re-used more times. System formwork is especially relevant for high-rise buildings, as they can be elevated to multiple stories of a building, saving time and labour which would otherwise be required to assemble conventional formwork on-site. However, conventional formwork can be used for low-rise buildings where the construction timeline is not tight, buildings of a smaller scale or certain unique structures which do not involve repetitive use of formwork in the construction process, as it is most cost effective.

Formwork is regulated by the BCA. There are specific regulations pertaining to design, construction and use of formwork structures, and health and safety requirements which are stipulated in the Workplace Safety and Health (Construction) Regulations and the Workplace Safety and Health (Risk Management) Regulations. There are no specific requirements for companies to qualify for bidding of formwork in the public sector, apart from registration with BCA under CW01 (General Building) or CW02 (Civil Engineering) workheads.

Revenue receipts for formwork mirror the trend for overall construction industry

Revenue receipts for the formwork sector grew at a CAGR of 3.0% during the review period, reaching S\$3.4 billion in 2016. Similar to the steel reinforcement sector, the performance of the formwork sector is broadly in line with that of the overall construction industry, because formwork is carried out on most construction projects, where on-site structural work is required. The sector’s fastest growth of 9.1% was registered in 2012, driven by a record number of contracts awarded in 2011, resulting in a large number of projects beginning construction activities in 2012. Formwork revenue receipts grew moderately in 2013 and 2014, supported by on-going projects. However, growth slowed down significantly to 2.2% in 2015 and turned negative in 2016, recording a decline of 2.9%, due to a sustained slowdown in the residential property market.

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Revenue receipt from the formwork sector is projected to contract further in 2017, due to a plunge in private sector contracts for both building works and civil engineering works awarded in 2015 and 2016. However, during the forecast period from 2017 to 2021, revenue receipt from formwork is projected to grow at a CAGR of 2.7%. Future growth will be driven by a strong pipeline of mega public sector infrastructure projects such as the construction of the Thomson-East Coast Line, the second phase of the Deep Tunnel Sewerage System (DTSS phase 2), North-South Corridor and Circle Line 6, new public housing construction, upgrading works for HDB flats, and a number of upcoming sizeable condominium projects earmarked for development on various Government Land Sale sites.

Material costs for formwork projects relatively stable while prefabrication may alleviate rising manpower costs

Formwork is commonly rented rather than purchased, because it is more economical and does not require regular storage. As sub-contractors typically do not own the system formwork, changes in the prices of raw materials, such as steel and aluminium, have less impact on their operational costs as formwork rental costs are relatively stable. Formwork suppliers are known to have a stock of raw materials, which cushion the suppliers from the impact of fluctuating material costs.

Similar to steel reinforcement work, labour costs are significant for formwork. As the government is likely to maintain its foreign manpower policy and focus on productivity-led growth during the forecast period, the manpower supply for formwork is expected to remain tight as with the overall construction industry. Rising wages, increase in FWL and the government’s requirements for workers to undertake productivity training may continue to increase cost pressures for formwork contractors.

Although the government’s push for prefabrication is likely to reduce demand for formwork because precast molds used in prefabrication replace formwork, there is a limit to the extent of prefabrication in construction, depending on various factors, such as architectural design, type of buildings and project duration. This ensures continued demand for formwork, especially for civil engineering projects.

Table 2 Formwork Revenues Receipts, Review (2012–2016) and CAGR 2017F–2021F

SGD million	2012	2013	2014	2015	2016	CAGR 2012–2016	CAGR 2017F– 2021F
Revenue receipts accrued from formwork	3,033.2	3,207.9	3,442.6	3,516.8	3,414.9	3.0%	2.7%
Growth (%)	9.1%	5.8%	7.3%	2.2%	-2.9%	—	—

Source: Euromonitor estimates from desk research and trade interviews with leading formwork service providers and the relevant trade associations in Singapore

1.2 FUTURE DRIVERS AND CONSTRAINTS

1.2.1 Future drivers for the construction industry

Key Driver 1 — Public infrastructure developments boost construction pipeline

Public sector construction projects, especially civil engineering developments, will be a key driver for the construction industry during the forecast period. The Singapore government plans to increase investment in infrastructure development to S\$30 billion by the end of 2020. Major infrastructure projects ahead include the construction of new mass rapid transit (MRT) lines, the North-South Expressway, Singapore-KL High Speed Rail Link, Changi Airport Terminal 5 and Phase 2 of the Deep Tunnel Sewerage System. As these infrastructure projects are complex and large-scale, involving high contract values and typically carried out over a period of four to eight years, they are likely to create sustained new demand for steel reinforcement work and formwork.

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Key Driver 2 — Productivity enhancement measures help companies cope with manpower constraints

The Singapore government announced in March 2015 that it will be providing S\$450 million of funding under the 2nd Construction Productivity and Capability Fund (CPCF) Tranche for the subsequent three years to help companies increase productivity through three main pillars — workforce development, technology adoption and capability development. Under the CPCF, companies may receive enhanced subsidies of up to 90% to upgrade the skills of local employees under the Workforce Training and Upgrading Scheme. The construction industry will benefit from higher productivity and a more skilled workforce, as they will cope better with manpower shortage and be able to move up the value chain by taking on more complex projects.

Key Driver 3 — Development of high growth industries drives demand for new industrial developments

For industrial type developments, construction demand is likely to get a boost from the government’s plan to develop key growth industries. To gear up for the transformation of the manufacturing industry, the government announced the development of the Jurong Innovation District (JID), an innovation district covering Nanyang Technological University, CleanTech Park, and the surrounding areas of Bulim, Bahar and Tengah, in Q1 2016. The industrial park, which will be developed in several phases over the next 20 years, will host global companies along the full manufacturing sector value chain, including R&D, design, prototyping, production and supply chain management. The development planning and engineering work for the 1st phase of JID is targeted for completion around 2022.

1.2.2 Market risk factors

Key Risk Factor 1 - Slow recovery of residential property market may impede growth of construction demand

The uncertainties surrounding the residential property market may pose as one of the biggest risks for the construction industry during the forecast period. At the end of 2016, the Singapore property market still appears gloomy. According to Urban Redevelopment Authority (URA) data, private home prices fell by 3.0% in 2016, marking the third consecutive year of decline. However, it appears that the rate of decline has eased. Private home prices are expected to continue to fall in 2017 and the sector may bottom out in 2017, subjected to uncertainty in macroeconomic conditions. Decreasing demand from one of the biggest construction development type — residential developments — may dampen the effect of growth from other development types.

Key Risk Factor 2 — Construction manpower costs expected to continue climbing due to government policies

As the labour market is expected to remain tight over the forecast period, manpower shortage and rising wages may pose a risk for the construction industry. According to the Ministry of Manpower’s labour forecast in March 2017, labour supply will remain tight over the forecast period, due to modest growth of local workforce and continued moderation of foreign workforce. There is no indication that the government will change its position regarding policies that restrict foreign manpower hiring. As a result, the wage of construction workers may continue the current upward trend. Problems related to manpower is further compounded by a shortage of skilled workers, which will affect the steel reinforcement and formworks sector, because the work requires specialised know-how for cutting rebars and constructing formworks. To mitigate this risk, BCA has embarked on measures to enhance productivity and upgrade the skills of construction workers.

Key Risk Factor 3 — Volatility in cost of construction materials

As high as 96% of steel reinforcement bars demand in Singapore is imported from China and close to 60% of total local cement demand is met by imports from Japan, while the majority of total granite demand is sourced from Malaysia and Indonesia. High dependence of construction supplies from a few countries makes the construction industry’s demand for construction materials highly price inelastic. Hence, industry players are subjected to the risk of fluctuating material prices and the impact it has on their profit margins.

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Key Risk Factor 4 — More complex regulatory requirements may lead to higher overall business costs

During the review period, the regulatory environment for the construction industry has become increasingly more complex. New measures were continuously introduced and existing initiatives were revised, impacting the operations and costs of construction companies. New regulations relate to areas such as Green buildings, Workplace Health and Safety, Buildability and Constructability framework, foreign manpower quota and tender evaluation framework for public sector projects. While the initiatives are beneficial for construction companies and the overall industry in the long term through raising the standard of the industry, companies may incur significant additional costs in the short run to keep abreast of these new requirements. Construction companies may also face increased risks of breaching regulatory requirements, as the rules may become too complex for some companies to follow.

1.3 COMPETITIVE LANDSCAPE

As of April 2017, 1,887 companies were registered under the General Building workhead of BCA's Contractor Registration System. There were also a substantial number of 998 companies registered under the Civil Engineering category. Within the General Building workhead, 16.2% of the companies (i.e. 306 companies) qualified for A1, A2, B1 and B2 grades, which allow them to bid on projects valued at S\$13 million or more. Hence, the General Building sector has a broad-based structure with a large number of small players; 60.6% belonging to the C3 grade, leading to intense competition among these players. The distribution of companies is similar for the Civil Engineering workhead, where 56.5% of the 998 companies under this workhead qualified for C3 Grade, while only 19.7% qualified for A1, A2, B1 or B2 grades.

Highly fragmented market with many small to medium-sized players in steel reinforcement work and formwork

At the end of 2016, there are approximately 1,100 small to medium-sized steel reinforcement work and formwork contractors, which take on main contracts or sub-contracts in Singapore, resulting in a highly saturated and competitive market. Due to the nature of the work being highly manpower-intensive, smaller contractors are increasingly reporting fewer opportunities for subcontracting of steel reinforcement work and formwork projects, as they lose out to contractors with more manpower due to their capacity to take on more large-scale projects and lower costs stemming from economies of scale. This is especially the case for public sector projects where there are tender limits based on BCA registration grades.

1.3.1 Market entry barriers

In general, it is easy for new players to enter the construction industry, especially as a sub-contractor in a sector that does not require significant capital investment to purchase or lease specialised machinery and vehicles to facilitate operations. Due to the diverse nature of works in the construction industry and the prevalence of subcontracting, contractors can take up either general building work or a range of specialised works (e.g. electrical, mechanical) and work on a specific part of construction projects. However, in practice, the construction industry is one that relies to a large extent on reputation and reliability, which takes time to build up.

The barrier of entry for the steel reinforcement sector is higher compared to that for the broader construction industry because of the specialised work. Experienced workers are required to build reinforced concrete structures, or to cut, bend, fix and install customised rebar and pre-fabricated steel cages to exact specifications. Companies operating in the sector will also need to invest in machinery for cutting and bending rebars. Similarly, formwork is a specialised activity that requires experienced personnel to oversee and deliver projects. Therefore, requirement for experienced workers and some specialised machinery makes it harder for businesses to enter the steel reinforcement work and formwork sector.

1.3.2 Interno Engineering (1996) Pte Ltd's market share

Considering the number of companies in the construction industry and diverse nature of work involved in construction projects, the market share of Interno Engineering in the overall construction industry is estimated to be lower than 1%. However, in the steel reinforcement and formwork sector, it has achieved a significant scale of operation with between 400 to 500 workers.

REGULATORY OVERVIEW

REGULATIONS AND SUPERVISION OF OUR BUSINESS IN SINGAPORE

Overview

The building and construction industry in Singapore is regulated by the Building and Construction Authority ("BCA"), whose primary role is to develop and regulate Singapore's building and construction industry. The Building Control Act Chapter 29 of Singapore and its subsidiary legislation sets 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 from 16 June 2009. The requirement applies to both public and private construction projects. There are two types of Builder's Licences, namely, the general builder licence (the "GB Licence") and the specialist builder licence. The Building Licensing Scheme ("BLS") and the Contractors Registration System ("CRS") are administered by the BCA.

A GB Licence is issued under the BLS and such a licence is required for companies which intend to carry out private sector building works or public sector building works which include earthworks and general construction works.

To tender for projects in the public sector, registration with the Contractors Registry under the Contractors Registration System ("CRS") is a pre-requisite. In order to be registered under the CRS, a company would require a licence issued under the BLS. A company which is only involved in private sector projects need not register under CRS and only a licence issued under the BLS is needed.

Our Group is issued with a GB Class 1 ("GB1") Licence by the BCA under the BLS and is registered by the BCA under the CRS under, *inter alia*, the CW01 workhead (for General Building) at the C1 Grade and CW02 workhead (for Civil Engineering) at the C1 Grade.

Accordingly our Group is able to undertake:

- (i) (in its capacity as the holder of a GB 1 Licence) contracts for private sector building works of any value;
- (ii) (in its capacity as the holder of a CW01 workhead C1 Grade registration) direct tendering of contracts for building works for government agencies of a contract value not exceeding S\$4 million; and
- (iii) (in its capacity as the holder of a CW02 workhead C1 Grade registration) direct tendering of contracts for civil engineering works for government agencies of a contract value not exceeding S\$4.2 million from June 2015 to June 2016 and S\$4 million from July 2016 to June 2017.

In addition, our Group is also an approved scaffold contractor under the Workplace Safety and Health (Scaffolds) Regulations 2011. Under Section 4 of the Workplace Safety and Health (Scaffolds) Regulations 2011, only approved scaffold contractors may carry out construction, erection, installation, re-positioning, alteration, maintenance, repair and dismantling of certain scaffolds.

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As a subcontractor in Singapore carrying out steel reinforcement works, formwork erection and concrete works, our Group does not require any specific licences (including the General Builder (Class 1) licence (“**GB1**”)) for carrying out such works for our projects. Under section 2(1) of the Building Control Act (Chapter 29), subcontractors fall outside the general definition of a “builder” and therefore are not subject to the licensing regime. The relevant part of section 2(1) of the Act provides:

““builder” means any person who undertakes, whether exclusively or in conjunction with any other business, to carry out any building works for his own account or for or on behalf of another person (referred to in this definition as A), but does not include any person who contracts with a builder for the execution by that person of the whole or any part of any building works undertaken by the builder for or on behalf of A under a contract entered into by the builder with A.”

A subcontractor (that is, any person who merely “contracts with a builder for the execution by that person of the whole or any part of any building works undertaken by the builder for or on behalf of A under a contract entered into by the builder with A”) is not considered a builder within the meaning of section 2(1) of the Act.

Contractors Registration System

Although business entities which are not registered with the BCA are not precluded from conducting business as contractors or suppliers outside the Singapore public sector, registration in the Contractors Registration System maintained by the BCA is a pre-requisite to tendering for projects in the Singapore public sector. At present, there are seven major categories of registration under the CRS: (a) Construction Workhead (“**CW**”) (b) Construction-Related Workhead (“**CR**”) (c) Mechanical and Electrical Workhead (“**ME**”) (d) Maintenance Workhead (“**MW**”) (e) Trade Head (“**TR**”) (f) Regulatory Workhead (“**RW**”) and (g) Supply Head (“**SY**”). Under these seven major categories, there is a further sub-classification of a total of 63 workheads. Each major category of registration under the CRS is also subject to six to seven grades (“**Grades**”). In order to qualify for a particular Grade, companies must satisfy the respective Grade requirements in terms of (i) financial capability (valid audited accounts, paid-up capital, net worth, etc); (ii) relevant technical personnel (full-time employed, recognised professional, technical qualifications, valid licences, etc); (iii) management certifications (Singapore Accreditation Council Accredited ISO 9000, ISO 14000, OHSAS 18000, etc.); and (iv) track record (valid projects with documentation proof, endorsed and assessed by clients). The qualified Grade of registered companies corresponds with a tendering limit (valid for one year) which, depending on the economy of the construction industry in Singapore, may be adjusted from year to year.

A contractor’s eligibility to qualify under the different BCA gradings is dependent on, *inter alia*, the company’s minimum net worth and paid-up capital, the professional and technical expertise of its management and its track record in relation to previously completed projects. The validity for a first time registration is for a period of three years. Registration will thereafter lapse automatically unless a renewal (for a period of three years) is filed and approved by the BCA.

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Our Group is currently issued with a GB1 Licence by the BCA under BLS and registered with the BCA under the following workheads:

Workheads	Title	Scope of Work	Grade ⁽¹⁾	Expiry Date
CW01	General building	<ul style="list-style-type: none"> (a) All types of building works in connection with any structure, being built or to be built, for the support, shelter and enclosure of persons, animals, chattels or movable property of any kind, requiring in its construction the use of more than two unrelated building trades and crafts. Such structure includes the construction of multi-storey car-parks, buildings for parks and playgrounds and other recreational works, industrial plants, and utility plants. (b) Addition and alteration works on buildings involving structural changes. (c) Installation of roofs. 	C1	1 August 2018
CW02	Civil engineering	<ul style="list-style-type: none"> (a) Works involving concrete, masonry and steel in bridges, sewers, culverts, reservoirs, retaining walls, canals, drainage systems, underground structures, cutting and filling of embankment, river banks, excavation of deep trenches, scraping of sub-soil, surface drainage works, flexible pavement, rigid pavement or laterite roads, bus bays, open car-parks and related works such as kerbs and footways. (b) Works involving dredging in canal, river and offshore for the purpose of deepening and extraction of mineral or construction material. It also includes reclamation works. (c) Works involving marine piling and the construction of marine structures such as jetties, wharves, sea and river walls. The head does not cover the construction and fabrication of marine crafts, pontoons and oilrigs or any floating platform. 	C1	1 August 2018

Note:

- (1) The differences in BCA Grades relate to the tendering limits for Singapore public sector projects and may be adjusted on a yearly basis depending on the economy of the construction industry in Singapore.

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The current tendering limits for major categories of registration under the CRS are as summarised below:

Construction Workheads (CW01 and CW02)

Grades	A1	A2	B1	B2	C1	C2	C3
Tendering Limit (S\$ million)	Unlimited	85	40	13	4	1.3	0.65

In order for our Group to maintain its existing BCA gradings, there are certain requirements to be complied with, including but not limited to requirements relating to minimum paid up capital and net worth, employment of personnel (including Registrable Professional (“**RP**”)⁽¹⁾, Professional (“**P**”)⁽²⁾ and Technician (“**T**”)⁽³⁾, and track record of past projects or contracts secured.

Some of the specific requirements for our Group’s BCA gradings as at the Latest Practicable Date are as follows:

Workhead/Title/Grade	Requirements	
CW01/General Building/ C1	Minimum paid-up capital and minimum net worth	S\$300,000
	Management	To employ at least one RP/P and one T, of which one RP/P/T with BCCPE ⁽⁴⁾
	Track record (over a three-year period)	To secure projects with an aggregate contract value of at least S\$3 million.
	Certification	<ul style="list-style-type: none"> ● SMC/OHSAS 18000
	Additional requirement	To possess GB1 or GB2 Licence.
CW02/Civil Engineering/ C1	Minimum paid-up capital and minimum net worth	S\$300,000
	Management	To employ at least one RP/P and one T, of which one RP/P/T with BCCPE
	Track record (over a three-year period)	To secure projects with an aggregate contract value of at least S\$3 million. Only the value of the civil engineering projects will be counted.
	Certification	<ul style="list-style-type: none"> ● SMC/OHSAS 18000
	Additional requirement	To possess GB1 or GB2 Licence.

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Notes:

- (1) A RP must have a minimum professional qualification of a degree in civil/structural engineering or equivalent recognised by the Professional Engineers Board ("PEB") or the BCA; or architecture recognised by the Board of Architects Singapore ("BOA").
- (2) A P must have a minimum professional qualification of a recognised degree in civil/structural, mechanical, electrical engineering architecture, building or equivalent.
- (3) A T must have a minimum technical qualification of (i) a diploma in civil/structural mechanical, electrical engineering, architecture, building, or equivalent awarded by BCA Academy, Nanyang Polytechnic, Ngee Ann Polytechnic, Republic Polytechnic, Singapore Polytechnic or Temasek Polytechnic; (ii) a National Certificate in Construction Supervision ("NCCS") or Advance National Building Qualification ("NBQ") or a Specialist Diploma in M&E Coordination awarded by the BCA Academy; or (iii) such other diplomas or qualifications as approved by the BCA from time to time.
- (4) Basic Concept in Construction Productivity Enhancement (Certificate of Attendance) ("BCCPE"). This certificate is obtained after having attended a course conducted by the BCA Academy. Should the director of a company be the only person in the company possessing a BCCPE, he cannot utilise the same BCCPE qualification to satisfy the requirements for another company of which he is also part of.

Builders' licensing seeks to ensure that building works are carried out by builders who are conversant with the statutory requirements of the Building Control Act and conduct their duties competently and professionally.

There are two types of licences:

1. *General Builder licence*

- (a) Class 1 General Builder Licence (allowed to undertake projects of any value);
- (b) Class 2 General Builder Licence (restricted to undertake projects not exceeding S\$6 million)

2. *Specialist Builder licence*

For builders undertaking any of the six types of specialist building works, which are defined in Section 2 of the Building Control Act as:

- (a) piling works comprising installation and testing of pre-cast reinforced concrete or pre-stressed concrete piles, steel piles, bored cast-in-place reinforced concrete piles, caissons and special pile types like micro-piles, barrettes piles and composite piles, embedded retaining wall piles like diaphragm walls, contiguous bored piles or secant piles;
- (b) ground support and stabilisation works, including installation and testing of ground anchors, soil nails, rock bolts, ground treatment like chemical grouting and jet-grouting, reinforced-earth, shotcreting and tunnel supports;

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- (c) site investigation work comprising field investigations, exploratory drilling or boring, logging, sampling, coring, in-situ plate-loading tests, pressure meter tests, penetration tests, vane shear tests, probing tests, permeability tests, geological mapping and geophysical surveys, and installation and monitoring of instruments measuring forces, deformation, displacements, pore and earth pressures, and ground-water levels;
- (d) structural steelwork comprising —
 - i. fabrication of structural elements;
 - ii. erection work like site cutting, site welding and site bolting; and
 - iii. installation of steel supports for geotechnical building works;
- (e) pre-cast concrete work comprising fabrication of pre-cast structural elements;
- (f) in-situ post-tensioning work comprising setting out of tendon profiles, laying of conduits, anchorages and bursting reinforcement, pulling or stressing of cables, pressure grouting of conduits; and
- (g) such other building works as the Minister may, by order published in the *Gazette*, declare to be specialist building works;

As the holder of a GB1 Licence, our Group can undertake private sector contracts of unlimited value. "General building works" is defined in Section 2 of the Building Control Act as any building works other than specialist building works. The company's work scope under a GB1 Licence includes all general building works as well as the following minor specialist building works:

- (i) all specialist building works associated with minor specialist building works;
- (ii) structural steelwork comprising fabrication and erection work for structures with a cantilever length of not more than 3 metres, a clear span of less than 6 metres and a plan area not exceeding 150 square metres; and
- (iii) pre-cast concrete work comprising casting of pre-cast reinforced concrete slabs or planks on site.

In addition to the above minor specialist building works, a company with a GB1 Licence may conduct all types of construction works, including all forms of specialist works if the project does not require checks from an accredited checker, but cannot undertake works that have been designated as specialist works to be carried out only by companies possessing a specialist builder class of builders' licence.

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To qualify for the GB1 Licence, the following conditions must be met by our Group:

Class of Builders' Licence	Financial (minimum paid-up capital)	Approved Person (“AP”) ⁽¹⁾		Technical Controller (“TC”) ⁽²⁾	
		Course	Practical experience	Course	Practical experience
General Builder Class 1	S\$300,000	A course leading to a Bachelor’s degree or postgraduate degree in any field	At least 3 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification	A course leading to a Bachelor’s degree or postgraduate degree in a construction-related field ⁽³⁾	At least 5 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification
			or		
		A course leading to a diploma in a construction and construction-related fields.	At least 5 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification		
			or		
		A course conducted by the BCA known as “Essential Knowledge in Construction Regulations & Management for Licensed Builders”	At least 10 years (in aggregate) of practical experience in the execution of construction projects in Singapore		

Notes:

- (1) The AP is the appointed key personnel under whose charge and direction the management of the business of the Licensee, in so far it relates to general building works or specialist building works in Singapore, is to be at all times. The AP shall be the sole-proprietor, partner, director or member of the board of management of the Licensee. If an employee of the Licensee is appointed as the approved person, he shall be employed in such a manner and with such similar duties and responsibilities as a director or member of its board of management. The AP shall not have acted as an AP or TC of a Licensee whose licence has been revoked in the 12 months preceding the date of application for the licence by the Licensee. The AP must not be acting, for so long as he is the AP for the Licensee, as a TC for any company with or applying for a licence. The AP must give his consent for carrying out the duties of an AP for the licence.

- (2) The TC is the appointed key personnel under whose personal supervision the execution and performance of any general building works or specialist building works in Singapore that the Licensee undertakes is carried out. The TC could be the sole proprietor, partner, director or member of board of management of the Licensee or an employee (being a person employed in such a manner and with such similar duties and responsibilities as a partner, director or member of its board of management). The TC shall not have acted as an AP or TC of a builder whose licence has been revoked in the 12 months preceding the date of application for the licence by the Licensee. The TC must not be acting, for so long as he is the TC for the Licensee, as a TC for any company with or applying for a licence. The TC must give his consent to carrying out the duties of a TC for the applicant of the Licensee.

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- (3) “Construction-related field” means the field of architecture, civil or structural engineering, mechanical or electrical engineering, construction or project management, quantity surveying or building science, facilities or estate management. As at the Latest Practicable Date, our Group satisfied the requirements of GB 1 licence (General Builder Class 1) above on AP and TC. Mr Koh Lam Tai, who has more than 20 years of experience in project management in the construction industry, is the AP of our Group. He has been overseeing the progress of projects in our Group since 1996. Ms Lwin Mein Htwe is the TC of our Group. She graduated with a Bachelor of Engineering (Civil) from Mandalay Technological University and has been in the construction industry since 2004.

Building and Construction Industry Security of Payment Act

Under the Building and Construction Industry Security of Payment Act, Chapter 30B of Singapore (“**BCISPA**”) which is regulated by the BCA, any person who has carried out any construction work or supplied any goods or services under a contract is entitled to a progress payment. The BCISPA also contains provisions relating to, amongst others, the amount of the progress payment to which a person is entitled under a contract, the valuation of the construction work carried out under a contract and the date on which a progress payment becomes due and payable. In addition, the BCISPA, amongst others, endorses the following rights:

- (i) the right of a claimant (being the person who is or claims to be entitled to a progress payment) who, in relation to a construction contract, fails to receive payment by the due date of an amount that is proposed to be paid by the respondent (being the person who is or may be liable to make a progress payment under a contract to a claimant) and accepted by the claimant, to make an adjudication application in relation to the payment claim. The BCISPA has established an adjudication process by which a person may claim payments due under a contract and enforce payment of the adjudicated amount;
- (ii) the right of a claimant to suspend the carrying out of construction work or supply of goods or services, and to exercise a lien over goods supplied by the claimant to the respondent that are unfixed and which have not been paid for, or to enforce the adjudication determination as if it were a judgment debt, if, amongst others, such claimant is not paid after the adjudicator has determined that the respondent shall pay an adjudicated amount to the claimant; and
- (iii) where the respondent fails to pay the whole or any part of the adjudicated amount to a claimant, the right of a principal of the respondent (being the person who is liable to make payment to the respondent for or in relation to the whole or part of the construction work that is the subject of the contract between the respondent and the claimant) to make direct payment of the outstanding amount of the adjudicated amount to the claimant, together with the right for such principal to recover such payment from the respondent.

For details of the major contract terms of our Group, please refer to the section headed “Business — Key Contract Terms” of this document.

Employees

The Employment Act, Chapter 91 (“**Employment Act**”) is the main legislation governing employment in Singapore. The Employment Act covers every employee who is under a contract of service with an employer and includes a workman (as defined under the Employment Act) but does not

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include, *inter alia*, any person employed in a managerial or executive position (subject to the exceptions set out below). The Employment Act and its subsidiary legislation are regulated by the Ministry of Manpower ("MOM").

A workman is defined under the Employment Act as including, *inter alia*, (a) any person, skilled or unskilled, who has entered into a contract of service with an employer in pursuance of which he is engaged in manual labour, including any apprentice, and (b) any person employed partly for manual labour and partly for the purpose of supervising in person any workman in and throughout the performance of his work.

Part IV of the Employment Act contains provisions relating to, *inter alia*, working hours, overtime, rest days, holidays, annual leave, payment of retrenchment benefit, priority of retirement benefit, annual wage supplement and other conditions of work or service and apply to: (a) workmen earning basic monthly salaries of not more than S\$4,500 and (b) employees (excluding workmen) earning basic monthly salaries of not more than S\$2,500.

Paid public holidays and sick leave apply to all employees who are covered by the Employment Act regardless of salary levels.

Any person employed in a managerial or an executive position (who is generally not regarded as an employee under the Employment Act) who is in receipt of a salary not exceeding S\$4,500 shall be regarded as an employee for the purposes of provisions in the Employment Act (except the provisions in Part IV) relating to, *inter alia*, payment and computation of salaries, powers of the Commissioner for Labour in relation to claims, complaints and investigations into offences under the Employment Act and procedures and regulations governing claims and offences under the Employment Act.

Enhanced administrative requirements

From 1 April 2016, employers are required to implement enhanced administrative requirements for employees covered under the Employment Act. There are key changes in relation to payslips, employment terms and employment records, as well as the new framework adopted for less severe breaches of the Employment Act.

From 1 April 2016, the Employment (Amendment) Act 2015 requires employers to:

Provide itemised payslips

Employers must issue employees itemised payslips at least once a month together with (or latest within three working days of) salary payment. In the event of termination of employment, the payslip must be given to the employee together with the final payment of salary. For all other employees, the payslip must include details such as payments and deductions for each salary period, and overtime pay if applicable. The payslip may be issued as a softcopy or hardcopy and may also be in handwritten form. Employers must keep records of all payslips issued.

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Provide Key Employment Terms ("KETs") in writing

For employees who are employed on or after 1 April 2016, and are employed for 14 continuous days or more, employers must provide written KETs including details such as the leave entitlements and working arrangements (daily working hours, number of working days per week, and rest day if applicable).

The full list of the KETs below must be included, unless the item is not applicable.

Number	Item description
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1	Full name of employer.
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2	Full name of employee.
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3	Job title, main duties and responsibilities.
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4	Start date of employment.
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5	Duration of employment (if employee is on fixed-term contract).
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6	Working arrangements, such as:
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- Daily working hours (e.g. 8.30am–6pm).
- Number of working days per week (e.g. six).
- Rest day (e.g. Saturday).

7	Salary period.
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8	Basic salary.
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For hourly, daily or piece-rated workers, employers should also indicate the basic rate of pay (e.g. \$X per hour, day or piece).

9	Fixed allowances.
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10	Fixed deductions.
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11	Overtime payment period (if different from item 7 salary period).
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12	Overtime rate of pay.
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13	Other salary-related components, such as:
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- Bonuses
- Incentives

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Number	Item description
14	Type of leave, such as: <ul style="list-style-type: none">● Annual leave● Outpatient sick leave● Hospitalisation leave● Maternity leave● Childcare leave
15	Other medical benefits, such as: <ul style="list-style-type: none">● Insurance● Medical benefits● Dental benefits
16	Probation period.
17	Notice period.

Keep detailed employment records

Employers must maintain detailed employment records for each employee, in two categories:

- (1) Salary records, with the same information as required in the itemised payslips; and
- (2) Employee records, with information such as address of the employee, the National Registration Identity Card ("NRIC") number or Foreign Identification Number ("FIN") with expiry date, date of birth, gender, date of starting and leaving employment, working hours including duration of meals and breaks, dates and other details of public holidays and leave taken.

For current employees, such records must be kept for the latest two years. For ex-employees, such records of the final two years are to be kept for one year after the employment ended.

Penalties for less severe breaches

Less severe breaches will be treated as non-criminal infringements, which are subject to administrative penalties. There will be no criminal record for employers in breach of these obligations. The less severe breaches include:

- Failure to issue itemised payslips to all employees;
- Failure to issue KETs, such as working arrangements, main duties and fixed salary deductions in writing to employees;
- Failure to keep detailed employment records, and

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- Provision of inaccurate information (without fraudulent intent or intent to mislead) to the Commissioner for Labour or inspecting officers.

Penalties for first-time non-compliance range from S\$100 to S\$200 per employee or occurrence and the employer may also be requested to rectify the breach. Subsequent occasions of non-compliance may result in penalties of S\$200 or S\$400 depending on the type of breaches. Repeated cases of non-compliance will be regarded as a criminal offence.

The new requirements took effect from 1 April 2016. However, the MOM will provide a one-year grace period in its enforcement. During this period, the MOM will take a light touch enforcement approach focusing on helping employers meet these requirements. Nevertheless, it is important for employers to review their procedures and take steps towards complying with the new requirements.

Employment of Foreign Workers in Singapore

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act, Chapter 91A of Singapore (the "EFMA") and regulated by the MOM.

In Singapore, under Section 5(1) of the EFMA, no person shall employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass from the MOM, which allows the foreign employee to work for him. Any person who fails to comply with or contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall:

- 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
- on a second or subsequent conviction:
 - in the case of an individual, be punished 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
 - in any other case, be punished with a fine not less than S\$20,000 and not more than S\$60,000.

Apart from the general requirements for employing foreign workers, there are requirements additional and specific to the construction sector which our Group has to fulfil. These include specific requirements for a worker's nationality, quota and levy. The availability of foreign workers to the construction is also regulated by the MOM through, among others, the following policy instruments:

- approved source countries;
- the imposition of security bonds and levies;
- dependency ceilings based on the ratio of local to foreign workers; and
- quotas based on the Man-Year Entitlements ("MYE") in respect of workers from Non-Traditional Sources ("NTS") and the PRC.

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As at the Latest Practicable Date, our employees held one of the following passes:

Pass type	Category of employee
Employment Pass	For foreign professionals, managers and executives. Candidates need to earn at least S\$3,600 a month and have acceptable qualifications.
S Pass	For mid-level skilled staff. Candidates need to earn at least S\$2,200 a month and meet the assessment criteria.
Work Permit for foreign worker	For semi-skilled foreign workers in the construction, manufacturing, marine, process or services sector.

In applying for work permits for our foreign workers, we first check the backgrounds of the workers before submitting applications. In-principle approvals (“**IPA**”) are usually given by the MOM after one to five working days, depending on the nationality of the foreign worker. When we receive the IPA, we will contact the workers to inform them of the IPA granted. They will then purchase their air tickets to travel to Singapore the following week. We will also make arrangements to purchase security bonds for them from insurance companies, which can be completed in one working day.

Upon their arrival in Singapore, we will arrange for the foreign workers to attend a medical checkup on the first day of their arrival and attend the CSOC course on the next day. Within two weeks of their arrival, we would submit their medical report online to obtain the issuance of their work permits. We will also make an online application for an appointment at the MOM for the foreign workers to register their photographs and fingerprints required for their work permit card.

It takes about two to three weeks from our application to the time the foreign workers are issued with a working permit in Singapore.

Approved source countries

In the construction sector in Singapore, employers can only employ foreign workers who satisfy the conditions for source countries, age when applying and maximum period of employment. The approved source countries for construction workers are Malaysia, the PRC, NTS and North Asian Sources (“**NAS**”). NTS include India, Sri Lanka, Thailand, Bangladesh, Myanmar and the Philippines. NAS include Hong Kong (holders of HKSAR passports), Macau, South Korea and Taiwan.

Construction companies must have Prior Approval (“**PA**”) from the MOM to employ foreign workers from NTS and the PRC. The PA 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. PAs 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 Central Provident Fund (“**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.

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Foreign construction workers would be required to obtain the following before they are allowed to work in Singapore:

Requirements	Type of workers
Skills Evaluation Certificate (“ SEC ”) or Skills Evaluation Certificate (Knowledge) (“ SEC(K) ”) ⁽¹⁾ , issued or accepted by the BCA	Workers from NTS and the PRC under the PA (Type: New); workers from NAS
Sijil Pelajaran Malaysia (“ SPM ”) or its equivalent, the SEC or SEC(K)	Workers from Malaysia
Attend and pass full day Construction Safety Orientation Course (“ CSOC ”)	Workers from NTS, NAS, the PRC and Malaysia (All)
Pass medical examination by doctor registered in Singapore	Workers from NTS, NAS, the PRC and Malaysia (All)

Note:

- (1) Both the SEC and SEC(K) schemes are initiatives by the BCA to raise skills, productivity and safety in the construction sector. All non-Malaysians must have the Skills Evaluation Certificate to qualify as Basic-Skilled construction workers.

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.

In addition, for each individual’s work permit, in-principle approvals have to be sought. Within two weeks of arrival, the foreign construction worker is required to undergo a medical examination by a doctor registered in Singapore and must pass such medical examination before a work permit can be issued to him.

All foreign workers in the construction sector must attend the CSOC, a course conducted by various training centres accredited by the MOM and obtain a valid CSOC pass. The CSOC is to (i) ensure that these construction workers are familiar with common safety requirements and health hazards in the industry, including the use of personal protective equipment;(ii) educate them on the required measures to prevent accidents and diseases, and (iii) ensure that they are aware of their rights and responsibilities under the relevant employment law in Singapore. Employers must ensure that their foreign workers attend the CSOC within two weeks of their arrival in Singapore before their work permits can be issued. At the end of the course, the workers will receive a safety orientation pass upon passing the course requirements or assessment. Foreign workers who have failed the CSOC must retake the course as soon as possible. Employers who fail to ensure that their workers take and pass the CSOC will be barred from applying for any new work permits for three months, while the affected workers will have their work permits revoked.

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Security bonds and foreign worker levies

For each NAS, NTS or PRC construction worker whom we were successfully granted with a work permit, a security bond of S\$5,000 in the form of a banker’s guarantee or insurance guarantee is required to be furnished to the Controller of Work Passes under the Employment of Foreign Manpower Act, Chapter 91A. The security bond must be furnished prior to the foreign worker’s arrival in Singapore, failing which entry into Singapore will not be allowed. Malaysian workers are exempt from such requirement of furnishing a security bond.

The number of S Pass holders and Work Permit holders that a company is allowed to hire is limited by quota and subject to levy, namely, FWL. The table below outlines the quota and FWL rates for the construction sector, where employers pay the requisite levy according to the qualification of the foreign workers employed.

Worker Category	Percentage of total workforce	Monthly FWL rate (S\$) (from 1 July 2014)	Monthly FWL rate (S\$) (from 1 July 2015)	Monthly FWL rate (S\$) (from 1 July 2016)	Monthly FWL rate (S\$) (from 1 July 2017)
Higher skilled ⁽¹⁾ and on man-year entitlements (“MYE”) ⁽²⁾ (see below for more details on MYE)	Up to 87.5%	300	300	300	300
Basic skilled and on MYE		550	550	650	700
Higher skilled, experienced and exempted from MYE ⁽²⁾		700	600	600	600
Basic skilled, experienced and exempted from MYE ⁽²⁾		950	950	950	950

Pass Type	Tier	Percentage of total workforce	Worker category	Monthly FWL rate (\$ (from 1 July 2014)	Monthly FWL rate (S\$) (from 1 July 2015)	Monthly FWL rate (S\$) (from 1 July 2016)
S-Pass Quota: 20% of workforce	Basic/Tier 1	Up to 10%	Higher skilled/ Basic skilled	330	315	330
	Tier 2	10% to 20%	Higher skilled/ Basic skilled	650	550	650
Work Permit Quota: 60% of workforce	Basic/Tier 1	Up to 25%	Higher skilled	250	250	250
			Basic skilled	370	370	370
	Tier 2	Above 25% to 50%	Higher skilled Basic skilled	350 470	350 470	350 470
Tier 3	Above 50% to 60%	Higher skilled Basic skilled	550 650	550 650	550 650	

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Notes:

- (1) Under the Employment of Foreign Manpower (Levy) Order 2011, “basic skilled construction worker” means a construction worker, not being a higher skilled construction worker, who has passed a test in a construction-related skill conducted or recognised by the BCA or such institution as the Controller may determine; higher skilled construction worker” means a construction worker who - (a) has obtained the requisite trades certification for construction-related skills conducted or recognised by the BCA or such institution as the Controller may determine; or (b) has such work experience, remuneration or any combination thereof, or who satisfies such other criteria, as the Minister determines suitable to regard the construction worker as a higher skilled construction worker. The requisite trades certification that a higher skilled construction worker requires include the Construction Registration of Tradesmen (CoreTrade) registration scheme, the Multi-Skilling scheme, the Market-based Skills Recognition Framework and the SEC (K) at Direct R1 higher skills standards.
- (2) To be exempted from MYE, the foreign workers must have at least two years of working experience in Singapore which is relevant to the construction sector.

Dependency ceilings

The dependency ceiling for the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers. This means that for every full-time Singapore citizen or Singapore permanent resident who is employed by no more than two companies in the construction sector with regular full month CPF contributions made by the employer(s), the company can employ a maximum of seven foreign workers. However, the quota may not apply to higher skilled foreign employees. A full-time employee refers to a Singapore citizen or Singapore permanent resident employee who earns at least S\$1,000 per month under a contract of service.

Minimum percentage of higher skilled (R1) workers

From 1 January 2017, all construction firms are required to have at least 10% of their work permit holders (“WPHs”) to be qualified as higher skilled R1 workers. For example, if a firm has 100 WPHs, it must have at least ten R1 workers. The MOM set the minimum R1 proportion at 10% per firm, with the following implications:

From 1 January 2017, at least 10% of its construction Work Permit holders must be higher-skilled (R1) before a construction firm can hire any new basic-skilled (R2) construction workers. Renewals, however, will not be affected. This is tracked based on a 12-week rolling average.

From 1 January 2018, construction firms that do not meet the 10% R1 minimum will not only be forbidden from hiring new R2 construction workers but these firms will also not be able to renew the work permits of R2 construction workers.

From 1 January 2019, construction 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.

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Construction firms may upgrade their basic skilled R2 WPHs to higher skilled R1 WPHs through any of the following pathways:

- (a) CoreTrade scheme: Workers who have at least four years of construction experience in Singapore and pass the stipulated skill assessments conducted by the BCA can be registered under the Construction Registration of Tradesmen (CoreTrade) registration scheme to qualify as Higher Skilled R1 WPHs;
- (b) Multi-Skilling scheme: Since July 2012, the BCA has implemented the Multi-Skilling scheme to allow construction firms to upgrade WPHs who have at least four years of construction experience in Singapore, and are certified in two or more trade skills, to the R1 tier;
- (c) Market-based Skills Recognition Framework (“MBF”): Since August 2014, the MOM implemented the MBF to allow R2 WPHs to upgrade to R1 status if they have at least six years’ construction experience in Singapore, and earn a fixed monthly salary of at least S\$1,600, or
- (d) Direct R1 pathway: Since September 2015, the Direct R1 pathway allows workers who pass the SEC (K) at Direct R1 higher skills standards, and draw a fixed monthly salary of at least S\$1,600, to qualify for R1 status. This will benefit better quality workers from overseas, as well as existing R2 workers who are skilled but do not have enough working experience in Singapore.

MYE

The MYE is a work permit allocation system for employment of construction workers from NTS and the PRC. MYE represents the total number of work permit holders a main contractor is entitled to employ based on the value of the projects awarded by the developers or owners. The allocation of MYE is in the form of the number of “man-years” required to complete a project and only main contractors may apply for MYE. One man-year is equivalent to one year’s employment under a work permit. All levels of subcontractors are required to obtain their MYE allocation from their main contractors.

A main contractor’s MYE will expire on the completion date of the relevant project. In the event of an extension of a project completion date, the main contractor may request to extend the MYE. If the extension is approved, the new project completion date will be indicated in the original MYE certificate which will be sent to the main contractor within 14 working days. NTS or PRC construction workers who have worked with any employer for a cumulative period of two or more years in the construction industry, may be hired by main contractors without the need for MYE.

Employers are required to comply with the conditions of the work permits, such as the requirement to provide acceptable accommodation for their foreign workers. Other conditions of the work permits which employers of foreign construction workers are also required to comply with include the following:

- ensuring that the foreign worker performs only those construction activities specified in the conditions;
- ensuring that the foreign worker is not sent to work for any other person, except as provided for in the conditions;

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- providing safe working conditions for their foreign workers; and
- purchasing and maintaining medical insurance with coverage of at least S\$15,000 per 12-month period of the foreign worker's employment (or for such shorter period where the worker's period of employment is less than 12 months) for the foreign worker's in-patient care and day surgery except as the Controller of Work Passes may otherwise provide by notification in writing. Where the employer purchases a group medical insurance policy for its foreign workers, the employer shall not be considered to have satisfied the obligation under this condition unless the terms of the group medical insurance policy are such that each and every individual foreign worker is concurrently covered to the extent as required aforesaid.

Apart from the EFMA, an employer of foreign workers is also subject to, amongst others, the provisions set out in:

- the Employment Act, as further discussed above; and
- the Immigration Act, Chapter 133 of Singapore ("**Immigration Act**") and the regulations issued pursuant to the Immigration Act.

Female employees

The Child Development Co-Savings Act, Chapter 38A of Singapore ("**CDCSA**") provides that every female employee is legally entitled to 16 weeks of paid maternity leave regardless of her occupation if: (1) her child is a Singapore Citizen, (2) she is lawfully married to the child's father at the time of the child's birth; and (3) she has served the company for at least 90 days before the birth of her child. During such period of leave, the female employee shall be entitled to receive payment from her employer at her gross rate of pay.

Workplace Safety and Health Safety Measures

Under the Workplace Safety and Health Act, Chapter 354A of Singapore ("**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 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.

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The Workplace Safety and Health (Construction) Regulations 2007 sets out additional specific duties on employers which include, *inter alia*, appointing a workplace safety and health co-ordinator in respect of every worksite to assist and identify any unsafe condition in the worksite or unsafe work practice which is carried out in the worksite and recommend and assist in the implementation of reasonably practicable measures to remedy the unsafe condition or unsafe work practice.

More specific duties imposed on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations ("WSHR"). Some of these duties include taking effective measures to protect persons at work from the harmful effects of any exposure to any bio-hazardous material which may constitute a risk to their health.

Pursuant to the WSHR, the following equipment are required to, amongst others, be tested and examined by an authorised examiner ("**Authorised Examiner**") before they can be used and thereafter, at specified intervals:

- hoists or lifts
- lifting gears
- lifting appliances and lifting machines

Upon examination, the Authorised 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 occupier of a workspace in which the equipment is used to comply with the foregoing 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 Commissioner for Workplace Safety and Health ("**CWSH**") may, among others, enter, inspect and examine any workplace, to inspect and examine 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, to take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, to assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and to take into custody any article in the workplace which is relevant to an investigation or inquiry under the WSHA.

Under the WSHA, the CWSH may issue a stop-work order in respect of a workplace if he is satisfied that (i) 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; (ii) any person has contravened any duty imposed by the WSHA; or (iii) 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, amongst others, direct the person served with the order to immediately cease to carry on any work indefinitely or until such

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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.

The MOM has also implemented an enhanced demerit points system for the construction sector. All main contractors and subcontractors in the construction sector will be issued with demerit points for breaches under the WSHA and relevant subsidiary legislation. Under the single-stage Demerit Points System (DPS) for the construction industry, the number of demerit points awarded depends on the severity of the infringement. An accumulation of a minimum of 25 demerit points would immediately trigger debarment for the contractor. Applications from the company for all types of work passes for foreign employees will be rejected by the MOM. The accumulation of more demerit points will result in longer periods of debarment. Contractors that have been issued with demerit points will be informed by MOM in writing. Each demerit point is valid for 18 months. During the Track Record Period and up to the Latest Practicable Date, we do not have any demerit points as the non-compliance issues we have been involved in are minor regulatory breaches. For details of such non-compliance incidents, please refer to the section headed “Business — Regulatory non-compliance” of this document.

The number of demerit points issued to contractors will be based on the severity of the offences committed:

Type of incident	Demerit points	Effective date
Composition fines	1 point per fine from the 4th composition fine onwards	Date of MOM’s decision to offer composition fines
Stop work order (partial)	5	Date of stop work order issued
Stop work order (full)	10	
Prosecution action taken for accident that led to serious injuries to any person	18	Date of MOM’s decision to prosecute
Prosecution action taken for dangerous occurrence (potential for multiple fatalities)	18	
Prosecution action taken for accident that led to death of one person	25	
Prosecution action taken for accident that led to death of more than one person	50	

Demerit points for a contractor are calculated by adding the points accumulated from all the worksites under the same contractor.

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Contractors, including all main and sub-contractors who accumulate a pre-determined number of demerit points within an 18-month period, will be debarred from employing foreign workers. The following table indicates the scope and duration of debarment for the accumulated demerit points.

Phase	Demerit points accumulated within 18-month period	Allowed to hire new workers	Allowed to renew the passes of existing workers	Duration of debarment
1	25 to 49	No	Yes	3 months
2	50 to 74	No	Yes	6 months
3	75 to 99	No	Yes	1 year
4	100 to 124	No	Yes	2 years
5	125 and above	No	No	2 years

Under Section 56 of the WWSA, the CWSH may at his discretion compound any offence prescribed as a compoundable offence. The composition amount is a sum not exceeding one half of the amount of the maximum fine prescribed for the offence or S\$5,000, whichever is the lower. Upon payment of the composition sum, no further proceedings shall be taken against that person in respect of the offence.

Pursuant to the Workplace Safety and Health (Risk Management) Regulations, the employer in a workplace is required to, *inter alia*, conduct a risk assessment at least once every three years in relation to the safety and health risks posed to any person who may be affected by his undertaking in the workplace, take all reasonably practicable steps to eliminate or minimise risks, implement measures/safety procedures to address the risks, and to inform workers of the same, maintain records of such risk assessments and measures/safety procedures for a period of not less than three years, and submit such records to the Commissioner from time to time when required by the Commissioner. For details, please refer to the section headed “Business — Occupational health and safety” of this document.

Housing requirements for foreign workers

Employers are also required to ensure acceptable housing for their foreign workers and to provide their addresses to the MOM. The requisite housing standards are:

- Proper land use as defined by the Urban Redevelopment Authority (“URA”), Housing Development Board (“HDB”) or Jurong Town Corporation (“JTC”);
- Building structural safety standards by the BCA;
- Fire and safety standards by the Singapore Civil Defence Force (“SCDF”);
- Environmental health requirements by the National Environment Agency (“NEA”), and
- Drainage, sanitary and sewerage system standards by the Public Utilities Board (“PUB”).

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Employers may be prosecuted if their workers do not have acceptable housing. Their work permit applications or renewals may also be affected.

Further, employers are required to register or update the MOM with the residential addresses of their foreign workers within five calendar days of employment or change of address, by way of the online portal Online Foreign Worker Address Service.

Under regulation 5(1) of the Workplace Safety and Health (Registration of Factories) Regulations 2008, any person who desires to occupy or use any premises as a factory not falling within any of the classes of factories in the First Schedule shall, before the commencement of operation of the factory, notify the Commissioner of his intention to do so. Should a person desire to occupy or use any premises as a factory falling within any of the classes of factories in the First Schedule, he is required to register the premises as a factory. Under Section 5(2)(a)(iv) of the WSHA, the definition of a factory includes any premises where building operations or any work of engineering construction are carried out.

Under regulation 4 of the Workplace Safety and Health (Operation of Cranes) Regulations 2011, the employer or principal under whose direction the person operates the crane is required to establish and implement a lifting plan which shall be in accordance with the generally accepted principles of safe and sound practice. It is also the duty of such employer or principal to appoint a lifting supervisor, a rigger and a signaller before any lifting operation involving the use of any crane is carried out at a workplace. It is the duty of the owner of any mobile crane or tower crane to ensure that after every installation, repair, alteration and dismantling of a mobile crane or tower crane, the crane is tested and certified safe by an authorised examiner for the operations for which it is intended; and the crane is not used unless it has been so tested and certified. Contravention of the Workplace Safety and Health (Operation of Cranes) Regulations 2011 may result in a fine not exceeding S\$20,000 or to an imprisonment term not exceeding two years or both.

Under regulation 4(1) of the Workplace Safety and Health (Scaffolds) Regulations 2011, no person shall construct, erect, install, re-position, alter, maintain, repair or dismantle any scaffold, not being an excluded scaffold, in any workplace unless he is an approved scaffold contractor. A firm or company may apply to the CWHS for his approval to act as an approved scaffold contractor. An employer or principal under whose direction a person carries out or is to carry out work bears the duty, *inter alia*, to ensure that no person carries out work as an approved scaffold contractor unless he has successfully completed an accepted training course. It is also the duty of the employer or principal to appoint a scaffold supervisor before any construction, erection, installation, re-positioning, alteration, maintenance, repair or dismantling of a scaffold in a workplace.

Any person who contravenes regulation 4(1), or any provision of the Workplace Safety and Health (Scaffolds) Regulations 2011 which imposes a duty on him for which no penalty is expressly provided, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$20,000 or to imprisonment for a term not exceeding two years or to both.

Workmen's Compensation

The Work Injury Compensation Act, Chapter 354 of Singapore ("WICA"), which is regulated by the MOM, applies to employees who are engaged under a contract of service or apprenticeship, regardless of their level of earnings. The WICA does not cover self-employed persons or independent contractors. However, as the WICA provides that, where any person (referred to as the principal) in the

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course of or for the purpose of his trade or business contracts with any other person (referred to as the subcontractor employer), the principal shall be liable to compensate those employees of the subcontractor employer who were injured while employed in the execution of work for the principal.

Under Sections 23 and 35 of the WICA, employers are required to purchase and maintain medical insurance coverage for their foreign workers, Employers who fail to buy or maintain the required medical insurance for their foreign workers may be fined up to S\$5,000 or imprisoned up to six months, or both. In addition, they may be barred from employing foreign workers.

Under regulation 6 of the Workplace Safety and Health (Incident Reporting) Regulations ("**Incident Reporting Regulations**"), if a workplace accident results in injury of an employee who is hospitalised for at least 24 hours or given more than three days of sick leave, an employer must submit an incident report to the CWSH not later than 10 days after the accident, or not later than 10 days after the third day of the sick leave, as the case may be. If the employee subsequently dies from the injury, the employer has to notify CWSH as soon as reasonably practicable. If an employer receives a doctor's written diagnosis of the employee's occupational disease, the employer has to submit a report to CWSH not later than 10 days after receipt of the written diagnosis. Further, under regulation 4 of the Incident Reporting Regulations, if any workplace accident leads to the death of any employee, the employer shall, as soon as is reasonably practicable, notify the CWSH. If any workplace accident leads to the death or injury requiring treatment at a hospital of any person not at work or of any self-employed person, the occupier of the workplace is required to, as soon as is reasonably practicable, notify the CWSH. Any employer or occupier who fails to give such notice may be charged for an offence and shall be liable upon conviction for a first offence, to a fine not exceeding S\$5,000 and for a subsequent offence, to a fine not exceeding S\$10,000 or to an imprisonment term not exceeding six months or to both.

The WICA provides that if an employee dies or sustains injuries in a work-related accident or contracted occupational diseases in the course of the employment, the employer shall be liable to pay compensation in accordance with the provisions of the WICA. An injured employee is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death, subject to certain limits stipulated in the WICA.

An employee who has suffered an injury arising out of and in the course of his employment can choose to either:

- (a) submit a claim for compensation through the MOM without needing to prove negligence or breach of statutory duty by the employer. There is a fixed formula in the WICA on amount of compensation to be awarded; or
- (b) commence legal proceedings to claim damages under common law against the employer for breach of duty or negligence.

Damages under a common law claim are usually more than an award under the WICA and may include compensation for pain and suffering, loss of wages, medical expenses and any future loss of earnings. However the employee must show that the employer has failed to provide a safe system of work, or breached a duty required by law or that the employer's negligence caused the injury.

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Under the WICA, every employer, regardless of whether it is a main contractor or a subcontractor, is required to be insured under approved policies with an insurer against all liabilities which it may incur under the provisions of the WICA in respect of all employees employed, unless specifically exempted.

Earth Control Measures ("ECM") under the Sewerage and Drainage Act (Chapter 294 of Singapore) ("SDA")

Under the SDA, all contractors have to obtain a clearance certificate or approval from the Public Utilities Board ("**PUB**") before commencing earthworks in the following cases:

- (i) any works which affect or are likely to affect any storm water drainage system, drain or drainage reserve, directly or indirectly; or
- (ii) any works that could lead to the discharge of silt directly or indirectly into any storm water drainage system, drain or drainage reserve.

Contractors have to comply with the Sewerage and Drainage (Surface Water Drainage) Regulations ("**SDR**") which requires them to, *inter alia*:

- (a) comply with the Code of Practice on Surface Water Drainage ("**SD Code**");
- (b) ensure earth control measures are provided and maintained in accordance with the SD Code;
- (c) ensure runoff within, upstream of and adjacent to the work site shall be effectively drained away without causing flooding within or in the vicinity of the work site;
- (d) ensure that all earth slopes shall be set outside a drainage reserve;
- (e) ensure that all earth slopes adjacent to any drain shall be close turfed; and
- (f) ensure that adequate measures are taken to prevent any earth, sand, top-soil, cement, concrete, debris or any other material to fall or to be washed into the storm water drainage system from any stockpile thereof.

Under the SD Code, the contractor is required to, *inter alia*, prior to the commencement of works, engage a Qualified Erosion Control Professional to plan and design a system of earth control measures, with the detailed ECM proposals to be submitted to the PUB. "Qualified Erosion Control Professional" means a Professional Engineer who is registered under the Professional Engineers Act (Chapter 253 of Singapore), and has in force a practicing certificate issued thereunder, and has satisfactorily completed a specialized professional course in erosion and sediment control.

Environmental laws and regulations

The Environmental Public Health Act, Chapter 95 of Singapore ("**EPHA**") requires, among others, a person, during the erection, alteration, construction or demolition of any building or at any time, to take reasonable precautions to prevent danger to the life, health or well-being of persons using any public places from flying dust or falling fragments or from any other material, thing or substance.

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The EPHA also regulates, among others, the disposal and treatment of industrial waste and public nuisances. Under the EPHA, the Director-General of Public Health and authorised officers may, on receipt of any information respecting the existence of a nuisance liable to be dealt with summarily under the EPHA and if satisfied of the existence of a nuisance, serve a nuisance order on the person by whose act, default or sufferance the nuisance arises or continues, or if the person cannot be found, on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with summarily under the EPHA include any factory or workplace which is not kept in a clean state, any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety.

The Environmental Protection and Management Act, Chapter 94A of Singapore seeks to provide for the protection and management of the environment and resources conservation and regulates, amongst others, air pollution, water pollution, land pollution and noise control. Under the Environmental Protection and Management (Control of Noise at Construction Sites) Regulations, the owner or occupier of any construction site shall ensure that the level of noise emitted from his construction site shall not exceed the maximum permissible noise levels prescribed in such regulations.

Company laws and regulations

IEPL and ICPL, which are indirect wholly-owned subsidiaries of the Company and operating subsidiaries of the Group, are private companies limited by shares, incorporated and governed under the provisions of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and its regulations.

The Companies Act generally governs, amongst others, 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 memorandum and articles of association of the company. The memorandum of association of a company provides for, *inter alia*, the objects of the company while the articles of association of the company

REGULATORY OVERVIEW

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).

Taxation

Corporate tax

The prevailing corporate tax rate in Singapore is 17% with effect from Year of Assessment 2010. In addition, the partial tax exemption scheme applies on the first S\$300,000 of normal chargeable income; and 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%. Further, companies were granted a corporate income tax rebate of 30 % of the tax payable for the Years of Assessment (“YA”) 2013 to 2015, subject to a cap of S\$30,000 per year of assessment. During the Singapore Budget 2016, the Singapore government announced that in order to help businesses, especially small and medium enterprises, to restructure in the midst of the current economic climate, the Corporate Income Tax Rebate for YAs 2016 and 2017 will be raised to 50% of the corporate tax payable, from the 30% announced in Singapore Budget 2015. The rebate will be subject to a cap of \$20,000 per YA.

Dividend distributions

One tier corporate taxation system

Singapore adopts the one-tier corporate taxation system (“**One-Tier System**”). Under the One-Tier 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.

Withholding taxes

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

Productivity and Innovation Credit Scheme

The Productivity and Innovation Credit Scheme (“**PIC Scheme**”) allows, amongst others, companies with active business operations in Singapore to claim (i) tax deductions and/or allowances and/or (ii) cash payouts, and/or (iii) cash bonuses (on a dollar for dollar matching basis) in addition to (i) and/or (ii) above, in respect of certain qualifying activities undertaken by such companies, including the acquisition or leasing of certain qualifying equipment and certain types of training of employees, subject to prescribed expenditure caps. Further conditions apply before a company is eligible to make each of such claims, including having to invest in relevant qualifying expenditure and (in the case of the cash payouts and the cash bonuses) meeting the minimum three local employees requirement and (in the case of cash bonuses) investing the minimum qualifying expenditure per year of assessment over the course of three years from year of assessment 2013 to 2015, The PIC Scheme has been extended for another three years from YAs 2016 to 2018, and higher expenditure caps in relation to tax deductions

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and allowances apply for qualifying small and medium enterprises, under the PIC Scheme (for qualifying small and medium-sized enterprises) which took effect from YA 2015. As announced in the Singapore Budget Announcement 2016, the payout rate under the PIC Scheme will be lowered from 60% (from YA 2011 to YA 2015) to 40% for qualifying expenditure incurred on or after 1 August 2016.

CPF CONTRIBUTIONS

CPF is a mandatory social security savings scheme funded by contributions from employers and employees. Under the Central Provident Fund Act, Chapter 36 of Singapore (the “CPFA”), we are required to pay to the CPF by the end of each month in respect of each employee, who is either a citizen or permanent resident of Singapore, contributions at the contribution rates prescribed in the CPFA. As a private sector employer, we are required to pay CPF contributions monthly to our qualifying employees who also contribute to the CPF as follows:

Contribution rates for private sector employees from 1 January 2015

Employee’s age (years)	Contribution Rates from 1 January 2015 (for monthly wages ≥ \$750)		
	By Employer (% of wage)	By Employee (% of wage)	Total (% of wage)
35 and below	17	20	37
Above 35 to 45	17	20	37
Above 45 to 50	17	20	37
Above 50 to 55	16	19	35
Above 55 to 60	12	13	25
Above 60 to 65	8.5	7.5	16
Above 65	7.5	5	12.5

Contribution rates for private sector employees from 1 January 2016

Employee’s age (years)	Contribution Rates from 1 January 2016 (for monthly wages ≥ \$750)		
	By Employer (% of wage)	By Employee (% of wage)	Total (% of wage)
55 and below	17	20	37
Above 55 to 60	13	13	26
Above 60 to 65	9	7.5	16.5
Above 65	7.5	5	12.5

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The penalties that employers may face for not complying with the CPF Act are as follows:

- (a) 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 \$5 per month.
- (b) A fine of up to S\$5,000 and no less than S\$1,000 per offence and/or up to six months' imprisonment.
- (c) A fine of up to S\$10,000 and no less than S\$2,000 per offence and/or 12 months imprisonment for repeat offenders.
- (d) Fine of up to S\$10,000, imprisonment of up to seven years or both if the employer made a deduction to the employee's share of CPF contributions but failed to pay the contributions to CPF Board.

Goods and Services Tax ("GST")

GST in Singapore is a consumption tax 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%.

Personal Data Protection Act 2012 (the "PDPA")

Personal data in Singapore is protected under the PDPA. The PDPA governs 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 the same for purposes that a reasonable person would consider legitimate and reasonable in the circumstances. Under the PDPA, personal data is defined as data, whether true or not, about an individual (whether living or deceased) who can be identified (a) from that data; or (b) from that data and other information to which the organisation has, or is likely to have access.

Generally, the PDPA imposes the following obligations on organisations collecting, using or disclosing personal data of individuals ("**relevant persons**"): obligations of obtaining consent, giving notification and access and correction rights to the relevant persons, purpose limitation in respect of use of, and retention limitation and transfer limitation in respect of personal data collected, ensuring accuracy and protection of data collected and openness in making information available on its privacy policies and procedures relating to protection of personal data.

HISTORY, REORGANISATION AND GROUP STRUCTURE

OVERVIEW

Our history can be traced back to June 1992 when our founder, Controlling Shareholder, Chairman and CEO, Mr. Goh, acquired Interno Construction, a sole proprietorship established and carrying out building construction works as a subcontractor in Singapore, through his personal resources. Prior to starting his own business at Interno Construction, Mr. Goh had accumulated around five years of experience in the construction industry working as site supervisor and steel reinforcement scheduler for construction companies in Malaysia and Singapore. For a detailed biography of Mr. Goh, please refer to the section headed “Directors and Senior Management — Directors — Executive Directors” of this document.

To scale up his building construction business in Singapore and having established relationships with certain major customers, in December 1996, Mr. Goh together with his spouse, Ms. Tan, founded IEPL through their personal resources, to initially engage in steel reinforcement works as a subcontractor in Singapore. In 2005, IEPL expanded into reinforced concrete works comprising steel reinforcement works, formworks and concrete works by participating in the Ulu Pandan Newwater Design, Build, Own & Operate (DBOO) project. Following this project, we gradually built our reputation and track record in the construction industry as a subcontractor specialising in reinforced concrete works.

In view of the expansion of our businesses and to enhance our operational capacity, in September 2013, ICPL was incorporated as a private limited company to acquire and take over the business of Interno Construction and all the assets and liabilities in connection therewith.

Mr. Goh also acquired PGSC in October 2012 and incorporated IBCPL in September 2014 to engage in the provision of construction workers in Singapore, respectively. For the purpose of better allocation of resources and streamlining of our Group’s businesses, PGSC was deregistered in January 2017 and IBCPL was in the process of being struck off as at the Latest Practicable Date.

In August 2014, we obtained the Certificate of Approval as Approved Scaffold Contractor issued by the Ministry of Manpower in Singapore enabling us to carry out erection, alteration and dismantling (metal scaffold) works and we first registered for GB1 Licence by the Building and Construction Authority (the “BCA”) under the Building Licensing Scheme. In September 2015, we were registered by BCA under the Contractors Registration Scheme at the C1 Grade in the workheads category of “general building” and “civil engineering”, enabling us to tender directly for public sector projects of up to S\$4 million.

Over the course of more than 20 years in the construction industry, we have participated in a number of civil engineering and general building projects in Singapore including MRT stations such as the Orchard MRT station, 313 Somerset, Ng Teng Fong General Hospital and Ulu Pandan Newwater Design, Build, Own & Operate (DBOO) project. We are also currently involved in building new facilities at the Singapore Island Country Club as a main contractor.

HISTORY, REORGANISATION AND GROUP STRUCTURE

BUSINESS MILESTONES

The following table outlines our key business development milestones:

Date	Milestones
1992	Mr. Goh acquired Interno Construction in Singapore
1996	IEPL was incorporated in Singapore
1999	We obtained an Award of Appreciation issued by one of our clients, Customer A/ Subcontractor D, on the successful completion of Gul Circle Districentre three months ahead of schedule
2002	<ul style="list-style-type: none">● We were admitted to the Registry of SLOTS (Singapore List of Trade Subcontractors) maintained by The Singapore Contractors Association Ltd.● We became a statutory member of the Singapore Business Federation
2005	We expanded into reinforced concrete works comprising steel reinforcement works, formworks and concrete works by participating in the Ulu Pandan Newater Design, Build, Own & Operate (DBOO) project
2013	<ul style="list-style-type: none">● We were awarded the contract in respect of Project Tanjong Pagar Mixed Development by Customer A/Subcontractor D, which was the tallest building in Singapore as at the Latest Practicable Date, with a contract value of approximately S\$27.9 million● We first attained the bizSAFE Level Star certificate awarded by the Workplace Safety and Health Council● ICPL was incorporated in Singapore
2014	<ul style="list-style-type: none">● We obtained the Certificate of Approval as Approved Scaffold Contractor issued by the Ministry of Manpower in Singapore enabling us to carry out erection, alteration and dismantling (metal scaffold) works● We were awarded by one of our clients, Customer A/Subcontractor D, as "Most Behavior Based Safety (BBS) Observation Contractor" in respect of Project Tanjong Pagar Mixed Development● We obtained the "Appreciation for Excellent Performance" awarded by one of our clients, Customer A/Subcontractor D● We first registered for GB1 Licence by the BCA under the Building Licensing Scheme

HISTORY, REORGANISATION AND GROUP STRUCTURE

Date	Milestones
2015	<ul style="list-style-type: none">● We obtained ISO 9001:2008 (quality management system) and ISO 14001:2004 (environmental management system) certifications for the provision of civil and structural works (including reinforced concrete works and precast)● We were registered by BCA under the Contractors Registration Scheme at the C1 Grade in the workheads category of "general building" and "civil engineering", enabling us to tender directly for public sector projects of up to S\$4 million● We completed Project Sengkang General Hospital 1 at Sengkang East Road, Singapore, with contract value of over S\$2.7 million involving steel reinforcement works● We were awarded Project Orchard Station in respect of the construction of the proposed Orchard Station and tunnels for Thomson-East Coast Line of the MRT in Singapore involving reinforced concrete works with contract value of approximately S\$37.2 million● We were awarded by one of our clients, Customer A/Subcontractor D, as "Best Safety Conscious Contractor" in respect of Project Tanjong Pagar Mixed Development
2016	<ul style="list-style-type: none">● We were awarded "Safest WHSO" by one of our clients, Customer A/Subcontractor D, in recognition of our efforts in maintaining workplace health and safety● We were awarded by our client as the best subcontractor in relation to Project Orchard Station● We obtained the certificate of "1 Million Safe Man Hour Celebration" issued by our client in relation to Project Orchard Station in recognition of our efforts in the prevention of workplace accident● We were awarded Project SICC, our first main contractor project in respect of the construction of new facilities at Singapore Island Country Club with contract value of approximately S\$1.8 million
2017	<ul style="list-style-type: none">● Our Company and Indigo Link were incorporated as part of the Reorganisation for the purpose of the [REDACTED]● We obtained the certificate of "2 Million Hours LTI Free Celebration (Lost Time Injury)" issued by our client in relation to the Project Orchard Station in recognition of our contributions in the prevention of lost-time injury

HISTORY, REORGANISATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT

IEPL

IEPL was incorporated in Singapore with limited liability on 17 December 1996 with an authorised share capital of S\$100,000 divided into 100,000 ordinary shares of S\$1.00 each. Upon incorporation, two subscribers' shares of S\$1.00 each were allotted and issued to Mr. Goh and Ms. Tan, respectively, credited as fully paid. IEPL is principally engaged in building construction in Singapore.

On 30 January 1997, the authorised share capital of IEPL was increased from S\$100,000 divided into 100,000 ordinary shares of S\$1.00 each to S\$1,000,000 divided into 1,000,000 ordinary shares of S\$1.00 each by the creation of 900,000 ordinary shares of S\$1.00 each.

On 17 February 1997, 499,998 ordinary shares of S\$1.00 each in the share capital of IEPL were allotted and issued to Mr. Goh at nominal consideration of S\$499,998, credited as fully paid. Immediately after the said allotment of the ordinary shares, Mr. Goh held 499,999 ordinary shares in the capital of IEPL, representing approximately 99.99% of its then issued share capital.

On 6 March 2012, Mr. Goh acquired the one ordinary share in the share capital of IEPL held by Ms. Tan at a cash consideration of S\$1.40 with reference to its nominal value, credited as fully paid. Upon completion of the said transfer of the ordinary share, Mr. Goh held 500,000 ordinary shares in IEPL, representing its entire issued share capital.

On 29 September 2015, 2,500,000 ordinary shares in the share capital of IEPL were further allotted and issued to Mr. Goh at a cash consideration of S\$2,500,000 with reference to its nominal value, credited as fully paid. Immediately after the said allotment and issue of the ordinary shares, Mr. Goh held 3,000,000 ordinary shares in IEPL, representing its entire issued share capital.

ICPL

ICPL's predecessor was Interno Construction, a sole proprietorship registered on 3 July 1991 and acquired by Mr. Goh on 25 June 1992. In view of the expansion of our businesses and to enhance our operational capacity, ICPL was incorporated to acquire and take over as a going concern the business of Interno Construction and all or any of the assets and liabilities in connection therewith.

ICPL was incorporated in Singapore with limited liability on 3 September 2013 with an issued and paid up capital of S\$100,000. Upon incorporation, 99,990 and 10 shares of ICPL, representing 99.99% and 0.01% of the issued share capital of ICPL, respectively, were allotted and issued to Ms. Tan and Ms. Wu, an employee of our Group, respectively, at a consideration of S\$1.00, credited as fully paid. ICPL is principally engaged in provision of construction labour in Singapore.

PGSC

PGSC was formed in Singapore as a sole proprietorship and was registered on 22 October 1991. Upon registration, PGSC was owned by Mr. Lau Swee Meng, an Independent Third Party. On 11 April 2000, Mr. Lau Swee Meng ceased to be an owner of PGSC and Mr. Tan Boon Liew, a brother of Ms. Tan and a brother-in-law of Mr. Goh, became the owner of PGSC. On 1 October 2012, Mr. Goh became

HISTORY, REORGANISATION AND GROUP STRUCTURE

an owner of PGSC. On 3 October 2012, Mr. Tan Boon Liew ceased to be an owner of PGSC, and thus Mr. Goh became the sole owner of PGSC. PGSC was principally engaged in provision of construction labour in Singapore immediately prior to its dissolution in January 2017.

IBCPL

IBCPL was incorporated in Singapore with limited liability on 17 September 2014 with an issued share capital of S\$100,000 divided into 100,000 ordinary shares. Upon incorporation, 100,000 subscribers' share were allotted and issued to Mr. Goh, credited as fully paid. IBCPL was principally engaged in provision of construction labour in Singapore immediately prior to its application for striking off in January 2017. As at the Latest Practicable Date, the striking off application was still under process.

CONCERT PARTY ARRANGEMENT

Pursuant to a deed of confirmation dated 27 April 2017 (the "**Deed**"), Mr. Goh and Ms. Tan have agreed, confirmed and ratified that during the Track Record Period up to the date of the Deed, they, whether by themselves or via any corporate vehicles, have been cooperating and acting in concert (for purpose of the Takeovers Code) with each other in respect of all material management matters, voting decisions and/or business decisions relating to our Group required to be approved by shareholders under the articles of association of the relevant member of our Group (including but not limited to financial and operation policy, declaration of dividends, annual budget, execution of material contracts and investment and appointment of directors, senior management and employees relating to our Group), and they had first communicated, discussed and come to a unanimous decision in all shareholders' meetings and had reached the unanimous decision and resolution in accordance with the consensus achieved between them.

Mr. Goh and Ms. Tan further undertake with each other that following the date of the Deed, among other things, (i) when exercising their respective voting rights at the shareholders' meetings of any member of our Group and, if applicable, through the Company, they shall vote, or procure any entities which were entitled to vote at the shareholders' meetings to vote, as the case may be, unanimously in accordance with the consensus achieved between themselves; and (ii) prior to voting on any resolutions in shareholders' meeting and board meeting of any member of our Group, they shall discuss the relevant matters with each other with a view to reaching consensus and a unanimous vote.

In view of the concert party arrangement above, Mr. Goh and Ms. Tan are a group of Controlling Shareholders within the meaning of the GEM Listing Rules.

REORGANISATION

In preparation for the [REDACTED], we underwent the Reorganisation which involved the following steps:

(1) Dissolutions of PGSC and IBCPL

For the purpose of better allocation of resources and streamlining of our Group's businesses, PGSC and IBCPL shall be dissolved and will not become part of our Group upon [REDACTED].

HISTORY, REORGANISATION AND GROUP STRUCTURE

PGSC had a total of 19 employees immediately prior to its dissolution. Out of these 19 employees, the employment agreements in respect of 14 of them have been transferred or assigned to IEPL in accordance with existing employment laws and regulations in Singapore and five of them were not renewed. A Notice of Cessation of Business in respect of the deregistration of PGSC was made on 4 January 2017 and the dissolution of PGSC became effective on the same date.

IBCPL made its application for striking off on 25 January 2017. As at the Latest Practicable Date, the striking off application was still under process.

(2) Transfer of shares in ICPL

On 9 December 2016, Ms. Wu transferred to Ms. Tan 10 ordinary shares in ICPL, representing 0.01% of the issued share capital of ICPL, for a nominal consideration of S\$10.00. Immediately upon completion of the said share transfer, Ms. Tan held 100,000 ordinary shares in ICPL, representing its entire issued share capital.

(3) Incorporation of Amber Capital, our Company and Indigo Link

Incorporation of Amber Capital

Amber Capital was incorporated in the BVI with limited liability on 7 March 2017 and is authorised to issue a maximum of 50,000 shares of a single class without par value. Upon incorporation, 9,677 and 323 ordinary shares of Amber Capital were allotted and issued to Mr. Goh and Ms. Tan, determined with reference to the respective issued and paid up capitals of IEPL and ICPL as at 31 December 2016, at a consideration of US\$96.77 and US\$3.23, respectively, credited as fully paid. Immediately upon the said allotment and issue of the ordinary shares, Mr. Goh and Ms. Tan held 9,677 and 323 ordinary shares, representing 96.77% and 3.23% of the issued shares of Amber Capital, respectively.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2017. Upon incorporation, our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One nil-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was then transferred to Amber Capital at nil consideration on the same date.

Incorporation of Indigo Link

Indigo Link was incorporated in the BVI with limited liability on 10 March 2017 and is the intermediate holding company of our Group. Indigo Link is authorised to issue a maximum of 50,000 shares of a single class with par value of US\$0.01 each.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 10 March 2017, one ordinary share of Indigo Link, representing the entire issued share of Indigo Link, was allotted and issued to our Company at nominal consideration of US\$0.01, credited as fully paid. Immediately upon the said allotment and issue of the ordinary share, our Company held one ordinary share in Indigo Link, representing the entire issued share of Indigo Link.

(4) Acquisition of IEPL and ICPL

Acquisition of IEPL

On [●] 2017, Indigo Link as purchaser and Mr. Goh as vendor entered into a sale and purchase agreement, pursuant to which Mr. Goh transferred 3,000,000 ordinary shares in IEPL, representing the entire issued shares of IEPL, to Indigo Link. In consideration of the said transfer, (i) the one nil-paid Share held by Amber Capital was credited as fully paid (as directed by Mr. Goh); and (ii) one ordinary share in Indigo Link will be allotted and issued to our Company. Immediately after the said share transfer, IEPL had become an indirect wholly-owned subsidiary of our Company.

Acquisition of ICPL

On [●] 2017, Indigo Link as purchaser and Ms. Tan as vendor entered into a sale and purchase agreement, pursuant to which Ms. Tan transferred 100,000 ordinary shares in ICPL, representing the entire issued shares of ICPL, to Indigo Link. In consideration of the said transfer, (i) our Company allotted and issued [nine] Shares to Amber Capital, credited as fully paid (as directed by Ms. Tan); and (ii) one ordinary share in Indigo Link will be allotted and issued to our Company. After the said share transfer, ICPL had become an indirect wholly-owned subsidiary of our Company.

[REDACTED]

The authorised share capital of our Company will be increased from HK\$380,000 to HK\$[10,000,000] by the creation of an additional [962,000,000] Shares of HK\$0.01 each ranking *pari passu* in all respects with the existing issued Shares.

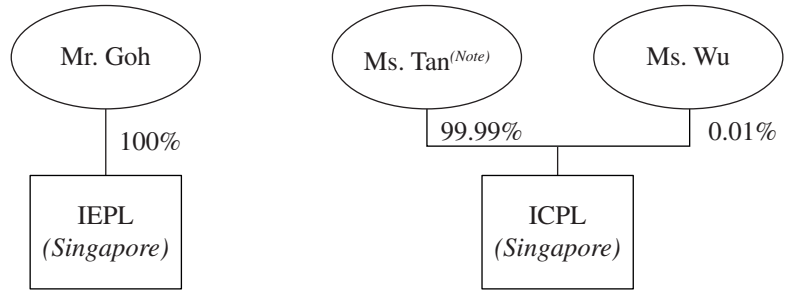
A total of [REDACTED] new Shares, representing [REDACTED]% of the total issued share capital of our Company immediately after the Reorganisation and completion of the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme) will be offered for subscription by way of [REDACTED].

Conditional on the share premium account of our Company being credited with the [REDACTED] from the [REDACTED], [REDACTED] will be capitalised from the share premium account of our Company and applied in paying up in full at par [REDACTED] for the allotment and issue to the existing sole Shareholder, being Amber Capital, on or prior to the [REDACTED].

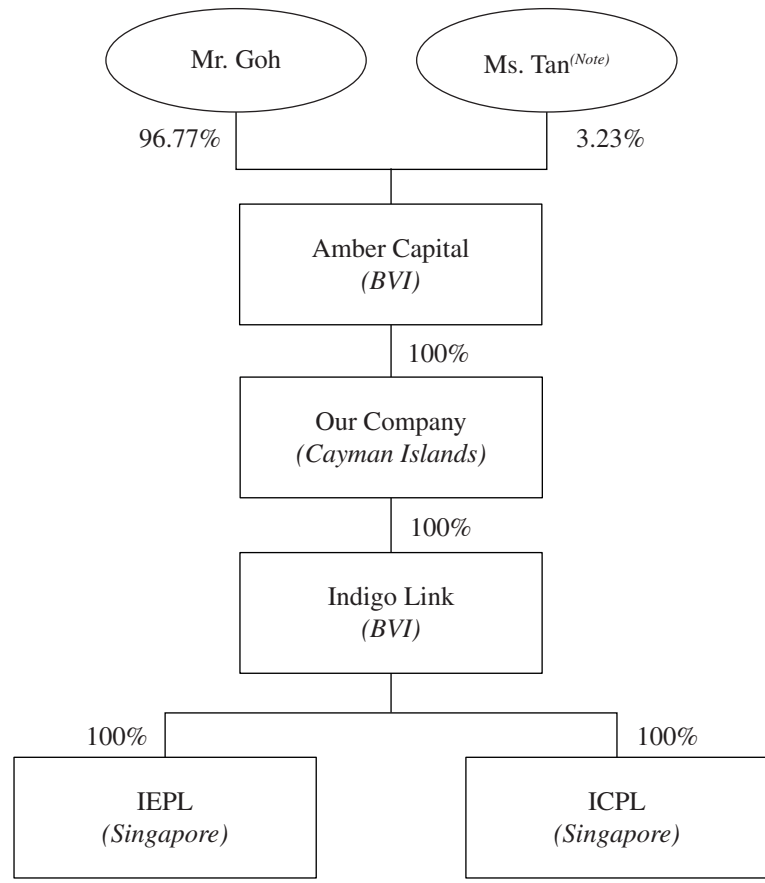
HISTORY, REORGANISATION AND GROUP STRUCTURE

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets out our corporate and shareholding structure immediately prior to Reorganisation.



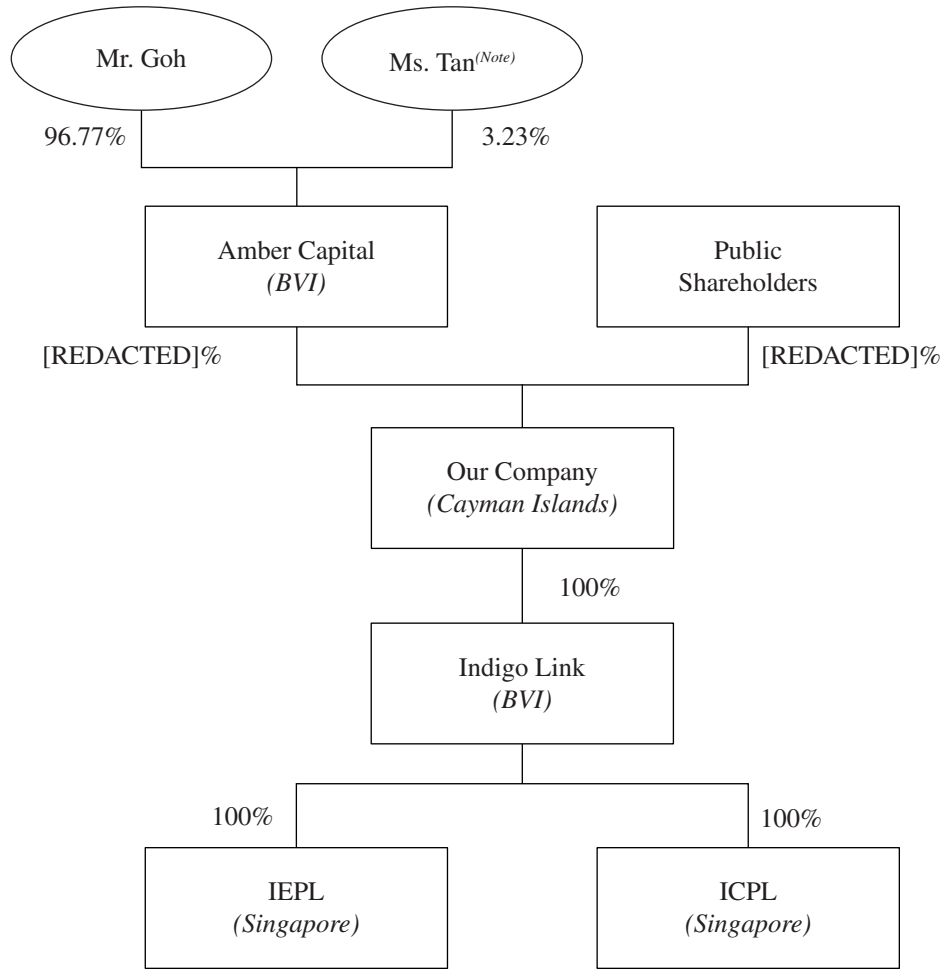
The following chart sets out our corporate and shareholding structure immediately after the Reorganisation but prior to the [REDACTED] and the [REDACTED].



Note: Ms. Tan is the spouse of Mr. Goh.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following chart sets out our corporate and shareholding structure immediately after completion of the [REDACTED] and the [REDACTED], assuming that the [REDACTED] has not been exercised and that no Shares have been issued pursuant to the exercise of the share options which may be granted under the Share Option Scheme.



Note: Ms. Tan is the spouse of Mr. Goh.

BUSINESS

OVERVIEW

Company Overview

We are an established subcontractor in Singapore specialising in providing reinforced concrete works, which mainly cover steel reinforcement works, formwork erection and concrete works. We may provide such services either individually or as a total package comprising all three, depending on the requirements of our customers.

Since the establishment of our business in 1996, we have been providing steel reinforcement works. Expansion of our business took place in 2005 when we broadened our scope of services into reinforced concrete works comprising steel reinforcement works, formwork erection and concrete works. Over the course of more than 20 years in the construction industry, we have participated in civil engineering and general building projects in Singapore, including MRT stations like Orchard MRT Station; shopping malls like 313 Somerset; and hospitals like Ng Teng Fong General Hospital; as well as the Ulu Pandan Newwater Design, Build, Own & Operate (DBOO) project. We actively participate as a subcontractor for steel reinforcement works, formwork erection and concrete works in general building and civil engineering projects. We had completed 16 general building projects and one civil engineering project as a subcontractor during the Track Record Period. As at the Latest Practicable Date, we had five general building projects and two civil engineering projects on hand with aggregate contract sums of approximately S\$71.4 million and S\$39.0 million, respectively while their outstanding contract sums were approximately S\$48.5 million and \$29.4 million, respectively.

Our Group participates in both public sector and private sector projects. We had completed four public sector projects as well as 13 private sector projects during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we had four public sector projects and three private sector projects on hand with aggregate contract sums of approximately S\$99.2 million and \$11.2 million, respectively while their outstanding contract sums aggregated at approximately S\$68.7 million and S\$9.2 million respectively. During the Track Record Period, our revenue was approximately S\$29.9 million and S\$30.1 million for the two years ended 31 December 2016, respectively. Our profit and total comprehensive income for the year was approximately S\$2.5 million and S\$3.0 million for the same periods, respectively. In 2016, we ventured into bidding for construction projects as a main contractor. This is in line with our strategy of expanding our business by playing the role of a main contractor. We are currently involved in (i) building new facilities at the Singapore Island Country Club for Project SICC; and (ii) an industrial building project at Tanjong Penjuru, namely, Project Tanjong Penjuru, as a main contractor.

Our major customers consist of renowned construction companies including construction groups listed in Japan and Korea, which awarded us contracts involving sizable projects. Our Directors believe that this allows us to enhance our reputation, which would contribute to our business development.

Over the years of our business operation, we have been granted numerous awards by main contractors in recognition of our Group's prominent performance in the construction industry, including the "Best Safety Conscious Contractor", "Best Sub Contractor" and "2 Million Hours LTI (Lost Time Injury) Free" awards in 2015, 2016 and 2017 respectively. Please refer to the paragraph headed "Awards and Accreditation" in this section for further details.

BUSINESS

OUR COMPETITIVE STRENGTHS

Our proven track record has established a reputation in the construction industry

Our Group has been involved in different types of general building and civil engineering projects in the past 21 years, which include residential housing, offices, commercial, industrial and institutional developments, special purposes constructions, MRT stations and infrastructure. We had been involved in projects such as the Singapore Management University, Changi General Hospital and the Ulu Pandan Newater Plant. Through our participation in these projects of various scales and complexity, we have established a reputation in Singapore as a subcontractor specialising in the steel reinforcement and formwork sectors. During the Track Record Period, we had been able to participate in certain civil engineering projects, namely, Project Orchard Station and Project Jalan Buroh. We were also involved in general building projects such as Project Paya Lebar Central, Project Sengkang General Hospital 1 and Project Tanjong Pagar Mixed Development. As at the Latest Practicable Date, the outstanding contract sum for our projects on hand amounted to approximately S\$77.9 million.

Our Directors regard our capability in handling both civil engineering and general building projects in the public sector as advantageous in diversifying our source of income and strengthening our market share in the construction industry. Our Directors believe that we stand out amongst our competitors as our customers can readily approach us regardless of which work area(s) of reinforced concrete works their projects belong to. Our established reputation and proven track record in handling a variety of construction projects with profound knowledge and professional experience has allowed us to gain our customers' confidence, hence enabling us to secure a continuous stream of projects.

We maintain good relationships with our customers and our subcontractors

Our Group values the relationships with our customers as we believe that maintaining stable relationships with our customers is crucial to the success of our business. Such good relationships not only help us understand the demands of our customers as soon as practicable but also liaise with our customers in a more effective manner when problems come up. More importantly, we believe the good relationships with our customers would increase our chance of being invited to tender for the forthcoming projects, which is conducive to securing a steady stream of projects for us.

To maintain good relationships, we keep close contact with our customers during the course of the projects, including attending regular meetings and making prompt responses to our customers' demands. When we perform our construction work, we use our best endeavours to meet the schedule of our customers by means of arranging sufficient manpower for the particular project and/or adding an extra shift wherever necessary. As at the Latest Practicable Date, we had maintained long-term and stable business relationships with three of our top five customers in terms of revenue for the two years ended 31 December 2016, respectively for over 18 years.

BUSINESS

There are occasions when we subcontract part of our construction work to our subcontractors. Our Directors understand that good relationships are essential to the smooth operation of our project work. To achieve this, we keep close contact with our subcontractors and try to collect from them updated information about the availability of their manpower and technical capacity. Upon the execution of a subcontract, we communicate with the relevant subcontractor over the requirements of the subcontract work in accordance with the contract we enter into with our customer. During the course of the project, we supervise the work performed by our subcontractor frequently, require our subcontractor to regularly report the work progress to us and ensure that its workers comply with the relevant safety rules and regulations. Whenever our subcontractors give us feedback in relation to their work, we respond to it as practicable as we can. We maintain good relationships with our subcontractors through effective communication. As at the Latest Practicable Date, we had developed business relationships for over six years with two of our top five subcontractors (excluding IBCPL, PGSC and those incidental to the contra charge arrangement) in terms of subcontracting charges for the two years ended 31 December 2016, respectively.

We have the ability to secure skilled and efficient labour force for our projects

The construction industry in Singapore has long relied on foreign workers for the provision of construction work and our Group also imports foreign workers for our construction projects. Over the years of our business operation, our Group has gradually built a labour network through which we are able to secure adequate workers for our construction projects. Hence, amid the challenge of labour shortage that the construction industry in Singapore has been facing and despite the recent tightening of the policy in relation to the importation of foreign workers in Singapore, we believe that we retain the ability to mobilise a large workforce via our broad labour network and to manage manpower issues well. In order to retain experienced and skilled foreign workers and relieve our burden of utilising MYE, we encourage our basic-skilled workers to take an upgrade course accredited by BCA. Upon completion of advanced training and obtaining of the requisite certificate, the basic-skilled foreign workers in Singapore will become upgraded to higher-skilled foreign workers. Such an upgrade of our foreign workers will enable us to qualify for lower FWL. With the MYE waiver, we can apply or renew the work permits of these foreign workers without the need for MYE. In addition, we ensure that the workers we employ possess the skills required for the particular work they need to perform. To do this, we tend to employ those foreign workers who have continually worked for our construction projects and whose previous performance is to our satisfaction. We also prefer referrals from the foreign workers who are familiar with our work environment as they are able to help us identify suitable candidates based on our task requirements. Further, we incentivise our foreign workers to attend skills improvement courses by offering an increment in hourly wages upon their completion of the training and obtaining of the requisite certificate.

As at the Latest Practicable Date, approximately 102 foreign workers had maintained relationships with us for more than five years and 51 foreign workers had maintained relationships with us for more than 10 years.

BUSINESS

We have an experienced management team

The management team of our Group has extensive technical and business knowledge in the fields of general building and civil engineering. Our senior management personnel, including Mr. Goh Cheng Seng, Mr. Kok Seng Yoong Peter, Mr. Tan Kim Yem and Ms. Tan Soh Lay, who possess over 25, 35, 20 and 18 years of practical experience in the construction industry, respectively, have been in charge of various large-scale construction projects. Our project managers competently supervise our on-site workers and subcontractors and ensure that we deliver quality and timely works. Our experienced contracts manager considers the viability of projects with the senior management team before tender submissions and oversees the preparation of competitive quotations. Our Directors consider our management and technical teams’ extensive expertise, advanced know-how and knowledge of the building construction and civil engineering works to be our Group’s valuable assets which form the foundation of our Group’s continued success. For further details of our senior management, please refer to the section headed “Directors and Senior Management” of this document.

We are committed to delivering timely quality works

We understand that completing our construction works on schedule is vitally important in the construction industry and our Directors seek to constantly improve our construction quality, timeliness, safety standards, quality control and environmental protection measures. In addition, we use our best endeavours to avoid delays in delivering our works as well as to ensure the provision of quality works.

During the Track Record Period and up to the Latest Practicable Date, we had completed 17 projects and none of our projects had involved the payment of liquidated damages, arising from late delivery of our construction work. Our emphasis on completing our works on schedule together with providing quality work has helped enhance our competitiveness as well as increase our customers’ confidence in our works, which in turn would enable us to continuously secure large-scale projects through retaining current customers and attracting new ones.

OUR BUSINESS STRATEGIES

Our Group’s main objective is to gain a greater market share in the construction industry in Singapore. To achieve this, we set out our business strategies as follows:

Upgrade our licences so as to expand our business through bidding for larger public sector projects

Currently, our Group holds a GB1 licence, which enables us to undertake contracts for general building works in the private sector of any value while projects in the public sector are subject to the limit set by the BCA from time to time. In addition, we are registered with BCA under the CRS and currently we operate under the C1 grade for both workhead for “General Building” (CW01) and workhead for “Civil Engineering” (CW02), which enable us to bid for public sector projects up to S\$4.0 million in value.

BUSINESS

We intend to upgrade both our CW01 workhead for “General Building” and CW02 workhead for “Civil Engineering” to B2, from our current C1 grade. To register for the B2 grade, among others, we have to meet requirements in three aspects: (i) financial requirements; (ii) personnel requirements; and (iii) track record requirements. As for the financial requirements, a contractor needs to maintain a minimum paid-up capital of S\$1 million, which we had already met. As at the Latest Practicable Date, we had maintained a paid-up capital of S\$3 million. As regards the personnel requirements, a contractor must have at least three employees with certain construction-related qualifications. We have met these personnel qualification requirements as currently we have five employees who possess the requisite qualifications. Our Group is also required to meet the track record requirements for the past three years. To qualify for the B2 grade for CW01 workhead, a contractor is required to complete projects executed in Singapore of a minimum value of S\$10 million, of which minimum main contracts (nominated subcontracts may be included) make up S\$7.5 million and minimum size single main contract or nominated subcontract is S\$2.5 million. To qualify for the B2 grade for CW02 workhead, the corresponding figures are S\$10 million, S\$5 million and S\$2.5 million, respectively. Our Group is currently working towards the fulfilment of the track record criteria. Upon completion of Project Tanjong Penjuru with the contract value of approximately S\$7.5 million, we will have met the criteria for the upgrade under the “General Building” category to the B2 grade for CW01. After completion of SICC with the contract value of approximately S\$1.8 million, our Group will use our best endeavours to secure more civil engineering projects in order to qualify for the upgrade under the “Civil Engineering” category to the B2 grade for CW02. Since we participated in Project SICC as a main contractor with the contract value of approximately S\$1.8 million in 2016, our Group has been invited to submit tenders for a number of projects, as a main contractor, which we believe is a clear indication that our Group is competent enough to play the role as a main contractor and undertake projects of a larger scale. To meet the requirements for the upgrade, our Group intends to take on additional projects in the forthcoming years.

While there is no restriction on us to bid for private sector projects of any value under our current C1 grade, we intend to upgrade it to the B2 grade for two purposes. Firstly, an upgrade to the B2 grade will enable us to have our tendering limit in respect of public sector projects increased to S\$13 million, which is significantly higher than our current tendering limit of S\$4 million. Secondly, such an upgrade will increase the confidence of our existing customers or potential customers in awarding their projects to us as a main contractor. As such, our Directors believe that an upgrade to the B2 grade would pave the way for us to secure public sector contracts as a main contractor of projects of larger scales in Singapore, which would allow us to gain an additional stream of revenue.

For further details of licensing in relation to our Group, please refer to the section headed “Regulatory Overview” of this document.

BUSINESS

Set up our dormitory and cut and bend factory

We intend to finance the acquisition of a property for our dormitory and cut and bend factory in the following manner: (i) approximately [REDACTED], representing approximately [REDACTED] of the property value in the amount of approximately [REDACTED] and stamp duty in the amount of approximately [REDACTED], will be funded by the [REDACTED] from the [REDACTED]; and (ii) approximately [REDACTED], representing approximately [REDACTED] of the property value, will be funded by bank borrowings. Our Group expects the new dormitory and cut and bend factory will achieve investment payback within eight years. For further details, please refer to the section headed “Future Plans and [REDACTED] — Reasons for the [REDACTED] and [REDACTED]” of this document.

(i) Acquire a property for our dormitory and cut and bend factory

Accommodation expenses are one of the major costs incurred in our business operations. During the Track Record Period, our Group incurred approximately S\$1.1 million and S\$0.7 million in leasing dormitories to provide accommodation for our foreign workers for the two years ended 31 December 2016, respectively. Hence, acquiring a property for our dormitory is important for our business operations. We intend to acquire a property for our own dormitory to accommodate our foreign workers instead of solely leasing dormitories from third party dormitory providers in order to achieve a reduction in accommodation expenses, which would help lower our direct costs. As such, our Group’s competitiveness will be further increased.

(ii) Set up our cut and bend factory to facilitate our expansion

Our steel reinforcement works involve a cut and bend process for steel reinforcing bars. In most of our contracts, steel reinforcing bars are provided by our main contractor customers, which designate a cut and bend factory as their supplier. We then assist our main contractors in instructing the factory to perform the cut and bend service by providing the specifications, including the length and shape of cut and the angle of bending. During the Track Record Period, our steel reinforcement works involved the use of approximately 44,100 tonnes and 47,900 tonnes of steel reinforcing bars, respectively. Except for some minor cut and bend services we performed on the construction sites to cope with ad hoc requirements, we had the cut and bend process performed by the external service providers designated by our customers.

We intend to set up our cut and bend factory so that we can perform the cut and bend process for the steel reinforcing bars to be used in our projects. For efficiency purposes, we expect to set up our factory and our dormitory in one site. Our Group plans to utilise part of the [REDACTED] received from the [REDACTED] to finance the purchase of a single production line of cut and bend system, which will be placed in our cut and bend factory. Our Directors believe that the setting up of this factory will bring about a few advantages to us. Firstly, when we manage to perform the cut and bend procedure ourselves instead of relying on external cut and bend service providers, we are able to have greater flexibility in making arrangements for the cut and bend procedure of our overall operations and to control the schedule of our projects more effectively. Secondly, given the setting up of our own cut and bend factory, we will offer our customers, which will purchase the steel reinforcing bars they require, the cut and bend service and charge them a competitive service fee. As a result, our Group is able to enhance our profitability.

BUSINESS

The expected total capital expenditure for the planned purchase of a single production line of cut and bend system is approximately [REDACTED] and such acquisition will be fully financed by the [REDACTED] from the [REDACTED].

Strengthen our manpower in managerial and technical expertise

Our Group understands that in order to take on projects of a larger scale as well as play the role as a main contractor, we need more efficient management and sufficient technical expertise. Hence, in the management aspect, in addition to the supervision of overall management of our Group by Mr. Goh and Ms. Tan, our executive Directors, we set up an initial team of five key personnel to spearhead our initiative during the Track Record Period. The team is headed by our general manager, Mr. Kok Seng Yoong Peter, who provides managerial expertise in building our capabilities as a main contractor. Mr. Kok Seng Yoong Peter is supported by our project manager, who is responsible for general project management of all projects, and our contracts manager, who is responsible for overseeing the commercial and contractual aspects to all tenders and projects. Our senior supervisor, together with the assistance of our site coordinator, is responsible for the routine daily construction management and on-site supervision.

Further, to ensure sufficient and prompt deployment of manpower for our contracts on hand and newly awarded projects, we plan to recruit a technical team comprising staff who specialise in the design, assembly and customisation of the system formwork and continue to augment our main contracting team. In addition, to facilitate the operation of the cut and bend factory that we are going to set up, we plan to familiarise our employees with the skills to operate the cut and bend system.

OUR BUSINESS OPERATIONS

As a subcontractor

In our specialisation of reinforced concrete works, we offer services in steel reinforcement works, formwork erection and concrete works. We may provide these three work categories either individually or as a whole package, depending on the requirements of our customers. The characteristics of each of the work categories are set out below:

Reinforced concrete works

Steel reinforcement works

Our expertise in the area of steel reinforcement works encompasses provisions of on-site steel reinforcement installations. The major material required for steel reinforcement works is steel reinforcing bars, which are used as a tensioning device to reinforce concrete structures to help hold the concrete in a compressed state. To offer our steel reinforcement works, we are provided by our customers with steel reinforcing bars in most of our projects. Our major task is to provide labour to install these steel reinforcing bars and tie them in position based on structural engineering drawings. Once these reinforcing bars are placed, they are tied with annealed steel wires. These services are customised to suit the varied requirements and specifications of customers. Except for some minor cut and bend services we perform on the construction sites to cope with ad hoc requirements, cut and bend services for steel reinforcing bars are provided by cut and bend factory designated by our customers (i.e. main contractors).

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Formwork erection

Formwork is a temporary mould into which concrete is poured and allowed to set. For the purpose of formwork erection, falsework is often required. Falsework is a system of framework structures which locates and retains the formwork in the desired position in a stable and safe manner until the formwork becomes self-supporting. It is set in place at the exterior of the mould with a view to supporting the mould before concrete is poured in. The maximum load which the formwork is designed to withstand is determined by the type of reinforced concrete structure. The formwork services we provide include designing and constructing formwork system that best suits the needs of the construction project, and dismantling the formwork after the concrete reaches the requisite strength to be self-supporting.

Our Group adheres to the Singapore Standard Code of Practice for Formwork (SS580: 2012) (the "Code") for the design, erection, use, alteration and dismantling of formwork structure for any reinforced concrete works. The structural requirements under the Code for the formwork design are as follows:

- (a) **Stability:** The formwork structure shall resist overturning, uplift, sliding and sidesway under the action of all appropriate load combinations;
- (b) **Strength:** The formwork structure and its component members shall withstand the effects of all appropriate load combinations without permanent deformation or functional failure; and
- (c) **Stiffness:** The stiffness shall be such that the deformation under the appropriate loading on the formwork structure and its component members does not exceed the limits specified in the Code.

Primarily, we provide two types of formwork systems, namely, conventional formwork and system formwork. The materials we use for both conventional formwork and system formwork may include timber, aluminium and steel. The features of these two types of formwork systems are set out below:

Types of formwork systems we provide

(1) Conventional formwork

Conventional formwork is used in the construction of buildings of smaller scales or certain unique structures which do not involve repetitive use of structures in the construction process. Conventional formwork requires erection and dismantling of each component formwork structure. It is therefore labour intensive. Moreover, erection of conventional formwork takes a longer period of time in comparison with system formwork.

(2) System formwork

System formwork is generally more robust and enables higher recycled usage in the construction process. We can assemble system formworks with formwork components on our own. A combination of steel and aluminium can be used for system formworks. Buildings requiring identical structures, such as high-rise buildings and buildings with large scale identical units, may utilise system formworks for expeditious construction.

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System formworks can be elevated to multiple storeys of a building, without being dismantled. There are generally two ways we can elevate system formworks. Firstly, the elevation of system formworks can be done by means of tower cranes. Secondly, system formworks can be elevated with the help of an automatic climbing system, which is a mechanic leverage equipment. The usage of system formworks requires less manpower compared with conventional formwork, and hence brings about savings in time.

Materials used in our formwork

The materials we use for both conventional formwork and system formwork include timber, aluminium and steel. Our choice of materials to be used for each formwork project is subject to the characteristics of individual projects as well as our design. The characteristics of each of these materials are set out below:

(1) Timber formwork

Timber formwork is relatively simple to construct as timber is pliable. Because of its flexibility, it can be cut fast on-site with hand held tools. Another advantage of timber formwork is its low cost in comparison with formwork using aluminium or steel.

(2) Aluminium formwork

Aluminium formwork is often used in larger scale construction projects, especially in buildings with multiple levels which may each be built using the same system formwork. The advantages of aluminium formwork over timber formwork are that aluminium formwork is stronger and more durable with a longer lifespan, and allows for greater ease and speed in assembling and dismantling. However, aluminium is less flexible than timber in that it cannot be remoulded once fabricated.

(3) Steel formwork

Steel formwork, like aluminium formwork, is valued for their high reusability trait, which renders it suitable to construct repetitive structures. Steel formwork may be used to construct round concrete structures such as circular columns and bridge columns. Steel formwork is the strongest and most durable among the three. Hence, it carries the longest lifespan. Steel formwork also allows for faster and easier assembling and dismantling and offers better concrete finish quality compared with timber formwork and aluminium formwork.

Formwork methodologies

Two main formwork methodologies are used in reinforced concrete construction, namely, the bottom-up construction method, which is ideal for the construction of sub-structure and super-structure floors, and the top-down construction method, which is common in the construction of tall buildings with deep basements and underground structures such as car parks, underground vehicle tunnels and MRT stations.

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Normally, before the tendering, the main contractor of a construction project decides which of the two formwork methodologies is to be used. As a subcontractor, we propose the type of formwork erection and the materials of formwork to be used to the main contractor after successfully bidding for the relevant project.

Falsework and shoring

In the course of formwork erection, falsework and shoring are involved. Falsework is a system of framework structures which locates and retains the formwork in the desired position in a stable and safe manner until the formwork becomes self-supporting. When our Group participates in a formwork erection project, we will be involved in falsework design.

A falsework design is typically made up of construction drawings and framing specifications, mechanics calculation, construction details, methods and sequence of erection, standards of materials, standard of materials used and method statement for dismantling. Loadings which the falsework is expected to bear are taken into account in the design normally include (i) weights of the falsework, the formwork, the permanent structure, temporary storage of materials and machinery; (ii) the impact of construction operations; (iii) hydrostatic pressure including wet concrete or other external sources; (iv) variation effects such as those due to concrete variations, slenderness of props, traffic loads; and (v) other identified loadings. The falsework design we work out needs to be approved by a professional engineer.

Concrete works

Our Group also performs concrete works. Our task is to provide labour to pour the concrete into the formwork moulds supported by steel reinforcing bars. Concrete is then allowed to set. When the concrete reaches the requisite strength, the formwork will be dismantled.

As a main contractor

After years of experience in performing subcontracting work, our Group commenced taking up the role of a main contractor in 2016 when we participated in Project SICC. Our main contractor's responsibilities consist of (i) overseeing overall building construction and project management; (ii) engagement of subcontractors, where necessary; (iii) ensuring that the construction works are conducted in accordance with the contract specifications and our customers' requirements; and (iv) coordinating and liaising with various professional parties.

Project SICC was our first contract as a main contractor. It was a private civil engineering project relating to the construction of a buggy track. The project commenced in November 2016 and is expected to complete in May 2017. The contract value of Project SICC was approximately S\$1.8 million. Revenue recognised for this project was approximately S\$1.4 million for the year ended 31 December 2016.

In late April 2017, we were granted a letter of award in relation to construction of an industrial building as a main contractor for Project Tanjong Penjuru. The contract sum of Project Tanjong Penjuru was approximately S\$7.5 million. This project is expected to commence work in around May 2017 and complete in around January 2018.

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OUR PROJECTS

The table below sets out the number of contracts completed and commenced and the respective contract sum during the Track Record Period and as at the Latest Practicable Date:

	Number of contracts <i>(Note 1)</i>	Contract sum <i>(Note 2)</i> S\$'000
As at 1 January 2015		
Existing contracts	8	49,909
During the year ended 31 December 2015		
Contracts completed	(6)	(10,841)
New contracts commenced	7	60,590
As at 1 January 2016		
Existing contracts	9	99,658
During the year ended 31 December 2016		
Contracts completed	(11)	(47,256)
New contracts commenced	8	50,456
As at 31 December 2016		
Existing contracts	6	102,858
For the period between 1 January 2017 and immediately before the Latest Practicable Date		
New contracts awarded and not yet commenced	1	7,518
As at the Latest Practicable Date		
Existing contracts	7	110,376

Notes:

1. There may be more than one contract granted by our customers in the same location that cover different scopes or stage of works.
2. The contract value includes additional works and/or variation orders (where applicable).

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The table below sets out the movement of our projects by outstanding contract value during the Track Record Period:

	For the year ended 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Outstanding contract value brought forward from the previous financial year	24,901	55,549
<i>Add:</i> Value of the new projects and variation orders which were awarded or certified in the financial year	60,590	50,456
<i>Less:</i> Revenue recognised in the financial year	(29,942)	(30,068)
Outstanding contract value on hand as at the year end date	55,549	75,937

The table below sets out the construction contract revenue of our Group generated from our construction projects, which is categorised by project sectors as well as by business segments, for each of the two years ended 31 December 2016, respectively:

Categorisation	Construction contract revenue for the year ended			
	31 December			
	2015		2016	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Public sector projects	6,540	21.8	21,790	72.5
Private sector projects	23,402	78.2	8,278	27.5
Total	29,942	100.0	30,068	100.0
General building works	28,873	96.4	21,859	72.7
Civil engineering works	1,069	3.6	8,209	27.3
Total	29,942	100.0	30,068	100.0

Public sector projects and private sector projects

Our public sector projects are projects where the ultimate employer(s) are Singapore government departments and statutory bodies. During the Track Record Period, our Group completed four public sector projects namely, Project Jalan Buroh, Project Sengkang General Hospital 1 and two other short-term projects and aggregate revenue recognised for these four projects was approximately S\$3.0 million for the two years ended 31 December 2016. As at 31 December 2016 and based on the terms of the relevant contracts, we had four ongoing public sector projects of aggregate contract sum of approximately S\$99.2 million, of which approximately S\$25.4 million had been recognised as revenue during the Track Record Period, and to our Directors' best estimation, the rest of approximately S\$37.2 million and S\$29.5 million is expected to be recognised as our revenue for the two years ending 31 December 2018, respectively.

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Our private sector projects are projects where the ultimate employer(s) are corporate property developer(s) or land owners. During the Track Record Period, our Group completed 13 private sector projects with aggregate recognised revenue of approximately S\$30.1 million. As at 31 December 2016 and based on the terms of the relevant contracts, we had two ongoing private sector projects of aggregate contract sum of approximately S\$3.7 million, of which approximately S\$1.5 million had been recognised as revenue during the Track Record Period. Subsequent to the Track Record Period, we were awarded one more private sector project with the contract value of approximately S\$7.5 million and to our Directors' best estimation, approximately S\$9.4 million and S\$0.3 million is expected to be recognised for the three ongoing projects as our revenue for each of the two years ending 31 December 2018, respectively.

Please refer to the tables under the paragraphs headed "Projects on hand" and "Projects completed" in this section for further details of our public sector projects and private sector projects.

General building works and civil engineering works

Our projects can be broadly categorised into general building works and civil engineering works. Our Group has held a GB1 licence issued by BCA since 2014. Also, our Group has been registered with BCA under the CRS under the CW01 workhead for "General Building" at C1 Grade since 2015 as well as under the CW02 workhead for "Civil Engineering" at C1 Grade since 2015.

In accordance with the Euromonitor Report, general building works refer to general construction and major repair works, piling works, finishing works, installation of doors, windows, sanitary products, curtail walling/cladding works, structural works, other special trade construction such as scaffolding and sandblasting, and production of pre-cast components. Our general building works relate primarily to the construction of hotels, hospitals, mixed development and court buildings.

During the Track Record Period, we recognised an aggregate revenue of approximately S\$50.7 million from general building works. Our Group completed 16 projects involving general building works with aggregate recognised revenue of approximately S\$32.5 million and approximately S\$18.2 million of our Group's revenue was recognised from the other four ongoing projects involving general building works as at 31 December 2016. As at 31 December 2016 and based on the terms of the relevant contracts, we had four projects on hand involving general building works of aggregate contract sum of approximately S\$63.9 million, while the outstanding contract sum was approximately S\$45.7 million. Subsequent to the Track Record Period, we were awarded one more general building project with the contract value of approximately S\$7.5 million and to our Directors' best estimation, approximately S\$37.4 million and S\$15.8 million is expected to be recognised for the five ongoing projects as our revenue for each of the two years ending 31 December 2018, respectively.

In accordance with the Euromonitor Report, civil engineering works refer to non-building construction such as the construction of roads, bridges, tunnels, railways, viaducts, water and gas pipelines, sewers, communications and power lines, marine construction as well as site-preparation and construction-related landscaping works. Our civil engineering works relate primarily to the construction of MRT stations.

During the Track Record Period, we recognised an aggregate revenue of approximately S\$9.3 million from civil engineering. Our Group completed one project involving civil engineering works with aggregate recognised revenue of approximately S\$0.5 million and approximately S\$8.8 million of our

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Group’s revenue was recognised from the other two ongoing projects involving civil engineering works as at 31 December 2016. As at 31 December 2016 and based on the terms of the relevant contracts, we had two ongoing projects involving civil engineering works of aggregate contract sum of approximately S\$39.0 million while the outstanding contract sum was approximately S\$30.2 million, and to our Directors’ best estimation, approximately S\$9.2 million and S\$14.0 million is expected to be recognised for these projects as our revenue for each of the two years ending 31 December 2018, respectively.

Please refer to the tables under the paragraphs headed “Projects on hand” and “Projects completed” for further details of our projects involving general building and civil engineering works.

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Notes:

1. There may be more than one contract granted by our customer in the same location that cover different scopes or timing of works.
2. The contract value includes additional works and/or variation orders (where applicable).
3. Expected completion date in general refers to the expected completion date of the entire project as specified in the relevant contract, and if an extension of time has been ordered or approved by the customers, or if on the other hand management expects completion will occur earlier than contractually required, such updated completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, or where the final accounts are still being finalised, expected completion date refers to the completion date to the best estimation of the management of our Group.
4. The cumulative revenue recognised during the Track Record Period normally deviates from the initial contract sum on account of the facts that (i) revenue may have been recognised before the Track Record Period; (ii) works completed during the Track Record Period may need our customer's approval, which was granted after the Track Record Period; or (iii) the value of our work may increase or decrease after re-measurement of works, additions, modifications or deletions due to subsequent variation orders. Please refer to the paragraph headed "Customers — Key contract terms" in this section for further details of variation orders.

As of the Latest Practicable Date, there was one project, namely, Project Tanjong Penjuru, which had not yet commenced work and no revenue had been recognised for this project. This project is expected to commence work in around May 2017 and complete in around January 2018.

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Projects completed

During the Track Record Period, we completed the following projects with initial contract value of over S\$300,000⁽¹⁾:

No.	Name of project ⁽²⁾	Location of project	Nature of project	Customer	Type of services offered	Duration of project ⁽⁵⁾	Contract value and cumulative revenue recognised since commencement date up to the end of the Track Record Period ⁽⁴⁾ S\$'000	Revenue recognised for the year ended 31 December 2015 S\$'000	Revenue recognised for the year ended 31 December 2016 S\$'000	Cumulative revenue recognised during the Track Record Period ⁽⁵⁾ S\$'000	Overall gross profit margin %
1	Project Tanjong Pagar Mixed Development ⁽⁶⁾	Peck Seah Street/Choon Guan Street, Singapore	Mixed development (private general building)	Customer A/ Subcontractor D	Reinforced concrete works	September 2013 to June 2016	27,908 ⁽⁶⁾	8,505 ⁽⁶⁾	1,043 ⁽⁶⁾	9,548 ⁽⁶⁾	11.0
2	Project Micron	Admiralty, Singapore	Industrial building (private general building)	Customer B/ Supplier A	Reinforced concrete works	around May 2015 to November 2016	7,135	4,096	3,039	7,135	11.8
3	Project Tanjong Pagar Hotel	Peck Seah Street/Choon Guan Street, Singapore	Hotel (private general building)	Customer A/ Subcontractor D	Reinforced concrete works	July 2014 to June 2016	6,934	4,795	1,754	6,549	0.9
4	Project Jalan Pemimpin	Jalan Pemimpin, Singapore	Industrial building (private general building)	Customer B/ Supplier A	Reinforced concrete works	April 2014 to October 2016	4,600	1,804	—	1,804	4.3
5	Project Amkor	Science Park Drive, Singapore	Industrial building (private general building)	Customer D/ Supplier C/ Subcontractor A	Steel reinforcement works and formwork erection	July 2014 to January 2016	4,227	3,233	150	3,383	9.3
6	Project Sengkang General Hospital 1	Sengkang East Road, Singapore — ground floor and above	Hospital (public general building)	Customer C/ Supplier F	Steel reinforcement works	October 2014 to May 2015	2,746	2,233	—	2,233	8.1
7	Project Jurong Island	Merlimau Road, Singapore	Industrial building (private general building)	Customer B/ Supplier A	Steel reinforcement works	October 2010 to May 2015 ⁽⁷⁾	2,730	759	—	759	22.8
8	Project Jalan Buroh	Jalan Buroh, Singapore	MRT station (public — civil engineering)	Customer E	Steel reinforcement works	November 2014 to June 2015	679	540	—	540	2.0
Total							56,959	25,965	5,986	31,951	

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Notes:

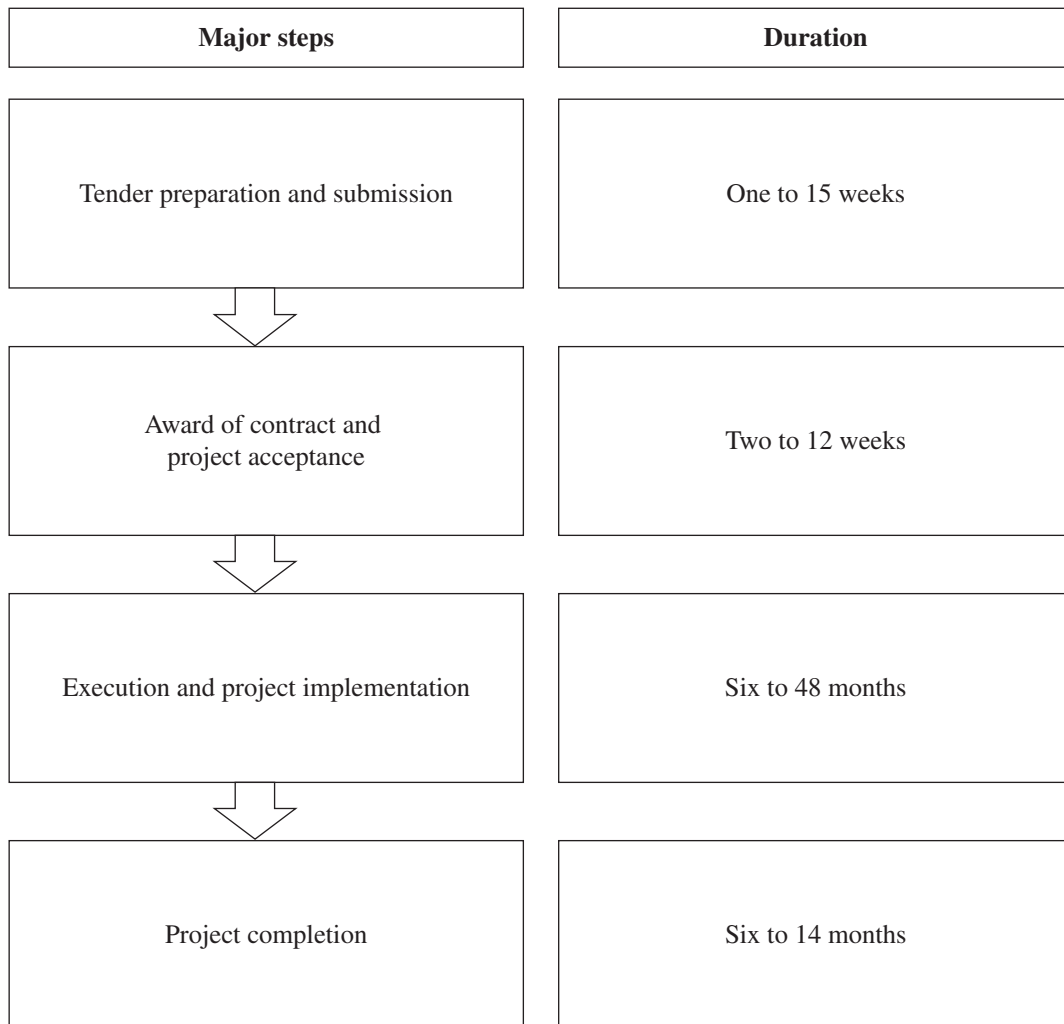
1. From time to time, our Group also undertakes short-term projects to supply labour workforce for reinforced concrete works to our customers who are subcontractors of these projects. For this type of projects, our Group is not required to undergo the tendering process and the contract amount is relatively small. For the two years ended 31 December 2016, we had participated in four and seven projects with the respective contracts in relation to short-term arrangements of supplying labour workforce, which were on a unit rate basis. The revenue generated from each of these projects ranged from approximately S\$1,440 to approximately S\$300,000 and the total revenue we generated from this type of projects was approximately S\$0.3 million and S\$0.9 million for the two years ended 31 December 2016, respectively, representing 1.0% and 3.0% of our total revenue for the corresponding periods.
2. There may be more than one contract granted by our customer in the same location that cover different scopes or timing of works.
3. Duration of project covers the duration of our works with reference to the commencement date of our works set out in our record or letter of acceptance and the completion date of our works set out in the payment certificate issued by our customer or based on the finalisation of accounts for the particular project as well as our Directors' judgment as to the practicable commencement or completion of the project.
4. The contract value includes additional works or variation orders where applicable.
5. The date of completion is based on the finalisation of accounts for the project and/or the confirmation/advice from the customer of the relevant project.
6. For Project Tanjong Pagar Mixed Development, we offered Customer A/Subcontractor D reinforced concrete works, comprising steel reinforcement works, formwork erection and concrete works, under the contract with the contract value of approximately S\$27.9 million. We engaged Subcontractor A/Customer D/Supplier C to perform the formwork part of Tanjong Pagar Mixed Development. Under the Joint Operation with Joint Operator, all financial benefits from the formwork part with the value of approximately S\$15.4 million were equally shared between us and Joint Operator. As such, 50% of the revenue in relation to the formwork part of Project Tanjong Pagar Mixed Development was recorded in our Group's accounts. For further details of the Joint Operation, please refer to the paragraph headed "Joint Operation" in this section and the section headed "Financial Information — Joint Operation" of this document.
7. Project Jurong Island was completed in January 2013 according to the then finalised accounts. However, we received a variation order from the customer to provide additional steel reinforcement works in September 2014. As such, the completion of Project Jurong Island extended to March 2015.

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OPERATION PROCESS

Our operation process typically involves four major phases, diagrammatically as follows:

Overview

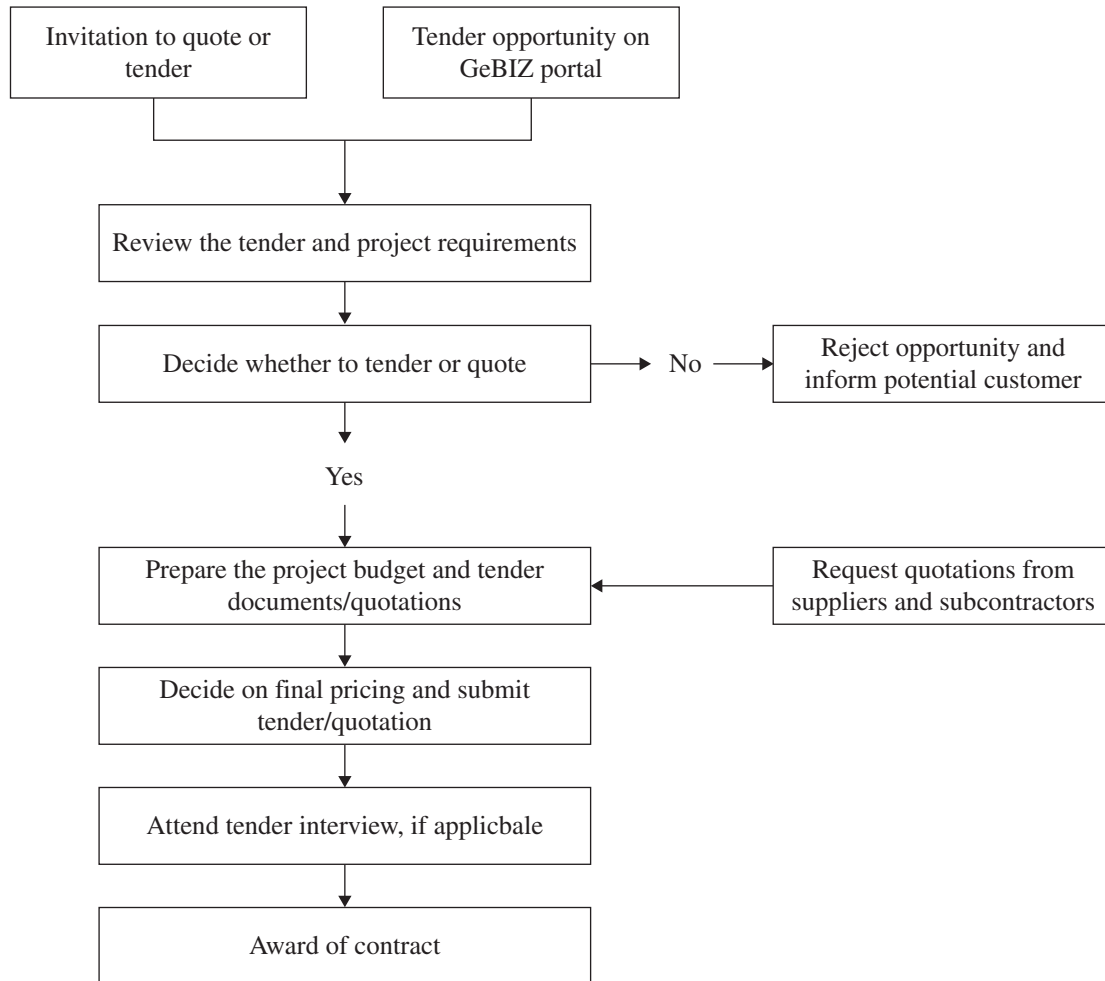


Notes:

1. The time frame is for illustrative purposes only. The actual frame of a given project may vary significantly as it depends on various factors, including (i) change of designs; (ii) adjustment to the scope of work; and (iii) inclement weather conditions.
2. We would have internal evaluation where our tenders are unsuccessful.

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Tender preparation and submission



(i) Pre-tender assessment

Our projects come from two sources. For private sector projects, we are typically invited by our existing customers or potential customers, which are primarily main contractors of civil engineering and general building projects, to quote or tender; for public sector projects, tender opportunities are published on the GeBIZ portal, the Singapore government's one-stop e-procurement portal. We monitor the GeBIZ system weekly and identify suitable tenders that we may bid for.

Upon receipt of an invitation to quote or tender for a project and prior to submitting a bid for the said project, we normally set up a tender team consisting of our managing director, operation director, general manager and contracts manager. These personnel examine the documents and construction drawings provided, work programmes, contract requirements and specifications, site environment, site constraints, anticipated difficulties such as the scale and complexity of projects, and other relevant information to ascertain the feasibility and potential competition of the project. The tender team may also attend site visits and/or briefing sessions to gain a better understanding

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of the site environment, site conditions and the environment nearby. To decide whether we will submit a quote or a tender, our tender team will take into consideration, among others, the following factors:

- our ability and capacity to meet the project requirements;
- our history with the customer, including whether or not there were any previous successful tenders;
- the customer's reputation;
- our market position, tendering resources and competitiveness in the current industry climate;
- site environment;
- the availability of foreign workers;
- the availability and cost of raw materials and consumables;
- the commercial and technical risks involved;
- the approximate project value; and
- the estimated tendering costs.

(ii) Tender preparation and review

Once a decision to proceed with the tender has been made, our contracts department, with the assistance of our quantity surveyor, will prepare the tender submission documents and quotations as required for the particular project. Such documents will be prepared with due consideration given to the commercial and technical specifications of the project, and usually involve a review of the contract schedule, preparation of the bill of quantities which sets out the scope of works required, determination on the resources that will be drawn upon (including any follow-up efforts in obtaining quotations from suppliers and subcontractors), review of the general and specific equipment requirements and associated costs, calculation of the man-hours as well as determination of the number of foreign workers required to perform the project at each stage of construction.

On completion of the above, we will hold a tender review meeting with our management, during which we will confirm our Group's readiness to submit the tender. Our management team will make the final decision on the submission of the tender, having regard to our Group's ability and capacity to meet the project requirements as well as our history with the customer in relation to other contracts, and the commercial terms and conditions of the project. Our management team will also evaluate the risks of the tender, explore the use of new technologies, materials or equipment, review the project financing requirements comparative to the profit/margins of our Group and ascertain our Group's ability to meet deadlines.

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(iii) Submission of tender

Submission of any tender is made in accordance with the following prescribed levels of authority, which were applicable as at the Latest Practicable Date:

- for tender amounts up to S\$100,000, approval can be granted by our contracts manager or operation director; and
- for tender amounts exceeding S\$100,000, approval is granted by our managing director or general manager.

The tender package is formally submitted to the customer only when our management is satisfied that all issues have been addressed and approval has been obtained from our board, where necessary.

For our short-term projects, for which we do not need to submit tenders, the approval requirements are the same as those of our projects requiring submission of tenders, depending on the contract value of the projects.

Pricing Strategy

Our tender pricing is prepared by our contracts department with the assistance of our quantity surveyors. It is usually determined by the project size based on the quantum of works involved and complexity of the project as well as the site environment. In addition, our submission of tender prices usually has taken into account a number of factors, including our existing manpower and resources, the cost of raw materials (where not provided for by main contractors), the number of foreign workers offered, whether the work is within our expertise, the schedule of completion of the work, whether we have the capacity to accept the new tasks, our relationship with the customers, the prevailing market conditions and possible prices offered in our competitive bids.

During the Track Record Period, our Directors confirm that our Group did not experience any material inaccurate estimation or material cost overruns in the construction projects we completed or had in hand.

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Tenders submitted during the Track Record Period

During the Track Record Period, except for certain short-term projects, all of our projects were obtained through the process of tendering or quotations and all of our tender submissions were made in response to invitations. The following tables set out the number of each of tender invitations, project bids and successful projects bids, and our tender success rates for subcontractor projects and main contractor projects during the Track Record Period:

Subcontractor projects	For the year ended 31 December		For the period from
	2015	2016	1 January 2017 to the Latest Practicable Date
Number of tender invitations by our main contractors or via GeBIZ ⁽¹⁾	22	15	2
Number of project bids	22	15	2
Number of successful project bids	4	2	0
Success rate (%)	18.2%	13.3%	0%

Note:

1. Only tenders with intended project sum exceeding S\$1 million are included.

Main contractor projects	For the year ended 31 December		For the period from
	2015	2016	1 January 2017 to the Latest Practicable Date
Number of tender invitations by landlord of the projects or via GeBIZ ⁽¹⁾	N/A	4	2
Number of project bids	N/A	4	2
Number of successful project bids	N/A	1	1
Success rate (%)	N/A	25.0%	50.0%

Note:

1. Only tenders with intended project sum exceeding S\$1 million are included.

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All tenders for our subcontractor projects are by invitation. We generally submit tenders when invited to do so, as a matter of respect for our customers. Depending on our inclination to clinch the projects taking into account the nature of work and risks involved, we may factor in slightly higher profit margins. While our tender success rate showed a decrease from 18.2% for the year ended 31 December 2015 to 13.3% for the year ended 31 December 2016, our revenue increased from approximately S\$29.9 million for the year ended 31 December 2015 to approximately S\$30.1 million for the year ended 31 December 2016. The decrease in our tender success rate in the year 2016 was mainly due to our expectation that a majority of our capacity would be utilised for two of our large scale projects, namely, Project Orchard Station, and Project Sengkang General Hospital 2 in the near future. Nevertheless, it was our strategy to be respectful of our customers' tender invitations and submit tenders with a view to maintaining business relationship and bolstering our presence in the market.

As part of our expansion plans, we have also been seeking to tender for main contractor projects. In this regard, we have been actively looking for large scale projects in order to establish our presence as a main contractor.

Award of contract and project acceptance

Upon notification from the customer that we have been awarded the contract, our contracts department normally receives a letter of award or a letter of intent from the customer. Our contracts department reviews the contract award documentation against the original tender documents to identify any variations.

Upon receipt of the formal contract, we will review the contract documentation award package against the original tender documentation to identify any changes, variations or discrepancies. In the event of such changes, variations or discrepancies, we will notify the customer in writing, clearly documenting any discrepancies.

Following the satisfactory review of the award documentation, our operation director appoints a project manager. The appointed project manager is responsible for collating all relevant information and documentation in preparation for the initial project meeting, which include:

- commercial and tender reviews;
- drawings and the documentation register;
- the scope of work;
- the organisation chart;
- the baseline duration and manning schedule;
- a budget summary; and
- the award documentation.

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For any awarded contract which requires a performance bond, we typically arrange to provide for such a performance bond between 14 and 21 days from the award date. Generally, the quantum of a performance guarantee required is 5% or 10% of our contract value and is subject to negotiation between our customer and our Group. The managing director and the operation director of our Group would hold discussions on the formation of the project team and various issues including deployment of manpower, allocation of machinery usage, engagement of subcontractors and suppliers and other resources with respect to the awarded contract.

The project manager appointed to take charge of the project is also responsible for discussing with the customer's project representatives on project matters including the allocation of site offices, working schedules, machinery and material storage areas.

Forming a project team

To implement our construction project, we need to form a project team, the size of which may vary with the scale and complexity of the project. A project team of ours typically comprises the following key personnel: operation director, project manager, quantity surveyor, project engineer, site supervisor and workplace safety and health coordinator. On the one hand, our managing director will closely monitor the progress of the project on a continuous basis and ensure that the relevant legal and contractual requirements are complied with. On the other hand, our project team will oversee the project on site and report the project status to our managing director and identify any problems that need to be resolved from time to time.

Set out below are some general duties individually performed by members of a project team:

Operation director

Our operation director is responsible for overseeing the on-going projects of our Group with the assistance of our project managers. Our operation director monitors the overall progress of the projects and the actual expenses incurred in each project against our budget plan. He reports the progress of the projects directly to our managing director.

Quantity surveyor

Our quantity surveyor is responsible for preparing tendering documents, performing cost estimation, assessing the quantity of completed works, preparing interim payment submissions, and approving the value of work done by our subcontractors, payment to suppliers and quantitative information for claims and final accounts.

Project manager

Our project manager is responsible for the day-to-day execution and administration of our construction project. He prepares, supervises and approves the project execution plan. He is also responsible for liaising with the main contractor, the subcontractor(s), and the customer's representatives regarding work schedules, resource allocation, technical compliance as well as attending progress meetings.

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Our project manager also monitors workmanship, manages the work performance and progress of subcontractors and suppliers designated for the project and handles complaints from customers or other external parties. In addition, he generates progress reports and ensures that all works are carried out in accordance with the applicable safety requirements and safe work procedures of the project.

Project engineer

Our project engineer prepares daily activity schedules in accordance with the main works schedules and sequence of works. He also monitors the progress of works against planned schedules, and manages workers and subcontractors as regards quality control, work progress, material wastage control and resource allocation.

Our project engineer also assists in overseeing the progress of works for the submission of progress reports to the customer. In addition, he ensures all works are carried out and all the installations are done in accordance with the approved drawings and specifications.

Site supervisor

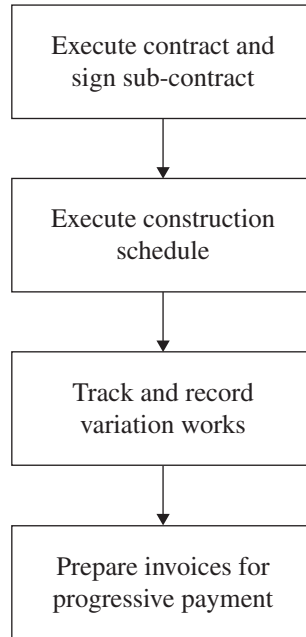
Our site supervisor supervises workers and ensures that they perform works in accordance with the instructions from our project engineer. Our site supervisor also allocates manpower according to the work schedules and reports the progress of the project to our project manager.

Workplace safety and health coordinator

Our workplace safety and health coordinator is responsible for ensuring the safety of our operations. He identifies all potential work hazards prior to the commencement of any work and disseminates all safety information to all workers via the daily toolbox meeting. He, with the assistance of our site safety supervisor(s), enforces safety measures, prepares safety equipment and reports safety incidents.

BUSINESS

Execution and project implementation



Executing contracts and signing sub-contracts

Upon agreement of contractual terms, contracts and sub-contracts will be signed and executed by the relevant parties.

Executing the construction schedule

Upon execution of the contract of the project, our operation director commences discussion with members of the project team at the site office on works execution processes including the timeframe for completion of works, planning and allocation of manpower and machinery resources and other pertinent matters for the smooth completion of the works. The personnel in our project team will each carry out their roles in the project implementation. Our project manager bears the overall responsibility in managing the project.

Our project team ensures that all resources, manpower and machinery are kept to optimum requirements and are deployed in accordance with the work schedule. In the event that we need to subcontract part of our work in the course of a project, we undergo the selection process for subcontractors from our list of approved subcontractors. Our contracts manager or our project manager is responsible for the procurement of materials, the lease of machinery and equipment as well as the engagement of subcontractors, subject to approval from our managing director and operation director. Our safety team, comprising our workplace safety and health coordinator and our site safety supervisors seek to ensure the proper execution of safety measures as well as the fulfilment of safety requirements. Expenses including labour, materials, subcontracts and overheads are regularly recorded, summarised and compared against budgets. Reports are submitted by our project manager to management for review on a monthly basis.

BUSINESS

Tracking and recording variation works

Our quantity surveyor, in consultation of our project manager and our contracts manager, prepares and submits the monthly interim claim to the customer's representatives. Our quantity surveyor, with the assistance from other site team members, monitors and updates all claim records and variation orders at all times.

Our quantity surveyor, our project manager and our contracts manager would also evaluate claim records from our subcontractors and suppliers and issue payment certificates to them.

Our quantity surveyor submits the monthly progress claim, including the claim in relation to variation orders for the corresponding period, to the customer's project representatives for evaluation. Also, our quantity surveyor has to ensure that the payment certificates or payment response issued by the customer will be received within 21 days, from the date of claim.

Preparing invoices for progressive payment

Upon receipt of the payment certificate or payment response, our finance department will prepare and present a tax invoice to the customer for payment. Payment shall typically be received within 35 days from the date of tax invoice.

The customer shall retain a sum of 5% or 10% of each claim but subject to a maximum of 5% or 10% of the contract sum as the retention monies.

Project Completion

Upon completion of the project work, our project team prepares for the handing over of the completed works to the customer's representatives, which involves assisting the customer's representatives in the preparation of as-built drawings. Our project team also plans for the demobilisation of resources. When all these procedures finish, our project team will arrange a final inspection for the customer. Should the customer be satisfied with the inspection result, our project team will hand over the site to the customer. Our operation director and our project manager will then commence to redeploy manpower and machinery to other sites. All temporary structures and facilities at site shall be demolished and removed.

Our contracts manager and quantity surveyor submit to our customer's representatives the final accounts, which shall typically be settled within six months from the date of completion of the works. Our quantity surveyor, in consultation with our project manager and our contracts manager, prepares the final accounts, taking into account items including contra charge and late penalty. Upon agreement on the final accounts with our customer's representatives, our quantity surveyor submits the penultimate claim and seeks the release of first half of retention monies, which is usually 2.5% or 5% of the certified amount. Upon receipt of a payment response from our customer agreeing to our claim amount, we will issue an invoice to our customer, who then makes the settlement in accordance with the credit term.

BUSINESS

Defects liability period

The defects liability period typically lasts for up to 18 months from project completion. When the defects liability period ends, our contracts manager and our quantity surveyor will request the discharge of the performance bond or performance guarantee and collect the original of the said document from our customer.

Upon discharge of the performance bond, our contracts manager and our quantity surveyor will submit the final claim to the customer's representatives, including seeking the release of the remaining half of the retention monies, which is usually 2.5% or 5% of the certified amount.

Our Directors confirm that our Group did not experience any material deduction of the retention monies we were entitled to receive or any forfeiture or deduction of the performance bonds we took out during the Track Record Period.

CUSTOMERS

For the two years ended 31 December 2016, our revenue amounted to approximately S\$29.9 million and S\$30.1 million, respectively.

Our direct customers are primarily the main contractors of various types of general building or civil engineering projects in Singapore, including main contractors engaged by government bodies and project developers. During the Track Record Period and up to the Latest Practicable Date, our Group was awarded two projects in which we acted as a main contractor and hence these two customers were project developers. All our customers and projects are located in Singapore and all of our service fees are denominated in Singapore dollars. During the Track Record Period and up to the Latest Practicable Date, three of our customers awarded more than one contract to us.

For the two years ended 31 December 2016, the percentage of our Group's aggregate revenue attributable to our largest customer, in terms of revenue, was approximately 44.4% and 42.3% for the corresponding periods respectively, while the percentage of our Group's aggregate revenue attributable to our top five largest customers, in terms of revenue, was approximately 97.3% and 96.6% respectively.

BUSINESS

Top five customers

The tables below set out a breakdown of our revenue by our top five customers during the Track Record Period, together with their background information:

For the year ended 31 December 2015

Rank	Customer	Background of customer	Year in which business relationship with our Group commenced	Credit term	Revenue derived from customer for the year S\$'000	Percentage of total revenue
1	Customer A/ Subcontractor D	A construction contractor headquartered in Korea with the parent company established in 1938 and listed in Korea	1998	35 days upon receipt of invoice	13,302	44.4%
2	Customer B/ Supplier A/ Subcontractor G	A construction contractor headquartered in Japan with the parent company established in 1951 in Japan	1997	35 days upon receipt of invoice	6,659	22.2%
3	Customer C/ Supplier F	A construction contractor headquartered in Japan with the parent company established in 1896 and listed in Japan	1999	35 days upon receipt of invoice	5,401	18.1%
4	Customer D/ Supplier C/ Subcontractor A	A construction company incorporated in Singapore	2006	30 days upon receipt of invoice	3,233	10.8%
5	Customer E	A limited liability company incorporated in Singapore and engaging in minor construction works	2016	30 days after invoice date	539	1.8%
Five largest customers in aggregate					29,134	97.3%
All other customers					808	2.7%
Total revenue for the year					29,942	100.0%

BUSINESS

For the year ended 31 December 2016

Rank	Customer	Background of customer	Year in which business relationship with our Group commenced	Credit term	Revenue derived from customer for the year S\$'000	Percentage of total revenue
1	Customer C/ Supplier F	A construction contractor headquartered in Japan with the parent company established in 1896 and listed in Japan	1999	35 days upon receipt of invoice	12,716	42.3%
2	Customer F ⁽¹⁾	A joint venture construction contractor established by Customer C/Supplier F and a construction contractor in France	2015	35 days upon receipt of invoice	6,815	22.7%
3	Customer A/ Subcontractor D	A construction contractor headquartered in Korea with the parent company established in 1938 and listed in Korea	1998	35 days upon receipt of invoice	4,940	16.4%
4	Customer B/ Supplier A/ Subcontractor G	A construction contractor headquartered in Japan with the parent company established in 1951 in Japan	1997	35 days upon receipt of invoice	3,195	10.6%
5	Customer G	A golf and country club operator in Singapore	2016	35 days upon receipt of invoice	1,393	4.6%
Five largest customers in aggregate					29,059	96.6%
All other customers					1,009	3.4%
Total revenue for the year					<u>30,068</u>	<u>100.0%</u>

Note:

- (1) Customer F is a joint venture formed by Customer C/Supplier F and an Independent Third Party specifically for Project Orchard Station.

BUSINESS

None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company during the Track Record Period and up to the Latest Practicable Date or had any interest in any of the top five customers of our Group during the Track Record Period and up to the Latest Practicable Date.

Customer concentration

For each of the two years ended 31 December 2016, the aggregate percentage of our total revenue attributable to our five largest customers amounted to approximately 97.3% and approximately 96.6% respectively. The percentage of our total revenue attributable to our largest customer amounted to approximately 44.4% and approximately 42.3%, respectively for the same periods. Our Directors are of the view, that such customer concentration is not uncommon for construction companies in Singapore, and that such customer concentration neither affects our Group's business sustainability nor renders our Company unsuitable for [REDACTED] in view of the following:

- (i) It is our priority to work with reputable and sizable main contractors, which in turn tend to undertake large construction or infrastructure projects. We believe that working with these main contractors, which have extensive past working experience and relatively better financial strength, would reduce our credit risk, promote future business opportunities with them and bolster our business profile. Some of our major customers (including Customer A/Subcontractor D, Customer B/Supplier A/Subcontractor G and Customer C/Supplier F), which are renowned main contractors, had long-standing business relationship with us over 18 years as at the Latest Practicable Date. As such, we would try to accommodate their demands for our services as far as our resources at the relevant time are available;
- (ii) Our business relationship with major customers, technical expertise, industry experience of the management and proven track record as a quality contractor in handling reinforced concrete works are conducive to the execution of our major customers' projects in terms of delivery time as well as quality of works;
- (iii) Our Group has endeavoured to enlarge our client base by tendering for projects as a main contractor. During the Track Record Period, we had undertaken one reinforced concrete works project in which we acted as a main contractor. In addition, we intend to upgrade both our CW01 workhead for "General Building" and CW02 workhead for "Civil Engineering" from our current C1 grade to B2 grade, which would allow us to undertake public sector projects with tendering limits increased from S\$4 million to S\$13 million. Our Directors believe that by undertaking projects as a main contractor and/or participating in projects of larger scale, our corporate profile and recognition would be enhanced. Please refer to the paragraph headed "Our Business Strategies — Upgrade our licences so as to expand our business through bidding for larger public sector projects" in this section for further details;
- (iv) We have the skills and expertise to participate in reputable general building projects such as Project Tanjong Pagar Hotel and Project Tanjong Pagar Mixed Development as well as civil engineering projects such as Project Jalan Buroh and Project Orchard Station, which allows us to work with a larger range of customers specialising in wide spectrum of projects. Hence this offers our Group greater flexibility in the selection of projects; and

BUSINESS

- (v) Certain of customers demand for our services during the Track Record Period as evidenced by the number of invitations for tenders or quotations during the same period.

Our Group plans to broaden our customer base so as to reduce the reliance on our major customers. As such, our business strategies are devised to work towards this goal. Please refer to the paragraph headed “Our Business Strategies” in this section for further details.

Key contract terms

Generally, the contracts with our customers contain terms relating to the contract price, scope of work, payment terms, retention monies, defects liability period provisions, performance bonds, liquidated damages, variation and termination.

- Contract sum : The initial sum for carrying out the scope of work
- Time for commencement and completion : Our contracts typically stipulate when we are expected to commence the works, when we are required to complete the works for each phase, and the extension period permitted for completion where there are delays notwithstanding our due diligence and the taking of all reasonable steps or the occurrence of certain events set out under the contracts.
- Type and scope of work : The type and scope of work we are required to provide
- Progress claims and credit terms : We make monthly progress claims and submit them to our customers. Subject to our customer’s payment response, we will proceed to issue an invoice with a credit term in accordance with the contract. Under the Building and Construction Industry Security of Payment Act, Chapter 30B of Singapore (“**BCISPA**”), any person who has carried out any construction work or supplied any goods or services under a contract is entitled to a progress payment. Monthly progress claims are to be certified by the customer within 21 calendar days from the submission of our progress claims and payment is to be made within 35 days of such certification. The BCISPA also contains provisions setting out, amongst others, the basis of calculation of the progress payment to which a person is entitled under a contract, valuation of the construction work carried out under a contract and the date on which a progress payment becomes due and payable. Therefore, we have the right to the progress claims that we make in accordance with the work we have carried out and based on the agreed contract terms with our customers.
- Bills of quantities/
Schedule of rates : Description of the type of work and the specification of the works together with the quantity and the unit price.

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Variation orders : Our customers may from time to time order variation by amending the specification and scope of works from that originally contracted. The variation clause will set out, *inter alia*, the details of what constitutes a variation, quotations involved in a variation order and alternative proposals that we as the subcontractor may have. A variation order may increase, omit or vary the original scope of work and alter the original contract sum and the variations are often valued by referencing to the rates and prices in the bills of quantities or schedule of rates in the contract. However, if the varied work does not involve similar character or is not to be executed under similar conditions to the work originally contracted, we may submit further quotations to our customers in respect of costs.

Retention monies : The sum generally provided in a contract to be retained by our customer at each interim payment. Typically, the amount to be held up is 5% or 10% of each of the certified amounts and up to a maximum limit of 5% or 10% of the total contract sum. Half of the retention is to be released upon agreement of the final accounts. The remaining half of the retention monies is usually to be released (i) upon completion of our part of our works; (ii) upon completion of the works under the main contract; (iii) upon expiration of the defects liability period as stipulated in the contract with our customer; or (iv) upon expiration of the defects liability period as stipulated in the main contract. Generally, the defects liability period lasts for up to 18 months from the date of completion for our projects as subcontractors. As for the projects in which we act as a main contractor, the defects liability period lasts for 12 months from the date of completion.

Performance bonds : For contracts undertaken from our customers, we may be required to have a stipulated value (typically 5% or 10% of the contract value) of performance bonds with a bank or an insurance company made in favour of this customer, which will remain in effect until the release of the performance bond or upon expiry of the bond, which is upon or after completion of the project. The customer may utilise the performance bond to make good any loss or damages sustained as a result of any breach by us of the contract with this customer.

During the Track Record Period, four of our contracts required us to take out performance bonds. Three of them were contracts with main contractors, namely, Project Tanjong Pagar Hotel, Project Tanjong Pagar Mixed Development and Project New State Courts, and one was a main contract, namely, Project SICC. For each of the two years ended 31 December 2016, no claim had been made on any performance bonds.

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Subsequent to the Track Record Period and up to the Latest Practicable Date, we secured one main contract, namely, Project Tanjong Penjuru, which required us to take out a performance bond with a stipulated value of 10% of the contract value.

Contra charge arrangement : In the event that we lease certain machines or equipment from our customers or request our customers to place orders for the materials required for our work or to provide to us certain services like scaffolding and plastering, our customers may pay on our behalf and claim us back. In certain projects, we may be charged by our customers a handling and administration charge of approximately 15% of the amount to be claimed. The contra charge amount is to be deducted from the payments made by our customers to us. Please refer to the paragraph headed "Contra charge arrangement with our customers" in this section for further details.

Default : In the event that there is default of contract on our part, for example, failing to execute the works or perform our obligations pursuant to the contract, our customer may terminate the contract with us, order us to vacate and surrender possession of the construction site to our customer and claim us for damages.

Defects liability period : Our contracts generally include a defects liability period, during which we are responsible for rectifying defects which were due to our fault at no extra cost to our customers. If the materials used are not in accordance with the contract, we will replace them during the defects liability period. If the part of work in which the materials are involved is subcontracted to our subcontractor, we will request the relevant subcontractor to do the replacement. Generally, the defects liability period lasts for up to 18 months from the date of completion for our projects as a subcontractor. As for the projects in which we act as a main contractor, the defects liability period lasts for 12 months from the date of completion.

During the Track Record Period, no material claim had been brought against our Group by our customers, nor was there any significant customer complaint during the Track Record Period.

Insurance : Where we are the main contractor for our projects, we are required to procure insurance such as contractors' all risks insurance and work injury compensation insurance specifically for the project. In projects for which we act as a subcontractor, the project-based insurance policies are taken out by the main contractor. For further details of the insurance policies taken out by our Group, please refer to the paragraph headed "Insurance" in this section.

BUSINESS

Foreign workers : Our contracts typically include a clause stating the number of MYE quotas we are allocated by our main contractor for the execution of our project. We are responsible for ensuring that the foreign workers we employ possess valid work permits issued by the MOM and are certified workers, foremen and supervisors who meet the requisite regulatory requirements. We are liable for and shall indemnify our customers against any liability, damage or losses or arising any breach of the laws in relation to employment or immigration.

During the Track Record Period, we did not hire any illegal foreign workers and no action or notifications were taken against us or issued to us in connection with the employment of illegal foreign workers.

Construction materials : Most of our contracts do not require us to provide construction materials such as steel reinforcing bars and concrete.

In contracts regarding formwork erection, we are required to provide formworks and formwork-related components for the project.

Liquidated damages : Our contracts typically include a liquidated damages clause, under which if we fail to substantially complete the work scope within the stipulated time and/or cause unnecessary delay to the entire project that result in liquidated damages imposed on our customer, we shall pay the customer the liquidated damages calculated at the rates stipulated in the contract. There were no material liquidated damages paid by our Group during the Track Record Period.

Termination : Our customers are entitled to terminate our contracts under certain circumstances, including, events of default, failure to commence the contract works in accordance with the conditions as contracted, to renew or maintain any licence required to carry out the contractual works or to insure or deposit insurance policies as agreed under the contract.

The effects of termination are also set out in the termination clause in our contracts. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group did not experience any termination of contracts by our customers.

Credit policy and retention monies

Before deciding whether to submit a tender proposal, we typically take into account the creditworthiness of our customers. Our contracts with our customers specify the credit term, including the payment stages, retention monies to be withheld and the release of retention.

BUSINESS

Upon the entering into of a formal contract and the commencement of the construction project, our accounting staff together with our costing personnel are responsible for collecting receivables. To do this, they maintain a register of interim payment applications to monitor whether all payment certificates have been duly issued by our customer at various stages and ensure the settlement of the accounts by our customers. This will be compared by our accounting staff against the payment application and invoices issued in order to follow up with outstanding receivables. In case of any long overdue payment from any of our customers, our managing director will be responsible for liaising with them in order to collect receivables.

We will usually grant our customers a credit period of within 35 days from the date of our invoice. Our customers will usually retain 5% or 10% of each interim payment and up to a maximum limit of 5% or 10% of the total contract sum as retention monies. Typically, half of the retention money will be released upon agreement of the final accounts. The remaining half of the retention monies is usually to be released (i) upon completion of our part of our works; (ii) upon completion of the works under the main contract; (iii) upon expiration of the defects liability period as stipulated in the contract with our customer; or (iv) upon expiration of the defects liability period as stipulated in the main contract. Generally, the defects liability period lasts for up to 18 months from the date of completion for our projects as subcontractor. As for the projects in which we act as a main contractor, the defects liability period lasts for 12 months from the date of completion.

As at 31 December 2016, our retention sum receivables amounted to approximately S\$5.6 million, representing approximately 9.3% of our total revenue of approximately S\$60.0 million for the two years ended 31 December 2016. A provision of impairment loss for the retention sum receivables of approximately S\$225,000 was recognised for the year ended 31 December 2015. No further provision was made for the year ended 31 December 2016. Please refer to the section headed “Financial Information — Trade and retention sum receivables” of this document for further details. During the Track Record Period and up to the Latest Practicable Date, we had no disputes with our customers in relation to the collection of retention monies.

Sales and Marketing

A significant number of our customers are our long-time customers who have worked with us repeatedly for more than a decade. There are also some customers who come to know of us by word of mouth. We also monitor the Singapore government’s online public tender system GeBIZ regularly for any suitable tenders. Please refer to the paragraph headed “Operation process — *Tenders submitted during the Track Record Period*” in this section for details of our tender success rates during the Track Record Period. Tender invitations mainly come to us by word of mouth, reputation and established track record, rather than advertising and promotion. Our executive Directors continue to network and maintain good relations with other main contractors and subcontractors in Singapore. Further, our Group has been a member of the Singapore List of Trade Subcontractors (“**SLOTS**”), issued by the Singapore Contractors Association Ltd. since 24 May 2002. This membership provides us with a platform to network with contractors in Singapore. In addition, our executive Directors have a hands-on approach in project management and monitor closely the fulfilment of our commitments to customers, with a view to maintaining our Group’s reputation, relationships with other industry participants and potential for project referrals. The business development role is inherently played by our executive Directors; thereby obviating the need for a sales and marketing team.

BUSINESS

Seasonality

Our Directors believe that the construction industry in Singapore does not exhibit any significant seasonality.

SUPPLIERS

Our suppliers mainly supply the following to us: (i) accommodation for the foreign workers we employ; and (ii) construction materials such as steel, timber, metal formwork as well as metal ware products. Our construction work is primarily performed by foreign workers and we are required to provide accommodation for the foreign workers we employ. The provision of construction materials depends on the terms of the contract with our customers. There are contracts under which our customers provide us with the construction materials required for the projects. As such, we do not need to procure construction materials. Where construction materials are not provided by our customers as agreed in the contracts, we need to make our own purchases. Whether we need to provide construction materials depends on the type of work we have to provide under the contract and the arrangement as agreed by the relevant parties. Please refer to the paragraph headed "Raw Materials" in this section for further details. We do not enter into any long-term contract with our suppliers. We generally procure construction materials by placing orders on an anticipated consumption and need basis. We maintain good relationships with our suppliers. During the Track Record Period, we had not experienced any significant quality or fulfilment issues with our suppliers.

As at the Latest Practicable Date, there were approximately 111 suppliers on our list of approved suppliers, which is reviewed and updated regularly. During the Track Record Period, our Group did not experience any material price fluctuations in relation to our accommodation costs and construction materials costs, nor did we experience any material difficulties or delays in the supply of accommodation services for our foreign workers or in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low, given the abundance of suppliers with respect to our required materials in the market.

Top five suppliers

Supplies of construction materials from our largest supplier (excluding our subcontractors) accounted for 15.8% and 33.4% of our total supplies for the two years ended 31 December 2016, respectively. Supplies from our top five suppliers (excluding our subcontractors) accounted for approximately 44.7% and 80.5% of our total supplies for the two years ended 31 December 2016, respectively.

BUSINESS

The tables below set out a breakdown of our total supplies incurred (excluding subcontracting charges incurred) by our top five suppliers during the Track Record Period and their background information:

For the year ended 31 December 2015

Rank	Supplier	Background of supplier	Type of purchase/service from the supplier	Year in which business relationship with our Group commenced	Credit term	Total supplies S\$'000	Approximate percentage of our total supplies attributable to the supplier
1	Supplier A/ Customer B/ Subcontractor G	A construction contractor headquartered in Japan with the parent company established in 1951 in Japan	Steel reinforcing bars	1997	N/A ⁽¹⁾	963	15.8%
2	Supplier B	A limited liability company incorporated in Singapore	Accommodation of workers	2014	Prepayment	833	13.7%
3	Supplier C/ Customer D/ Subcontractor A	A construction company incorporated in Singapore	Project management service and general construction equipment and supplies	2006	N/A ⁽¹⁾ /35 days ⁽²⁾ from date of invoice	382	6.3%
4	Supplier D	A limited liability company incorporated in Singapore	Accommodation of workers	2011	Prepayment	271	4.5%
5	Supplier E	A limited liability company incorporated in Singapore	Timber and plywood	2011	60 days from date of invoice	269	4.4%
Five largest suppliers in aggregate						2,718	44.7%
All other suppliers						3,368	55.3%
Total supplies for the year						<u>6,086</u>	<u>100%</u>

Notes:

- The purchase or service from the supplier had arisen due to the contra charge arrangement with our customer and the contra charge was deducted from our customer's payment to us in setting our contract fee for the relevant construction project. Please refer to the paragraph headed “Contra charge arrangement with our customers” in this section for further details.
- Included in the total purchase from Supplier C/Customer D/Subcontractor A, there was a project management fee amounting to approximately S\$222,000, with a credit term of 35 days.

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For the year ended 31 December 2016

Rank	Supplier	Background of supplier	Type of purchases/ services from the supplier	Year in which business relationship with our Group commenced	Credit term	Total supplies S\$'000	Approximate percentage of our total supplies attributable to the supplier
1	Supplier F/ Customer C	A construction contractor headquartered in Japan with the parent company established in 1896 and listed in Japan	Steel reinforcing bars	1999	N/A ⁽¹⁾	3,000	33.4%
2	Supplier A Customer B/ Subcontractor G	A construction contractor headquartered in Japan with the parent company established in 1951 in Japan	Steel reinforcing bars	1997	N/A ⁽¹⁾	2,274	25.3%
3	Supplier B	A limited liability company incorporated in Singapore	Accommodation of workers	2014	Prepayment	1,369	15.2%
4	Supplier C/ Customer D/ Subcontractor A	A construction company incorporated in Singapore	Project management service and general construction equipment and supplies	2006	N/A ⁽¹⁾ /35 days ⁽²⁾ from date of invoice	348	3.9%
5	Supplier E	A limited liability company incorporated in Singapore	Timber and plywood	2011	60 days from date of invoice	245	2.7%
Five largest suppliers in aggregate						7,236	80.5%
All other suppliers						1,752	19.5%
Total supplies for the year						<u>8,988</u>	<u>100.0%</u>

Notes:

- The purchase or service from the supplier had arisen due to the contra charge arrangement with our customer and the contra charge was deducted from our customer's payment to us in setting our contract fee for the relevant construction project. Please refer to the paragraph headed "Contra charge arrangement with our customers" in this section for further details.
- Included in the total purchase from Supplier C/Customer D/Subcontractor A, there was a project management fee amounting to approximately S\$37,000 with a credit term of 35 days.

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None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date or had any interest in any of the top five suppliers of our Group during the Track Record Period and up to the Latest Practicable Date.

SUBCONTRACTING ARRANGEMENTS

According to the Euromonitor Report, subcontracting is a prevalent practice in the construction industry in Singapore. While a main contractor subcontracts different parts of the construction work to subcontractors, subcontractors may further subcontract their work depending on manpower and resource availability. We may engage subcontractors for certain work that will be more efficiently carried out by other subcontractors. We typically subcontract the labour intensive tasks or works not within our specialisation to other subcontractors in a project.

Our subcontractors include sole proprietors as well as limited liability companies. During the Track Record Period, all of our subcontractors were located in Singapore and all of their subcontracting fees were denominated in Singapore dollars. We maintain good relationships with our subcontractors through regular communication on project-related matters, particularly coordination on when their subcontract works have to be completed and the task requirements pursuant to our contracts. We also make prompt payment to our subcontractors who often provide their services on a reliable and timely basis. In general, we are accountable to our customers for the performance of our subcontractors including but not limited to defects, delay in the project schedule and breach of rules or regulations. Unless otherwise specified in the contracts with our customers, there is no restriction clause prohibiting us from engaging subcontractors. For the two years ended 31 December 2016, subcontracting charges incurred by our Group amounted to approximately S\$5.8 million and S\$5.5 million, respectively.

Top five subcontractors

For the two years ended 31 December 2016, our Group's subcontracting charges incurred by our largest subcontractor accounted for approximately 27.7% and 24.9% respectively of our Group's total subcontracting charges for the corresponding periods. Our Group's subcontracting charges incurred by our top five subcontractors accounted for approximately 75.6% and 81.6% of our total subcontracting charges for the two years ended 31 December 2016 respectively.

BUSINESS

The tables below set out a breakdown of our total subcontracting charges incurred by our top five subcontractors during the Track Record Period and their background information:

For the year ended 31 December 2015

Rank	Subcontractor	Background of subcontractor	Type of service provided by the subcontractor	Year in which business relationship with our Group commenced	Credit term	Sub-contracting charges incurred by us S\$'000	Percentage of total sub-contracting charges
1	Subcontractor A/ Customer D/ Supplier C	A construction company incorporated in Singapore	Labour assistance in general construction works	2006	N/A ⁽¹⁾⁽²⁾ /30 days from date of invoice	1,600	27.7%
2	IBCPL ⁽³⁾	A limited liability company incorporated in Singapore, beneficially and wholly owned by Mr. Goh immediately prior to the Reorganisation	Labour assistance in steel reinforcement works	2014	30 days from date of invoice	820	14.2%
3	Subcontractor B	A limited liability company incorporated in Singapore	Labour assistance in general construction works	2011	14 days from date of invoice	771	13.4%
4	PGSC ⁽³⁾	A sole proprietorship registered in Singapore, beneficially and wholly owned by Mr. Goh immediately prior to the Reorganisation	Labour assistance in steel reinforcement works	2006	90 days from date of invoice	687	11.9%
5	Subcontractor C	A limited liability company incorporated in Singapore	Labour assistance in formwork erection	2007	Immediate	483	8.4%
Five largest subcontractors in aggregate						4,361	75.6%
All other subcontractors						1,410	24.4%
Total subcontracting charges for the year						<u>5,771</u>	<u>100.0%</u>

Notes:

- The purchase or service from the supplier had arisen due to the contra charge arrangement with our customer and the contra charge was deducted from our customer's payment to us in setting our contract fee for the relevant construction project. Please refer to the paragraph headed "Contra charge arrangement with our customers" in this section for further details.
- Except for the contra charges of approximately S\$40,000, there was a subcontracting charge of approximately S\$1,560,000 for acting as the subcontractor for the formwork part of Project Tanjong Pagar Mixed Development.
- IBCPL was wholly owned by Mr. Goh during the Track Record Period. The company made an application for striking off in January 2017 and the application was still under process. Hence, IBCPL was a connected person of our Company up to its dissolution as at the Latest Practicable Date.
- PGSC was wholly owned by Mr. Goh during the Track Record Period and up to its dissolution in January 2017 and thus was a connected person of our Company.

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For the year ended 31 December 2016

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year in which business relationship with our Group commenced	Credit term	Sub-contracting charges incurred by us	Percentage of total sub-contracting charges
1	Subcontractor D/ Customer A	A construction contractor headquartered in Korea with the parent company established in 1938 and listed in Korea	Mainly general construction works and other administrative works	1998	N/A ⁽¹⁾	1,375	24.9%
2	PGSC ⁽²⁾	A sole proprietorship registered in Singapore, beneficially and wholly owned by Mr. Goh immediately prior to the Reorganisation	Labour assistance in steel reinforcement works	2006	90 days from date of invoice	986	17.8%
3	Subcontractor E	A limited liability company incorporated in Singapore	Labour assistance in steel reinforcement works, formwork erection and concrete works	2016	21 days from date of invoice	942	17.0%
4	Subcontractor F	A limited liability company incorporated in Singapore	Labour assistance in steel reinforcement works, formwork erection and concrete works	2016	35 days from date of invoice	852	15.4%
5	Subcontractor G/ Customer B/Supplier A	A construction company incorporated in Singapore	Mainly general construction works and other administrative works	1997	N/A ⁽¹⁾	362	6.5%
Five largest subcontractors in aggregate						4,517	81.6%
All other subcontractors						1,015	18.4%
Total subcontracting charges for the year						<u>5,532</u>	<u>100.0%</u>

Notes:

- The purchase or service from the supplier arose due to the contra charge arrangement with our customer and the contra charge was deducted from our customer’s payment to us in setting our contract fee for the relevant construction project. Please refer to the paragraph headed “Contra charge arrangement with our customers” in this section for further details.
- PGSC was wholly owned by Mr. Goh during the Track Record Period and up to its dissolution in January 2017 and thus was a connected person of our Company.

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Basis of selecting subcontractors

We maintain a list of approved subcontractors which we periodically review and update based on our continuous assessment of their performance. We carefully evaluate the performance of our subcontractors and select subcontractors based on a range of factors such as their background and reputation, experience, quality of materials or services provided, our relationship with the subcontractors, price quotation and timeliness of delivery. For the works we plan to subcontract, we invite our selected subcontractors to submit quotations to us. In the event that we need to subcontract part of our works in the course of a construction project, we will sign subcontracts with the subcontractors we select. The subcontractors have the responsibility to ensure that all works performed must satisfy the requirements of the relevant subcontract.

General terms of our subcontracts

Our subcontractors are based in Singapore and do not work with us exclusively. As our customers engage us on a project basis, we do not enter into any long-term contract with our subcontractors and generally there is no renewal clause in our subcontracts. The duration of these subcontracts varies with the nature of their subcontract works. Materials required for the subcontract works are provided by the main contractor, depending on the contract. Other typical terms of a subcontract include the subcontract price on a unit rate basis and the terms of payment.

Control over subcontractors

In order to monitor the work of our subcontractors, apart from conducting regular inspection of their work, we typically have the following requirements of our subcontractors:

- (i) To ensure that their workers adhere strictly to the main contractor's workplace safety enforcement on-site, and comply with the on-site occupational health and safety measures and our quality standards. Safety equipment such as safety helmets, safety boots and safety belts shall be provided by the subcontractors, and workers who fail to comply shall be denied from the worksite; and
- (ii) To participate in our on-site toolbox meetings and safety committee meetings so that they can be aligned with our projects department on potential workplace safety and health issues and project-related matters.

During the Track Record Period and up to the Latest Practicable Date, there were no material disputes between our Group and our customers regarding the quality of work performed by us and our subcontractors, or regarding any delay in work resulting in liquidated damages payable by us.

Since the Track Record Period, PGSC and IBCPL have been our connected persons by virtue of being wholly owned by Mr. Goh (PGSC was struck-off in January 2017). For further details, please refer to the section headed "Discontinued Connected Transactions" of this document.

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Save as disclosed above, none of our Directors, or any of their respective close associates or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company during the Track Record Period and up to the Latest Practicable Date or had any interest in any of our subcontractors during the Track Record Period and up to the Latest Practicable Date.

For details of our measures in relation to quality control and occupational health and safety, please refer to the paragraphs headed "Quality Control" and "Occupational Health and Safety" in this section.

Contra charge arrangement with our customers

It is common in the construction industry that a main contractor may pay on behalf of its subcontractors for certain expenses for a construction project and claim back from the subcontractors. Such payment arrangement is referred to as the "contra charge arrangement" and the amounts involved are referred to as the "contra charge". In our case in relation to contra charge, the expenses are deducted from our main contractors' payments to us in settling our contract fees for the construction project.

During the Track Record Period, our Group had contra charge arrangements with five of our customers which our Directors confirm such arrangements were conducted on normal commercial terms. In this context, we regard such customers as our suppliers or subcontractor as well. Such contra charge mainly consisted of purchase cost of construction materials, rental cost of site equipment, expenses on labour assistance and other miscellaneous expenses such as the cost of handling waste disposal. Upon our request, or at the discretion of our customers, our customers may purchase these construction materials or settle miscellaneous expenses on our behalf, lease their site equipment to our Group or supply their labour to us to assist in our construction work. Effectively, the payments due to us from our customers will be settled after netting off such contra charge amounts. For the two years ended 31 December 2016, six and seven of our projects, respectively, involved contra charge arrangement, and our contra charge incurred amounted to approximately S\$1.7 million and S\$7.6 million, respectively, representing approximately 7.1% and 31.3% of our direct costs for the corresponding periods, respectively. The amount of contra charge arising from the cost of construction materials and consumables, rental cost of site equipment and other miscellaneous expenses was S\$1.3 million and S\$5.8 million for the two years ended 31 December 2016, respectively, representing approximately 76.5% and 76.3% of our total contra charge and approximately 21.3% and 64.4% of our total supplies for the respective periods. The amount of contra charge arising from the provision of labour was S\$0.4 million and S\$1.8 million for the two years ended 31 December 2016, respectively, representing approximately 23.5% and 23.7% of our total contra charge and approximately 6.9% and 32.7% of our total subcontracting charges for the respective periods. During the Track Record Period, as confirmed by our Directors, our Group had no material dispute with our customers regarding the contra charge arrangement as well as the contra charge amounts incurred. In addition, as we settled the contra charge by netting off with the payments due from our customers, both cash inflows from the project work done and cash outflows from the purchase of construction materials or the lease of the site equipment on the provision of labour supplies or other miscellaneous expenses were reduced by the same amount. As such, the contra charge arrangement had no material impact on our cashflow positions during the Track Record Period. Further, given such arrangements, our customers would also become our suppliers.

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The table below sets out the information on our top five customers from whom we had contra charge arrangement during the Track Record Period:

	Year ended 31 December 2015		Year ended 31 December 2016	
	<i>S\$'000</i>	<i>Approximate %</i>	<i>S\$'000</i>	<i>Approximate %</i>
Customer A/Subcontractor D				
Revenue derived and approximate % of revenue	13,302	44.4	4,940	16.4
Contra charge and approximately % of total direct cost	438	1.8	1,494	6.2
Weighted average of gross profit margin ⁽¹⁾	2,101	15.8	470	9.5
Customer B/Supplier A/ Subcontractor G				
Revenue derived and approximate % of total revenue	6,659	22.2	3,195	10.6
Contra charge and approximate % of total direct costs	1,089	4.5	2,636	10.9
Weighted average of gross profit margin ⁽¹⁾	1,011	15.2	312	9.8
Customer C/Supplier F				
Revenue derived and approximate % of total revenue	5,401	18.1	12,716	42.3
Contra charge and approximate % of total direct costs	3	0.1	3,015	12.4
Weighted average of gross profit margin ⁽¹⁾	972	18.0	3,162	24.9
Customer D/Supplier C/ Subcontractor A				
Revenue derived and approximate % of total revenue	3,233	10.8	151	0.5
Contra charge and approximate % of total direct costs	200	0.8	351	1.4
Weighted average of gross profit/(loss) margin ⁽¹⁾	947	29.3	(205)	(136.5)

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	Year ended 31 December 2015		Year ended 31 December 2016	
	<i>Approximate</i>		<i>Approximate</i>	
	S\$'000	%	S\$'000	%
Customer F				
Revenue derived and approximate % of				
total revenue	529	1.8	6,815	22.7
Contra charge and approximate % of				
total direct costs	—	—	60	0.2
Weighted average of gross profit				
margin ⁽¹⁾	108	20.5	1,357	19.9

Note:

1. Weighted average of gross margin equals to the simple average of project gross profit margins weighted by project revenue, which is equivalent to the sum of project gross profits divided by the sum of project revenue

Our Directors consider that the major customers which are also suppliers to our Group under contra charge arrangements, namely, Customer A/Subcontractor D, Customer B/Supplier A/Subcontractor G, Customer C/Supplier F, Customer D/Supplier C/Subcontractor A and Customer F, are creditworthy main construction contractors in Singapore. Each of these major customers did not default in making payment due to us in any material respect.

As discussed in the section headed “Financial Information — Pricing of our projects” in this section below, we determine our pricing based on a cost-plus method, which in turn set our targeted profit margin. When our projects progress, there may be circumstances, whether in our control or not, which could lead to more favourable or less than expected actual profit margin. Our projects normally last for a long period and sometimes across two or more financial years, and therefore for the same project of the same customer, project profit margin may vary from year to year. There are a number of circumstances under which project profit margin will vary, for instance, (i) when there is a variation order, our Group will make amendments to our budget cost even though the amount of variations to be undertaken has not been formally confirmed, and in this case, no revenue will be recognised for the variations until the value is certified by our customer in accordance with the applicable accounting standards if the amount of the variations has not been approved by the customer; (ii) a project may progress at a different pace in different periods due to different complexity, construction programme, site conditions, weather conditions, etc. and as such actual costs incurred can differ from the project budget cost; and (iii) timing of certifying the work done and agreeing on the value of variation orders, which may be later than the time we amend the budget cost.

Take Customer D/Supplier C/Subcontractor A in the table above as an example. The weighted average of gross profit/(loss) margin decreased from 29.3% for the year ended 31 December 2015 to -136.5% for the year ended 31 December 2016. We had one project, namely, Project Amkor, with Customer D/Supplier C/Subcontractor A, which we recognised revenue of approximately S\$3.2 million and S\$0.2 million for the two years ended 31 December 2016, respectively. Budget cost for the remaining works of the project in the year ended 31 December 2016 was revised upward taking into account the variation orders and the additional costs incurred for the variation orders during the year, resulting in the direct costs for the year ended 31 December 2016 exceeding the revenue recognised by

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approximately S\$0.2 million, but as the revenue recognised for this project amounted to approximately S\$0.2 million for the same period, the calculated gross profit margin for the Track Record Period for this customer fluctuated significantly from 29.3% for the year ended 31 December 2015 to -136.5% for the year ended 31 December 2016. However, we achieved an overall gross profit margin of approximately 9.3% for Project Amkor.

Customer who was also our supplier and our subcontractor

Customer D/Supplier C/Subcontractor A is a construction company incorporated in Singapore, which is an Independent Third Party. Being one of top five customers, we were engaged as a subcontractor and provided steel reinforcement works and formwork works to Customer D/Supplier C/Subcontractor A for Project Amkor. The revenue attributable to Customer D/Supplier C/Subcontractor A amounted to approximately S\$3.2 million and S\$0.2 million, representing approximately 10.8% and 0.5% of our total revenue for the two years ended 31 December 2016, respectively. The weighted average of the gross profit margin was approximately 29.3% for the year ended 31 December 2015 and the weighted average of the gross loss margin was approximately 136.5% for the year ended 31 December 2016.

Customer D/Supplier C/Subcontractor A was also one of the top five suppliers for the Track Record Period and one of the top five subcontractors for the year ended 31 December 2015. Customer D/Supplier C/Subcontractor A was engaged as a supplier and a contractor and provided project management services, steel reinforcement works and formwork works by us for Project Tanjong Pagar Mixed Development, given (i) Project Tanjong Pagar Mixed Development is a sizeable and landmark development project in Singapore, which was expected to demand extra supervision to meet the main contractor's requirement in terms of time and quality; and (ii) we did not have extensive prior experience in participating in sizeable and lengthy formwork projects. Our supplies attributable to Customer D/Supplier C/Subcontractor A was approximately S\$0.4 million and S\$0.3 million, representing approximately 6.6% and 3.3% of our total supplies for the two years ended 31 December 2016, respectively. Our subcontracting charges attributable to Customer D/Supplier C/Subcontractor A was approximately S\$1.6 million and S\$0.3 million, respectively, representing approximately 27.6% and 5.5% of our total subcontracting charges for the two years ended 31 December 2016, respectively.

RAW MATERIALS

Our construction projects involve the use of various construction materials, depending on the type of service we provide under the contracts. With respect to projects involving steel reinforcement works, the major construction material required is steel reinforcing bars. With the exception of Project Micron and Project Outram Community Hospital, steel reinforcing bars are provided by our customers. With respect to projects involving formwork erection, the major construction materials required include formwork made of timber, plywood, steel and aluminium and formwork-related components, which are provided by us. For projects involving concrete works, the major construction material required is concrete, which is supplied by our customers. During the Track Record Period, the materials were supplied by local suppliers and we did not encounter any shortage or delay in the supply of raw materials which would materially affect our business.

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JOINT OPERATION

During the Track Record Period, we had undertaken one part of project Tanjong Pagar Mixed Development through a joint operation (the “**Joint Operation**”), which is an unincorporated joint arrangement. Entering into such arrangement is our Group’s strategy to cooperate with Joint Operator to implement a sizeable project in order to take advantage of pooling together the respective resources, expertise and experience.

Our Group entered into the Joint Operation with Joint Operator in August 2013. Pursuant to the joint operation agreement entered into between the two parties, the Joint Operation was responsible for the share of formwork erection part of project Tanjong Pagar Mixed Development (the “**Shared Works**”). At the time of tendering for the project, our Group’s capacity was stretched. We did not manage to undertake the project alone as we were occupied with three other major projects. Our managing director, contracts manager and operations director assessed the profitability of the project on mixed development, and decided to co-operate with Joint Operator to jointly undertake the Shared Works. The purposes of our Group’s inviting Joint Operator to the Joint Operation were to draw additional capital as well as to share risks. This project was completed in June 2016.

The major terms and conditions of the Joint Operation include the following:

- the amount of capital injection for the purpose of the Joint Operation shall be in equivalent shares between our Group and Joint Operator;
- our Group shall be responsible for the tendering of the project and the communication with the main contractor of the project;
- Joint Operator shall procure Customer D/Supplier C/Subcontractor A to appoint a project director to take charge of the overall management, planning and supervision of the Shared Works;
- Joint Operator shall arrange Customer D/Supplier C/Subcontractor A as the subcontractor to execute the Shared Works, including the daily operation and management of the project on-site;
- our Group shall be responsible for appointing and assigning one assistant project manager, one lifting team of three workers, one full-time safety supervisor;
- Joint Operator shall be responsible for procuring Customer D/Supplier C/Subcontractor A to assist our Group in all aspects pertaining to claims and payments, including the preparation of monthly progress claims for submission to our customer; and
- the project revenue and costs will be shared equally between our Group and Joint Operator.

For further details of the Joint Operation, please refer to the section headed “Financial Information — Joint Operation” of this document.

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AWARDS AND ACCREDITATION

Throughout our operating history, our Group has received a number of awards and accreditation in recognition of our performance as well as our commitment to safety management. The table below sets out the major awards we had been granted up to the Latest Practicable Date:

Year of grant	Award	Granted by
2014	Most Behavior Based Safety (BBS) Observation Contractor	Customer A/ Subcontractor D
2014	Appreciation for Excellent Performance	Customer A/ Subcontractor D
2015	Best Safety Conscious Contractor	Customer A/ Subcontractor D
2015	Global Partnership Agreement	Customer A/ Subcontractor D
2016	Best Sub Contractor	Customer F
2016	1 Million Safe Man Hour Celebration	Customer F
2016	Safest WHSO	Customer A/ Subcontractor D
2017	2 Million Hours LTI (Lost Time Injury) Free Celebration	Customer F

QUALITY CONTROL

We have in place a quality control policy to comply with and to improve our quality management system. This ensures that we provide quality building and construction services that consistently meet legal requirement, safety standards and our customers’ expectations. Our Group has the BS OHSAS 18001:2007 certification and bizSAFE Level Star, as well as the ISO 9001:2008 and ISO 14001:2004 certifications. Please refer to the paragraph headed “Licences and Permits” in this section for details.

A few key employees of our Group are involved in quality control of our projects. They are responsible for ensuring that the various aspects, including our services and our construction materials, fulfil our contractual requirements as well as quality standards. Our operation director, Mr. Tan Kim Yem, has about 20 years of industry experience. He has obtained a certificate of completion for Construction Safety Course for Project Managers conducted by Absolute Kinetics Consultancy Pte Ltd., an accredited training provider approved by MOM and a certificate of completion for Risk Management Course conducted by Qesh Consultants, an accredited agency approved by MOM. Our project manager and Approved Person, Mr. Koh Lam Tai, has completed numerous training sessions and courses such as Construction Safety Course for Project Managers, and “Essential Knowledge in Construction Regulations & Management for Licensed Builders” conducted by the BCA. Our safety coordinator, Mr. Panneer Selvam Ratha, has over 11 years of industry experience. As a registered member of the Construction Registration of Tradesman Scheme (CoreTrade), he has completed numerous trainings and courses such as Risk Management Course conducted by The Singapore Contractors Association Ltd, Building Construction Supervisor Safety, Work-At-Height Course for Assessors, and Safety Coordinators Training Course.

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Quality control on our construction materials

To ensure effective quality control on our construction materials, we maintain a list of approved suppliers. A supplier is first admitted to our list based on the factors, including but not limited to, its market reputation, prices and quality of materials, timeliness of delivery, responsiveness and track record. We review the list of approved suppliers annually and the basis of review includes each approved supplier's performance, such as its quality, timeliness and responsiveness.

For incoming purchases at our work sites such as timber and plywood, steel products and concrete mix, our site supervisors will conduct visual inspections and sample tests upon delivery. Our inspection criteria include ensuring delivery of materials of the right quantity, type and size and spotting of defects such as dent, rust or coating defects. In the case that any defects are spotted, we will inform our material suppliers as soon as practicable, who will arrangement a replacement for us.

Quality control on our services

During the project implementation and execution phase, our site engineers are assigned to inspect the works being carried out daily by our workers and by our subcontractors. For general construction works, in-process inspection includes ensuring that each scope of works is carried out as per contract specifications and/or instructions from the customer's representative. Our site engineers also inspect the works completed at each stage to ensure that the relevant requirements are met. We also keep close contact with our customers and make sure our work progress meets our customers' requirements.

At the completion of our work, our site engineers (and external professional engineers in respect of formwork erection) will conduct a final check before arranging for handover to our customer. The checks include inspection on the quality of the finishes to ensure that there is no defect, for instance, misalignment or wrong tying of steel bars and non-compliance with specifications and safety and regulatory requirements.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material disputes on the projects relating to the quality of our general construction works nor significant delay in the delivery of our projects. Nor had we received any complaints or claims for compensation regarding our product and service quality from our customers during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL PROTECTION

We have implemented environmental management system according to ISO 14001:2004 requirements. We obtained the ISO 14001:2004 certificate in April 2015. For our construction projects, we have established a set of environmental control procedures (the "**Procedures**") as follows:

Noise pollution control

The Procedures attempt to reduce noise level from machinery and equipment and set guidelines to control transportation vehicles and materials handling to ensure that no employee is exposed to excessive noise and the public is not affected.

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Air pollution control

The Procedures adopt certain air pollution control measures to reduce environmental impact of air pollutants by installing appropriate equipment at the emission point.

Waste management

The Procedures implement a waste management system, which involves the segregation and classification of waste, to ensure that it is properly collected, stored and disposed of. The Procedures also set standards for internal drainage and toilet and sewage connection.

During the Track Record Period and up to the Latest Practicable Date, we had not been in breach of any environmental-related laws in Singapore.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and work safety measures and environment

We are required to comply with all safety, health, environmental and other statutory requirements applicable to our works as may be required by the relevant government authorities, including the WSHA and the Environmental Public Health Act, Chapter 95 of Singapore. We accord importance to the health and safety of our employees, who are integral to our Group and to the successful and timely completion of our works. We have an occupational health and safety ("OHS") management system in place, which seeks to adopt safe working practices to provide all employees, customers and contractors with a safe and healthy work environment. Mr. Tan Kim Yem, our operation director, is appointed as our management representative for the overall implementation of the OHS management system of our Group. For each of our construction projects, a site safety coordinator is assigned to take charge of the OHS issues.

Due to the nature of the construction industry, worksites may be more prone to incidents than other industries. We take workplace safety and health seriously and instill in our employees vigilance and care required to keep themselves and their co-workers safe. We shall remove from the work site any of our employees or subcontractors' employees who refuse to abide by such safety, health and environmental regulations. In our projects as a subcontractor, the main contractors will have established workplace safety and health procedures which we will comply with on-site. For our projects, our site safety team is required to submit to our customer risk assessment and safe work procedures, evaluating the risk levels of the work tasks as well as measures to prevent injuries and accidents. Our site safety team will also ensure that our employees understand and comply with the safe work procedures.

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Our OHS policy has the following objectives and corresponding measures:

- (i) *Additional education after mandatory Construction Safety Orientation Course (CSOC) to inculcate safety values*

The policy under the OHS management system shall be communicated to all new staff through a safety orientation briefing, but CSOC is only mandatory for those who need work permits (i.e. foreign workers). Training courses are also provided for relevant personnel where suitable and these are to be submitted for documentation and filing.

The CSOC is to (i) ensure that construction workers are familiar with common safety requirements and health hazards in the construction industry; (ii) educate them on the required measures to prevent accidents and diseases; and (iii) ensure that they are aware of their rights and responsibilities under employment law. In addition to the CSOC, we will raise the awareness of safety practices to our workers through practical applications at the worksite and the provision of safety gear. Workers who fail to comply will not be allowed on the work site.

- (ii) *Carrying our safety measures to minimise risk*

Apart from inculcating in our workers the importance of adopting safe work practices, we also provide the necessary safety gear including safety helmets, safety glasses, hearing protection, gloves, safety harnesses and safety shoes. There are also safety procedures in relation to the construction work we carry out, such as installation of beams and column rebars, barricading works, lifting operations, scaffolding, and operation of machinery.

- (iii) *Emphasis on safety and health at the managerial and supervisory level*

Our Workplace Safety and Health coordinator and safety supervisors conduct meetings to address potential workplace safety and health issues. Under the supervision of our project manager will lead a site safety team for each project which will convene daily toolbox meetings, weekly coordination meetings and ad hoc meetings to inform all workers of potential hazards. Inspections are to be carried out regularly, including daily inspection, monthly inspection and in the event that accidents take place.

- (iv) *Regular discussions and annual review of OHS management system*

We hold regular discussions with our employees regarding regulations that have an impact on OHS issues. This keeps our employees up to date with any developments in legislative requirements.

Our management will review our safety rules and regulations under the OHS management system once annually and propose changes if necessary. The continuous improvement of the OHS management system will be communicated to our employees where applicable.

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(v) *Identification of potential hazards and prevention of accidents in the workplace*

Our OHS procedures seek to identify the hazards and reduce risks from the outset. This involves reviewing our operations and assessing the risks involved under typical, unusual and fairly foreseeable emergency situations. Thereafter, steps are taken to mitigate the risks identified.

In striving to minimise risk, we take an active approach to prevent accidents from happening at the workplace.

(vi) *Procedures for emergency readiness*

Under the OHS management system, we also impart safety awareness to all employees through training. To reinforce the training, safety instructions and posters have been prepared and displayed at relevant places. The instructions and posters give information on safe working methods.

The objective of emergency readiness is to ensure emergency situations can be managed effectively to protect our employees from personal injury.

(vii) *Response to accidents and investigation actions*

Any occurrence of a workplace-related accident or incident will be reported to the main contractor. If such accident or incident results in hospitalisation for at least 24 hours or medical leave for more than three days, it will be reported to the MOM as well. Our project team will gather facts, analyse the situation, apply remedial actions, improve operational controls and take precautions to prevent similar accidents from recurring. An accident investigation report will be submitted to the main contractor, giving details of the accident and suggesting corrective actions.

Accidents caused during the Track Record Period and up to the Latest Practicable Date

Employees' compensation claims

During the Track Record Period and up to the Latest Practicable Date, we recorded seven accidents resulting in personal injuries suffered by our employees during the course of their employment for our Group's projects. The obligation of reporting these accidents to the relevant authorities vests on the respective employer of the injured workers. The following table sets out the nature of the accidents involving the workers employed by our Group during the Track Record Period and up to the Latest Practicable Date:

Nature of accident	Number of claims
Sprains, strains and loss of balance	4
Struck by objects	1
Caught in between moving objects	1
Falling from height	1
	<hr/>
Total	<hr/> <hr/> 7

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Out of the seven accidents stated above, (i) five cases had been settled; and (ii) two cases in relation to sprain injury and loss of balance took place in January 2017, of which the claim amount had not been finalised. Please refer to the paragraph headed “Litigation and Claims” in this section for further details.

During the Track Record Period, the total amount of medical expenses and employees’ compensation we paid for accidents which took place up to the Track Record Period was approximately S\$85,000 and the reimbursement from insurers for our claims arising from accidents which took place up to the Latest Practicable Date was approximately S\$76,000. Apart from the work injury compensation insurance maintained by our customers as main contractors, we also took out a compulsory insurance policy in Singapore under the Work Injury Compensation Act, Chapter 354 of Singapore to provide for a liability under such claim. Since the amount of claims for substantially all the abovementioned seven accidents were within the limit of claims under the relevant insurance policies as at the Latest Practicable Date (except one case with claim amount of approximately S\$28,000 not covered by insurance), our Directors believe that all such accidents would not result in any material impact on the financial position or results of operations of our Group.

During the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any difficulties in making claims from such insurers (or the insurers of the main contractors) or encountered any dispute on liability from our insurers and had not incurred any material residual liabilities not covered by the insurance arising from any employees’ compensation claims.

The table below sets out the workplace injury rate per 100,000 employed persons and workplace fatal injuries rate per 100,000 employed persons in Singapore construction industry and our Group:

	Construction industry⁽¹⁾	Our Group
2015		
Workplace injury rate per 100,000 employed persons ⁽²⁾	451	884
Workplace fatal injury rate per 100,000 employed persons ⁽³⁾	5.4	—
Lost time injuries frequency rate ⁽⁴⁾	166	141
2016		
Workplace injury rate per 100,000 employed persons ⁽²⁾	467	—
Workplace fatal injury rate per 100,000 employed persons ⁽³⁾	4.9	—
Lost time injuries frequency rate ⁽⁴⁾	159	91

Notes:

- (1) The data about the construction industry in Singapore are based on the Workplace Safety and Health Report 2015 and 2016 respectively by the Workplace Safety and Health Institute, Singapore.
- (2) Workplace injury rate is calculated as the occurrence of accidents recorded divided by the total number of workmen employed during the year multiplied with 100,000.
- (3) Workplace fatal injury rate is calculated as the occurrence of accidents recorded divided by the total number of workmen employed during the year multiplied with 100,000.

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- (4) Lost time injuries frequency rate is calculated as number of man days lost to workplace accidents divided by the total number of man-hours worked multiplied by 1,000,000. Man-hours worked is assumed to be 3,650 hours per year per worker.

For the two years ended 31 December 2016, our Group recorded no fatal injuries and the workplace injury rate mainly at our construction sites decreased from 884 for the year ended 31 December 2015 to nil for the year ended 31 December 2016. Our lost time injuries frequency rate were determined based on medical leaves (i.e. hospitalisation leaves and outpatient leaves) granted to our injured employees. The lost time injuries frequency rate of our Group decreased from 141 for the year ended 31 December 2015 to 91 for the year ended 31 December 2016. The lost time injuries frequency rate in 2016 was due to the man-day loss arising from injury took place in 2015.

Although our workplace injury rate for the year ended 31 December 2015 was significantly higher than that of the construction industry in Singapore, which was mainly due to our labour-intensive work nature, our lost time injuries frequency rate for the same year was lower than that of the industry as less medical leave was given to our injured employees based on their physical condition. Our situation was even improved for the year ended 31 December 2016 as we recorded no work accident. Subsequent to the Track Record Period and up to the Latest Practicable Date, we only recorded two work injury cases.

INSURANCE

Pursuant to the Work Injury Compensation Act and as stipulated by the MOM, all our manual workers, regardless of salary level, and non-manual workers earning less than S\$1,600 a month are covered under work injury compensation insurance. The work injury compensation policy in Singapore provides for a maximum limit of liability of medical expenses of up to S\$30,000 per employee for accidents before 1 January 2016 and up to S\$36,000 per employee for accidents from 1 January 2016.

In projects for which we act as a subcontractor, the project-based insurance policies are taken out by the main contractor. Where we act as the main contractor of a project, we will be responsible for taking out the work injury compensation policy and the contractors' all risks insurance policy for the project we undertake to cover against loss or damage to materials and third party liability for accidental bodily injury in connection with the performance of the contract.

In addition, we have medical insurance for our foreign workers, as stipulated by MOM. We also have machinery and equipment all risks insurance to cover damage to our machinery and equipment.

Our Directors confirm that our Group has obtained adequate insurance coverage for the operation of its business, and is in line with the industry norm. For the two years ended 31 December 2016, we incurred total insurance expenses as part of our direct costs of approximately S\$71,000 and S\$95,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

Certain types of risks, such as the risk in relation to the collectability of our trade and retention sum receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost-justifiable to insure against such risks.

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PROPERTIES

Owned properties

As at the Latest Practicable Date, our Group owned two properties, of which one was used as our office and the other was leased out at a monthly rental of S\$2,800 with the expiry date in May 2019. The details of our owned properties are set out in the table below:

Address	Owner	Saleable area (approximately)	Use of the property	Tenure	Encumbrances (where applicable)
5 Upper Aljunied Link, #03-08, Quartz Industrial Building, Singapore 367903	IEPL	220.0 sq.m.	Office	Estate in fee simple	Registered charge in favour of United Overseas Bank Ltd.
50 Serangoon North Avenue 4, #04-21 First Centre, Singapore 555856	IEPL	122.0 sq.m.	Rented out	Leasehold estate (60 years commencing on 23 April 2007)	Registered charge in favour of United Overseas Bank Ltd.

Leased properties

As at the Latest Practicable Date, we leased a total of two properties in Singapore as dormitories for our foreign workers. The leases of our Group each have a term of 13 months. Our current leases have expiry dates ranging from 31 December 2017 to 12 March 2018. The size of our leased properties ranges from approximately 96 sq.m. to 1,440 sq.m. Our property rental and related expenses amounted to approximately S\$1.3 million and S\$0.8 million for the two years ended 31 December 2016 respectively.

As at the Latest Practicable Date, our Group leased the following properties on such terms as summarised in the table below:

Address	Number of units leased	Total number of beds	Monthly rental expense	Use of the property	Duration
PPT Lodge 1B, No. 2 Seletar North Link, Singapore 797601	30	up to 360	S\$65,040	Foreign workers' accommodation	From 1 December 2016 to 31 December 2017
PPT Lodge 1B, No. 2 Seletar North Link, Singapore 797601	2	up to 24	S\$4,336	Foreign workers' accommodation	From 13 February 2017 to 12 March 2018

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LICENCES AND PERMITS

As a subcontractor in Singapore carrying out steel reinforcement works, formwork erection and concrete works, we do not require any specific licences, including GB1 licence, for carrying out such works for our projects. To facilitate our business growth, we have applied for and obtained various licences since 2014.

Main qualifications, licences and certifications

Qualifications and licences in Singapore

Our Group currently holds a GB1 licence issued by BCA under the BLS, which enables us to undertake contracts for general building works. A GB1 licence is required to carry out private sector building works and public sector building works. In addition, we are registered with BCA under the CRS and currently we operate under the C1 grade for both workhead for “General Building” (CW01) and workhead for “Civil Engineering” (CW02), which enable us to tender for public sector building works.

The table below sets out the main qualifications and licences of our Group for the carrying out of our business and operations in Singapore during the Track Record Period:

Issuing authority	Group member/ company	Relevant list/ category	Qualification/ licence/grading	Date first obtained	Date of expiry	Tendering limit
BCA	IEPL	General Builder Class 1	GB1	26 August 2014	26 August 2017	Unlimited for both public and private sectors, subject to the tendering limits for public sector projects under the CRS
BCA	IEPL	CW01, General Building	C1	16 September 2015	1 August 2018	S\$4.0 million, applicable to public sector projects
BCA	IEPL	CW02, Civil Engineering	C1	16 September 2015	1 August 2018	S\$4.0 million, applicable to public sector projects
MOM	IEPL	Workplace Safety & Health Act	Approved scaffold contractor	18 August 2014	No expiry	

With the licences issued to us, namely, the GB1 1, CW01 and CW02, we are qualified to undertake contracts for general building works and civil engineering works in the private sector of any value while public sector projects will be subject to the limits set by BCA which as at the Latest Practicable Date was S\$4 million. In addition, as an approved scaffold contractor, we are also qualified to provide scaffolding works without having to outsource them to third parties when providing our subcontracting works.

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Over the years of our operations, we have also obtained the following certifications in recognition of our work processes. These certifications are important for the award of the workheads as set out above, namely, the GB1, CW01 and CW02 licences.

Issuing authority/ organisation	Relevant list/category	Qualification/ Licence/Grading	Date first obtained	Date of expiry
EQAIMS Certification Pte Ltd.	Quality management system for the provision of civil and structural works	ISO 9001:2008	6 April 2015	5 April 2018
EQAIMS Certification Pte Ltd.	Environmental management system for the provision of civil and structural works	ISO 14001:2004	6 April 2015	5 April 2018
SN Registrars (Holdings) Limited	Occupational health & safety management system for provision of building construction work	BS OHSAS 18001:2007	24 June 2016	23 June 2019
Workplace Safety and Health Council	bizSAFE	Level Star	2 August 2013	23 June 2019
The Singapore Contractors Association Ltd.	Trade registration for Concreting (CS03), Metal Scaffolding (CS04), Steel Reinforcement (CS07), Timber Formwork and Support Systems (CS09)	N/A	23 February 2004	31 March 2018

Our Directors confirm that as at the Latest Practicable Date, our Group had obtained (and renewed, as the case may be) all the necessary licences which were required to carry on our principal business activities in Singapore and that all such licences were valid as at the Latest Practicable Date. Our Directors also confirm that our Group had been in compliance with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

For further details, please refer to the section headed “Regulatory Overview” of this document.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had applied for registration of trade mark of  in Singapore and used two domain names, namely interno.com.sg and www.indigostar.sg in Singapore. Details of our intellectual property rights are set out in the paragraph headed “2. Our intellectual property rights” in Appendix IV to this document. As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us and we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the material infringement of any intellectual property rights of third parties.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 466 full-time staff (including our executive Directors), of which approximately 7.5% were Singapore citizens and approximately 92.5% were foreigners. The table below sets out a breakdown of our employees by function as at the Latest Practicable Date:

	As at 31 December 2015	As at 31 December 2016	As at the Latest Practicable Date
Executive Directors	2	2	3
Senior management	2	3	3
Managers	4	7	8
Executives (human resources/ administration/accounts/logistics)	16	17	19
Contract, tendering and technical staff	17	21	21
Project and site staff	47	33	35
Foreign workers	<u>375</u>	<u>327</u>	<u>377</u>
 Total	 <u><u>463</u></u>	 <u><u>410</u></u>	 <u><u>466</u></u>

Our Group generally recruits our non-manual staff through recruitment websites and newspapers. As for the recruitment of foreign workers, we retain the ability to mobilise a large workforce via the broad labour network we have built over the years of our business operations. We also prefer referrals from the foreign workers who are familiar with our work environment as they are able to help us identify suitable candidates based on our task requirements.

Employee training

Our employees received training depending on the department they worked for and the scope of work they dealt with. From time to time, we send our employees to attend courses relating to environmental and occupational safety, including construction safety orientation course for workers, work-at-height course for assessors, formwork safety course for supervisors and occupational first aid course. In particular, with respect to our basic-skilled workers, we encourage them to upgrade themselves to higher-skilled workers by completing an upgrade course accredited by BCA. To incentivise them, we offer them an increment in hourly wages upon completion of the relevant course.

Employee relations

Our Directors believe that the relationship between our management and our employees has been good and we expect such good relationship to continue. During the Track Record Period and up to the Latest Practicable Date, our Group did not have any material labour dispute and incident of strike, which would adversely affect our operations.

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Retention of employees

We value our employees and use our best endeavours to maintain a good and cooperative relationship with them. The remuneration package we offer to our employees include basic salary, discretionary bonuses and allowance. In addition, we are required to make monthly CPF contributions in respect of our employees who are either citizens or permanent residents of Singapore. We review the performance of our employees on a periodical basis in order to make salary adjustment. We may offer our foreign workers an incentive in the course of our construction projects with a view to motivating them. During the Track Record Period, our Group did not experience any difficulties in the recruitment and retention of experienced staff.

Our Directors confirm that save as disclosed in paragraph headed “Regulatory Non-Compliance” in this section, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any material non-compliance with all the applicable employment laws, rules and regulations in Singapore.

COMPETITION

According to the Euromonitor Report, the construction industry in Singapore is a highly fragmented market. As of April 2017, 1,887 companies were registered under the general building workhead of BCA’s Contractor Registration System while 998 companies were registered under the civil engineering category.

In addition, according to the Euromonitor Report, as of April 2017, within the general building workhead, 16.2% of the companies i.e. 306 companies qualified for the B2 grade or above, which allow them to bid on projects valued at S\$13 million or more. Within the civil engineering workhead, 19.7% of the companies i.e. 193 companies qualified for the B2 grade or above. The pool of contractors which have a B2 grade or above is smaller than the group with lower ratings under both the general building and the civil engineering categories.

The Euromonitor Report also states that experienced manpower and specialised machinery have been the key entry barriers to the steel reinforcement works as well as the formwork erection sectors. For further details, please refer to the section headed “Industry Overview” of this document.

Our Directors are of the view that our expertise with different types of steel reinforcement work and formwork, our strong track record of projects and our long-term relationship with our customers and subcontractors help consolidate our position in the market and further expand our business.

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LITIGATION AND CLAIMS

Litigations in relation to employees’ compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we were involved in one litigation case of negligence resulting in industrial accidents with injury claims arising from what we believe was a worker’s lapse of attention. The case has been concluded with a total claim amount of approximately S\$11,000 and such amount has been fully covered by insurance. During the Track Record Period, we had a potential common law claim against our Group in relation to work injury which was settled for a settlement amount of approximately S\$5,000 before it was brought to the relevant courts of Singapore. As at the latest practicable date, we had two common law claims, which had not been brought before the relevant courts in Singapore, in relation to work-related accidents involving foot fracture and mouth injury. The claim amount of these two work-related common law claims had not been finalised. It is expected that the claim amount will be fully covered by insurance. No cases were currently pending before the relevant courts in Singapore as at the Latest Practicable Date.

Save as disclosed above and in the paragraph headed “Employees’ compensation claims” of this section, our Directors confirm that up to the Latest Practicable Date, there was no other outstanding, unsettled, pending or threatened litigation, proceeding or claim against our Group or any of our Directors which, individually or taken as a whole, could have a material adverse effect on our Group’s financial condition or results of operations.

REGULATORY NON-COMPLIANCE

A summary of the key laws and regulations applicable to our Group’s operations is set out in the section headed “Regulatory Overview” of this document. Save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws or regulations applicable to our Group that would have a material adverse effect on our business or financial condition taken as a whole.

Our Directors are of the view that (i) no provision is necessary to be made in respect of the immaterial non-compliance incidents set out below; and (ii) these non-compliance incidents, whether individually or collectively, have not caused and will not have a material adverse effect on our business, results of operations and financial condition.

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The following table summarises non-compliance incidents in relation to our Group’s operations during the Track Record Period and up to the Latest Practicable Date:

Relevant regulations	Particulars of non-compliance	Reasons for non-compliance	Potential/actual consequences of non-compliance	Rectification actions and internal control measures taken
Section 62 of the Income Tax Act (Chapter 134)	IEPL failed to submit Form C under the Income Tax Act, accounts and tax computation for the year of assessment 2014/2015 due on 30 November 2015.	The omission was not willful and was due to inadvertent oversight of the external accounting firm then engaged by IEPL responsible for submission of information to the IRAS.	<p>Pursuant to section 62(8) of the Income Tax Act, failure to comply with the general requirements for the filing of returns is an offence. Any person guilty of an offence under the Income Tax Act for which no other penalty is provided shall be liable on conviction to a fine not exceeding S\$1,000 and in default of payment to imprisonment for a term not exceeding 12 months.</p> <p>In this incident, IRAS issued a notice to IEPL to attend the court for the breach, unless IEPL rectified the breach by filing their Form C, accounts and tax computation by 28 March 2016 and paying a composition fee of S\$675.</p> <p>The tax computation and assessment of IEPL for the financial year ended 31 December 2014 have been duly filed while the composition fee and the relevant tax payment were settled as at 13 July 2016.</p> <p>Our Singapore Legal Advisers are of the view that since the composition fine has been settled in full, it is unlikely that IEPL will be subject to further penalties.</p>	We have reminded the external accounting firm of the importance of timely submission of the requested information to the IRAS immediately after the omission. Subsequently, we have terminated our engagement with the external accounting firm and engaged a finance manager with experience in accounting and auditing to be responsible for our Group’s accounting matters, preparation of the relevant forms, accounts and tax computations. The tax filing will be submitted to our human resource and administrative director, Ms. Tan Soh Lay for approval and ensure submission in a timely manner.

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Relevant regulations	Particulars of non-compliance	Reasons for non-compliance	Potential/actual consequences of non-compliance	Rectification actions and internal control measures taken
Section 5 and Section 25 of the Employment of Foreign Manpower Act (Chapter 91A) and Regulation 13(1) of the Employment of Foreign Manpower (Work Passes) Regulations 2012	<p>IEPL failed to repatriate a foreign ex-employee within three months from 16 February 2016.</p> <p>IEPL and ICPL failed to repatriate three foreign ex-employees upon the expiry of their work passes in January and February 2016, respectively, within the specified period.</p>	<p>In January 2016, a foreign worker went missing during the course of his employment with IEPL, and we were unable to locate and repatriate him within the period of three months from 16 February 2016 as stipulated by the MOM.</p> <p>The work passes of three of our foreign workers employed by IEPL and ICPL were expired during the course of the main contractor's application for additional MYE allocation for one of our projects in January 2016. Pending the outcome of the main contractor's MYE application, our human resources and administrative department did not arrange to repatriate the three workers within the specified period. In around mid-February 2016, the main contractor completed the MYE application and the work passes of our three workers were renewed accordingly.</p>	<p>Pursuant to Regulation 13(1) of the Employment of Foreign Manpower (Work Passes) Regulations 2012, (1) if the Controller is satisfied that a work pass holder, an employer or sponsor of a work pass holder or any group or class of work pass holders, as the case may be, has failed to comply with any condition specified in respect of any security furnished under Regulation 12, the Controller may direct the forfeiture of the security or any part thereof; (2) the forfeiture of any security under this regulation shall be without prejudice to the taking of proceedings against any person for any offence or prescribed infringement under the Act or these Regulations; and (3) notice of the forfeiture of any security or any part thereof shall be given to the work pass holder, the employer or sponsor of the work pass holder or any group or class of work pass holders, as the case may be.</p> <p>Pursuant to Section 25(2) of the Employment of Foreign Manpower Act, where any person fails to comply with the regulatory conditions of a work pass (such person being an employer) issued to a foreign worker, the Controller of Work Passes may impose on the person a financial penalty of such amount not exceeding S\$10,000 as the Controller may determine. Section 25(4) of the Employment of Foreign Manpower Act stipulates that the employer shall be liable to bear and pay, <i>inter alia</i>, cost associated with repatriating the foreign employee at any time and such fees, charge or amount as may be prescribed.</p> <p>The security bond of S\$2,500 was forfeited for IEPL's failure to repatriate its ex-employee. An overstay fine of S\$100 has been paid by IEPL and ICPL for the overstay of two of the ex-employees.</p> <p>Our Singapore Legal Advisers are of the view that on the basis that <i>inter alia</i>, the said overstay fines have been duly paid, no further action is likely to be taken against IEPL and ICPL in respect of the same.</p>	<p>Our site management team has increased its awareness of any suspicious and unusual circumstances relating to our foreign workers. For example, they have been reminded to contact our human resources and administrative department immediately upon discovery of any foreign worker not reporting to work. In order to avoid any misunderstanding and miscommunication between us and our foreign workers that may lead to their prior termination of employment without proper notice, our foreign workers are encouraged to approach and communicate with the site supervisor, in their native language if needed, immediately if they have any personal issues and require assistance.</p> <p>Our human resources staff has been assigned to maintain a list of foreign workers setting out the expiry dates of their work permits. Our human resource and administrative director, Ms. Tan Soh Lay, will review the list on a regular basis and make sure appropriate renewals or repatriations are made in a timely manner.</p>

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Relevant regulations	Particulars of non-compliance	Reasons for non-compliance	Potential/actual consequences of non-compliance	Rectification actions and internal control measures taken
Sections 12, 20, 50 and 56 of the Workplace Safety and Health Act (Chapter 354A)	In November 2014, at our mixed development construction site situated at Tanjong Pagar, one of the workers of our Subcontractor A, who was involved in formwork installation failed to anchor the safety harness and accidentally fell from height.	Our formwork supervisor of the Tanjong Pagar construction site failed to take reasonably practicable measures to ensure the safety and health of the relevant worker at the time.	Pursuant to Section 20 of the Workplace Safety and Health Act, any contravention of the requirements in Part IV of the Workplace Safety and Health Act (that includes the duties of employers set out in Section 12) by any person shall render such person guilty of an offence. An employer who fails to provide a safe working environment and to ensure the safety of the employees on the worksite (as per Section 12) shall be guilty of an offence. Section 50 of the Workplace Safety and Health Act stipulates that any person guilty of an offence under the Act shall be liable on conviction (in the case of a body corporate) to a fine not exceeding S\$500,000. The Commissioner may compound any offence under Section 56 of the Workplace Safety and Health Act in his discretion. A composition amount of S\$3,000 has been paid in March 2015. Our Singaporean Legal Advisers are of the view that based on <i>inter alia</i> the said fine having been duly settled by IEPL, IEPL or ICPL will not be subject to further penalties in respect of such breaches.	To prevent the occurrence of similar accidents in the future, we have developed and implemented fall prevention measures for our working-at-height activities and our site supervisors will make sure such measures are properly implemented at our relevant construction sites.
Regulation 6 of the Workplace Safety & Health Act (Incident Reporting) Regulations	IEPL failed to submit incident reports to the Commissioner for Workplace Safety and Health (the “CWSH”) within 10 days after a workplace accident leading to injury or the third day of the sick leave in relation to five incidents of injuries of employees which took place in May 2015, October 2015, December 2015 and January 2017, respectively.	On each occasion, the omission was due to inadvertent oversight of the then administrative staff responsible for the submission of incident report to the CWSH.	An employer who fails to submit an incident report within the prescribed time period shall be guilty of an offence and shall be liable on conviction for a first offence, to a fine not exceeding S\$5,000; and for a subsequent offence, to a fine not exceeding S\$10,000 or an imprisonment term not exceeding 6 months or to both. IEPL has subsequently made all the incident reports to CWSH. As at the Latest Practicable Date, no fine or penalty has been imposed on us. Our Singapore Legal Advisers are of the view that any penalties imposed (if at all) by the MOM in respect of such late reporting of accidents would likely only be in the nature of a fine with no imprisonment.	To prevent the occurrence of similar incidents in the future, we have engaged an external legal adviser based in Singapore who will be notified of any workplace accident and submit the incident report within the specified period on our behalf. Our human resource and administrative director will be the contact point between the legal adviser and our Group.

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Relevant regulations	Particulars of non-compliance	Reasons for non-compliance	Potential/actual consequences of non-compliance	Rectification actions and internal control measures taken
Section 58(b) of the Central Provident Fund Act (Chapter 36)	ICPL made late payment of CPF contribution in the amount of S\$2,405 in September 2015.	The omission was due to inadvertent oversight of the then administrative staff responsible for making payment of CPF contribution.	<p>The offences of making late payment of the CPF contribution may be recognised as a compounded offence and the company may be liable to pay a fine in a sum not exceeding S\$500.</p> <p>As at the Latest Practicable Date, no penalties or composition fines had been imposed on ICPL.</p> <p>Our Singapore Legal Advisers have advised that prosecution is not likely.</p>	The relevant CPF contribution payment together with the interest accrued on such late payment has been subsequently made. We have delegated to a team of personnel with accounting experience and headed by Ms. Tan, our executive Director, to take up the calculation and payment of CPF contribution. Calculation of CPF contribution is prepared well before the due date for payment to ensure it is internally approved and ready for submission in a timely manner.
Section 201 and Section 204 of the Companies Act, (Chapter 50)	IEPL presented its financial statements at annual general meetings held in March 2015 and May 2016, respectively, wherein such financial statements were made up to a date that was more than six months prior to the date of the respective annual general meeting.	The omission was not willful and was due to inadvertent oversight of the external accounting firm then engaged by IEPL that was responsible for the making of audited accounts within the specified period.	<p>Under Section 201 of the Companies Act, consolidated financial statements of the relevant company to be laid at the annual general meeting should be made from the date of the preceding financial statement to a date not more than 6 months before the date of the annual general meeting. Every person (including the directors) who has failed to comply with this provision of the Act is guilty of an offence under Section 204, and may be liable on conviction to a fine not exceeding S\$10,000.</p> <p>As at the Latest Practicable Date, no fine or penalty had been imposed on us. Our Singapore Legal Advisers are of the view that no further action is likely to be taken against IEPL by the Accounting and Corporate Regulatory Authority of Singapore.</p>	To prevent the occurrence of similar incidents in the future, we have assigned Mr. Ng Sai Cheong, our company secretary, to prepare timetable for financial closing and publication of financial results and dispatch of annual/half-yearly/quarterly reports and circulars to Shareholders for annual general meetings.
Section 34 of the Employment Act (Chapter 91)	IEPL and ICPL failed to pay salary to three workers in October 2015, January 2016 and June 2016, respectively.	The non-compliance incidents were committed due to (i) dispute in the salary amount; and (ii) failure of the relevant worker to report to duty and receive his salary.	<p>The company will be liable to prosecution under the Employment Act. The Controller of Work Permits will be notified when the company applies for new and/or renewal of work permits. Also, the company will not be able to submit any new work pass application until the conclusion of claim.</p> <p>The MOM imposed suspension of the issuance of work passes on IEPL and ICPL due to the salary-related claims. The salary claims have subsequently been settled and the suspension of the issuance of work passes has been lifted.</p> <p>Our Singapore Legal Advisers are of the view that based on <i>inter alia</i> the claims having been settled and the suspension subsequently lifted, these incidents are concluded and there are no residual legal risks in respect of such salary-related claims.</p>	To avoid further occurrence of similar incidents in the future, we have strengthened communication with our workers in that they are encouraged to approach our administrative and human resource department for any issues relating to salary and other personal matters.

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Relevant regulations	Particulars of non-compliance	Reasons for non-compliance	Potential/actual consequences of non-compliance	Rectification actions and internal control measures taken
Section 26(1)(b) of the Sewerage and Drainage Act (Chapter 294) (the “SDA”)	On or about 16 November 2016, IEPL carried out works that could lead to the discharge of silt directly or indirectly into any storm water drainage system, drain or drainage reserve before obtaining a clearance certificate or the approval of the Public Utilities Board (the “PUB”).	The non-compliance was due to the late application for the clearance certificate on 11 November 2016.	An offence under section 26(1)(b) of the SDA is punishable under section 26(5) of the SDA to a fine not exceeding S\$50,000. Under section 70 of the SDA, the PUB may compound the offence with a sum not exceeding S\$5,000. If PUB grants composition, on payment of such sum of money, no further proceedings shall be taken against IEPL. IEPL has engaged legal advisers in this regard and intends to make representations to the PUB. A court appearance for this matter has been fixed on 6 June 2017. Until the determination of PUB or the Court, IEPL does not know the eventual outcome. The maximum penalty for the offence is S\$50,000.	To avoid further occurrence of similar incidents in the future, we have engaged an external legal adviser in Singapore who would advise us on the legal issues arising from and out of our business operation, including but not limited to the necessity and timeline for obtaining the necessary and requisite licence, approval and consent from the regulators. The clearance certificate was obtained on 16 November 2016.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the [REDACTED] becomes unconditional. Please refer to the section headed “Statutory and General Information — E. Other Information — 1. Estate duty/other indemnity” in Appendix IV to this document for details of the Deed of Indemnity. Save as disclosed above, our Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, are not aware of any litigation proceedings pending or threatened against us which could have a material adverse effect on our financial condition or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

In the course of conducting our business, our Group is exposed to various types of risks. Key risks relating to our business are set out in the section headed “Risk Factors” of this document. The following sets out the key measures adopted by our Group under our risk management and internal control systems relating to our business operations. Our executive Directors are responsible to oversee and monitor these measures and will assess the effectiveness regularly.

Project risk management

Projects and customers

We recognise that our order book is critical to the financial performance as well as the business sustainability of our Group. In view of this, we maintain good working relationships with main contractors and project developers in Singapore. We also ensure that our Group has sufficient resources and capacities to secure new construction projects whenever business opportunities arise

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so that we can retain our position as one of the established subcontractors in the field of reinforced concrete works in Singapore. Furthermore, with the [REDACTED] from the [REDACTED], we will enhance our financial and operational capacities so as to increase the number of our customers and take on more projects.

Our Group has also established procedures for assessing and monitoring project risk. In our preparation of quotations and tendering of projects, our contracts department consider and evaluate our customers' payment records and the adequacy of our internal resources and capacity for the duration of the said project before a decision is made. Final approval from Mr. Goh, our executive Director is required before any submission of quotation or tender. We are also mindful of not being over-reliant on any specific customer.

At any point in time, we undertake a number of projects at varying stages of completion with different progress claims made. As such, our Directors are of the view that as long as our projects are contracted on a budgeted positive gross profit margin, our operating cash outflow is unlikely to exceed our operating cash inflow. The credit period of within 35 days granted to our customers also helps reduce our financial risks. Further, our finance department monitors payment pattern of our customers regularly and closely. When there are signs of slowdown in the payment pattern of our existing customers, our executive Directors will review the situation immediately and evaluate project opportunities with new or other customers.

Suppliers and subcontractors

To ensure that we provide timely and quality services to our customers, we aim to reduce our project risk by establishing good working relationships with our suppliers and subcontractors, maintaining at least more than one supplier or subcontractor in a major category of supplies or services, and constantly sourcing from approved suppliers and subcontractors. In addition, we maintain lists of approved suppliers and approved subcontractors, which are reviewed periodically.

Loss of key personnel

We will ensure that suitable and sufficient staff members are properly appointed and assigned to manage each of our projects. This is to ensure that adequate experience and technical knowledge are available within the project team and any loss of any team member will have limited impact on the continuity of project implementation.

Liquidity risk management

When undertaking our construction projects, there are often time lags between making payments to our suppliers, subcontractors and labour and receiving payments from our customers, which would result in possible cash flow mismatch. Should we choose to make payments only after receiving payments from our customers, we will risk our reputation in being able to make timely payments, which would harm our ability to engage capable and quality suppliers, subcontractors and labour in the future. The extent of such cash flow mismatch is illustrated by the differences between our trade payables turnover days and our trade receivables turnover days. For each of the two years ended 31 December 2016, our trade and retention sum payables turnover days were

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approximately 21 days and 18 days, respectively and our trade receivables turnover days were approximately 77 days and 66 days, respectively. For further details, please refer to the section headed "Financial Information" of this document.

In order to manage our liquidity position better, our finance department, led by Mr. Ng Sai Cheong, our executive Director, will prepare an annual cashflow forecast about our overall business operations so as to ensure the sufficiency of our financial resources for the operation of our business. In the event that there is any expected shortage of internal financial resources based on the results from the forecast, we may refrain from undertaking the new project and/or consider different financing alternatives.

Credit risk

At the end of each of the Track Record Period, our maximum exposure to credit risk which will cause a financial loss to us due to default 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.

In order to minimise the credit risk, we monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, we consider that our credit risk is significantly reduced.

Regulatory risk management

Our Group keeps abreast of any changes in government policies, regulations, licensing requirements and permit and safety requirements and we are aware that any non-compliance of the above may impact on our business operations. We will ensure that all changes in government policies, regulations, licensing requirements and permit and safety requirements are closely monitored and communicated to our project directors, project managers and our executive Directors for proper implementation and compliance.

Foreign workers

We believe that inability to employ foreign workers may materially affect our business operations and financial performance. With a view to mitigating the impact of shortage of foreign workers arising from changes in relevant laws, rules and regulations in Singapore and/or other countries where the foreign workers originated, our management has adopted a policy of employing foreign workers from more than one country, including the PRC, India, Bangladesh, Thailand and Myanmar.

Our Directors confirm that as at the Latest Practicable Date, they are not aware of any impending changes in the relevant laws, rules and regulations that would materially affect our Group.

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ADEQUACY AND EFFECTIVENESS OF OUR INTERNAL CONTROL SYSTEMS

Our Group strives to maintain the integrity of our business, results of operations and reputation by strictly adhering to an internal control system in respect of our business. We have therefore implemented internal control procedures and manuals covering a number of key control areas such as tendering, purchase and procurement management, financial management and safety and environment compliance management with a view to ensuring compliance by our Group with applicable laws, rules and regulations. For further details, please refer to the paragraph headed “Risk Management and Internal Control” in this section.

Directors’ and the Sole Sponsor’s views

With a view to enhancing the internal control procedures of our Group, we engaged an independent internal control consultant (the “**Internal Control Consultant**”) on 1 February 2017 to perform a comprehensive evaluation of our internal control system. Based on our review results and recommendation provided by the Internal Control Consultant, our Group have adopted the recommended measures and policies to improve our internal control system. After the Internal Control Consultant performed their follow-up reviews in April 2017, they have not identified any further issues and have made no further recommendations in the respective areas covered in their reviews. The internal control review was conducted based on the information provided by our Group and no assurance or opinion on internal control was expressed by the Internal Control Consultant.

Our Directors are of the view that the internal control measures are adequate and effective, having considered (i) the results of the review by the Internal Control Consultant; and (ii) the fact that there had not been recurrence of similar non-compliance incidents subsequent to the review of the Internal Control Consultant.

Our Directors consider that the non-compliance incidents set out in the paragraph headed “Regulatory Non-compliance” did not and will not have any material operational or financial impact on our Group’s operations and these non-compliance incidents will not affect the suitability of our executive Directors to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability of [REDACTED] our Company under Rule 11.06 of the GEM Listing Rules, for the following reasons:

Having considered the views of our Directors and our legal adviser as to Singapore law, and taking into account the fact that the Internal Control Consultant raised no further recommendations with respect to its review, the Sole Sponsor concurs with the above views of both our Directors and the Internal Control Consultant.

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You should read this section in conjunction with our audited combined financial information, including the notes thereto, as set out in the Accountants’ Report in Appendix I to this document. Our combined financial information has been prepared in accordance with IFRSs. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and development will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the section headed “Risk Factors” of this document.

OVERVIEW

We are an established subcontractor in Singapore specialising in providing reinforced concrete works, which mainly cover steel reinforcement works, formwork erection and concrete works. We may provide such services either individually or as a total package comprising all three, depending on the requirements of our customers.

Our business started in 1996 when we provided solely steel reinforcement works. Expansion of our business took place in 2005 when we broadened our scope of services into reinforced concrete works comprising steel reinforcement works, formwork erection and concrete works. We had completed 16 general building projects and one civil engineering project, as a subcontractor during the Track Record Period. As at the Latest Practicable Date, we had five general building projects and two civil engineering project on hand with aggregate contract sums of approximately S\$71.4 million and S\$39.0 million, respectively.

During the Track Record Period, we recognised revenue of approximately S\$29.9 million and S\$30.1 million and profit and total comprehensive income for the year of approximately S\$2.5 million and S\$3.0 million for the two years ended 31 December 2016, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 8 March 2017 as an exempted company with limited liability under the Cayman Companies Law. In preparation for the [REDACTED], our Group underwent the Reorganisation. For further details of the Reorganisation, please refer to the section headed “History, Reorganisation and Group Structure” of this document. As a result of the Reorganisation, our Company became the holding company of the companies now comprising our Group.

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Our Company became the holding company of the subsidiaries now comprising our Group on 2017. As the Reorganisation involved inserting new holding entities at the top of an existing company and has not resulted in any change of economic substance, the Financial Information for the Track Record Period has been prepared on the basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

Accordingly, 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 our Group since their respective date of incorporation, where there is a shorter period, are prepared as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position as at 31 December 2015 and 2016 present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates, taking into account their respective dates of incorporation.

All intra-group assets, liabilities, equity, income, expenses and cashflows relating to transactions between members of our Group are eliminated in full on combination. For more information on the basis of presentation and preparation of our combined financial information included herein, please refer to note 2 to the Accountants’ Report in Appendix I to this document.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed “Risk Factors” of this document:

Our financial performance is heavily dependent on the state of the economy in Singapore

Our financial performance is heavily dependent on the state of the economy in Singapore as our revenue was derived solely from our operations in Singapore during the Track Record Period. In the event of any unforeseen circumstances such as natural disasters, downturn in the Singapore economy, terrorist attacks and other events beyond our control occurring in Singapore, our business operations, financial performance and financial position may be adversely affected.

Our Group is dependent on the construction industry in Singapore, which is subject to cyclical fluctuations. A downturn in the Singapore construction industry is likely to have an adverse impact on our business and profitability due to the possibility of postponement, delay or cancellation of construction projects and delay in recovery of receivables.

Pricing of our projects

One of the key drivers to our profitability is our pricing. Although we determine our project prices based on a cost-plus method with reference to the time and costs estimated to be involved in a project, the actual time and costs involved in completing our general building and civil engineering projects may be adversely affected by a number of uncontrollable or unforeseen factors, including shortage and cost escalation in materials and labour, adverse weather conditions and changes in rules, regulations and policies set out by the government of Singapore. Actual site condition may be significantly different from our original anticipation and technical issues could arise from time to time, which both would adversely affect the total cost in completing our works. In addition, our unit prices and rates stated in

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the contract with our customers in general do not contain a price fluctuation adjustment mechanism. In other words, we must bear the risk of subsequent variation of the unit cost for the works we perform, including any inflation and abrupt shortage of labour and materials.

The price of each construction contract is determined with reference to our bids and substantially agreed to at the time a project is awarded. In order to determine the bids, we need to estimate the time and costs involved in a project. However, we may fail to accurately estimate completion costs. The actual amount of the total costs incurred in completing a project may be adversely affected by many factors, such as adverse weather conditions, accidents, unforeseen site conditions and fluctuations in the price of raw materials. If the costs for a project exceed the contracted price in the relevant contract, we may achieve lower-than-expected profits or even incur losses, which could materially and adversely affect our financial performance and results of operations.

Collectability and timing of collection of our trade debtors and retention sum receivables

We normally receive progress payments from our customers on a regular basis with reference to the value of works done, and a portion of such payment, which is typically at 5% or 10% of each of the certified amounts and up to a maximum limit of 5% or 10% of the total contract sum, is usually withheld by our customers as retention monies. Usually, half of the retention monies will be released upon agreement of the final accounts. The remaining half of the retention monies is usually to be released (i) upon completion of our part of our works; (ii) upon completion of the works under the main contract; (iii) upon expiration of the defects liability period as stipulated in the contract with our customer; or (iv) upon expiration of the defects liability period as stipulated in the main contract. Generally, the defects liability period lasts for up to 18 months from the date of completion for our projects as subcontractors. As for projects we act as a main contractor, the defects liability period lasts for 12 months from the date of completion. Accordingly, we may be subject to considerable credit risk and there can be no assurance that the retention monies or any future retention monies will be remitted by our customers to us on a timely basis and in full. As at 31 December 2016, our trade receivables amounted to approximately S\$1.8 million and our retention monies receivables amounted to approximately S\$5.6 million. Any late payment, whether arising from payment practice of our customers or delay in completion of the construction project, may adversely affect our future liquidity position.

Our ability to achieve success in the tendering process

Our reinforced concrete works projects, from which we primarily generate revenue, were principally awarded through a competitive tendering process. Our business is contract-based, which is non-recurrent in nature. Our future growth and success will depend on our ability to continue to secure tender and contract awards. In addition, we do not enter into any long-term agreement with our customers and we have to undergo the entire tender process for every new project. For the two years ended 31 December 2016, we recorded a tender success rate of approximately 18.2% and 13.3%, respectively. There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did in the past. If our Group is unable to secure new tenders or obtain new contracts, there may be a significant decrease in our revenue, which may adversely affect our operation and financial results.

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Our workforce is largely made up of foreign workers and any adverse change in the government policies in relation to foreign workers could materially affect our operations and financial performance

Given that the local construction workforce is limited in supply and hence more costly, our business is highly dependent on foreign workers. Any shortage in the supply of foreign workers, any increase in the FWL for foreign workers or any restriction on the number of foreign workers we can employ for our construction works, will adversely affect our business operations as well as our financial performance.

The supply of foreign workers in Singapore is subject to the policies and regulations imposed by the MOM. In respect of each construction project, the MOM imposes a quota, in terms of MYE, on the number of foreign workers which the main contractor can employ for the entire project. Being a subcontractor, we negotiate with our main contractor and make a request before the commencement of the construction work for the MYE to be needed to complete our works. Any tightening of such quota could affect our operations and hence our financial performance. In addition, any changes in the policies regarding the countries of origin of foreign workers may also affect the supply of foreign workers, which may force us to employ local workers at higher costs or cause disruptions to our operations or delays in the completion of our projects.

Further, the MOM imposes the FWL for foreign workers (subject to changes as and when announced by the government of Singapore) whereby the FWL for basic skilled workers under the construction sector who are on MYE increased to S\$650 from 1 July 2016 and will further increase to S\$700 from 1 July 2017. Any increase in the FWL will increase our operating expenses, thereby affecting the financial performance of our Group.

Fluctuation in direct costs

Our key direct costs in providing the reinforced concrete works projects are (i) costs of construction materials and consumables; (ii) direct labour; and (iii) subcontracting charges. For the two years ended 31 December 2016, costs of construction materials and consumables, direct labour and subcontracting charges represented 87.1% and 91.4% of our total direct costs, respectively. For the details of our component of direct costs, please refer to the paragraph headed “Principal components of results of operations — Direct costs” in this section.

To perform the reinforced concrete works projects, we primarily purchase the following construction materials and consumables, such as timber and steel, which are directly attributed to our construction project works. We also usually subcontract the most labour intensive part of our works, which are mainly steel reinforcement works and formwork erection to other subcontractors in a project.

Since costs of construction materials and consumables, direct labour and subcontracting charges are the major components of our direct costs, fluctuation in any of the aforesaid components will affect our direct costs during the actual implementation of the project. In the event that the direct costs increase unexpectedly to the extent that we have to incur substantial extra costs without sufficient compensations, our financial performance and profitability will be adversely affected.

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The following sensitivity analyses illustrate the impact of hypothetical fluctuations in costs of construction materials and consumables, direct labour and subcontracting charges on our profit for the year during the Track Record Period, assuming all other variables remained constant.

Hypothetical fluctuations

<i>(Decrease)/increase in cost of construction materials and consumables</i>	-20.0% S\$'000	-5.0% S\$'000	+5.0% S\$'000	+20.0% S\$'000
Year ended 31 December 2015	(462)	(116)	116	462
Year ended 31 December 2016	(1,296)	(324)	324	1,296
<i>(Decrease)/increase in profit for the year</i>	-20.0% S\$'000	-5.0% S\$'000	+5.0% S\$'000	+20.0% S\$'000
Year ended 31 December 2015	383	96	(96)	(383)
Year ended 31 December 2016	1,076	269	(269)	(1,076)

Hypothetical fluctuations

<i>(Decrease)/increase in direct labour</i>	-10.0% S\$'000	-5.0% S\$'000	+5.0% S\$'000	+10.0% S\$'000
Year ended 31 December 2015	(1,293)	(647)	647	1,293
Year ended 31 December 2016	(1,019)	(509)	509	1,019
<i>(Decrease)/increase in profit for the year</i>	-10.0% S\$'000	-5.0% S\$'000	+5.0% S\$'000	+10.0% S\$'000
Year ended 31 December 2015	1,073	537	(537)	(1,073)
Year ended 31 December 2016	846	422	(422)	(846)

Hypothetical fluctuations

<i>(Decrease)/increase in subcontracting charges</i>	-10.0% S\$'000	-5.0% S\$'000	+5.0% S\$'000	+10.0% S\$'000
Year ended 31 December 2015	(577)	(289)	289	577
Year ended 31 December 2016	(553)	(277)	277	553
<i>(Decrease)/increase in profit for the year</i>	-10.0% S\$'000	-5.0% S\$'000	+5.0% S\$'000	+10.0% S\$'000
Year ended 31 December 2015	479	240	(240)	(479)
Year ended 31 December 2016	459	230	(230)	(459)

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SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENT

We have identified certain accounting policies that are significant to the preparation of our Group's combined financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Also, we had not experienced any significant change in estimates and their underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in details in notes 4 and 5 to the Accountants' Report in Appendix I to this document.

SUMMARY OF RESULTS OF OPERATIONS

The following combined statements of profit or loss and other comprehensive income of our Group for the Track Record Period are extracted from, and should be read in conjunction with, the audited combined statements of profit or loss and other comprehensive income, together with the accompanying notes, in the Accountants' Report set forth in Appendix I to this document.

	Year ended 31 December 2015 S\$'000	Year ended 31 December 2016 S\$'000
Revenue	29,942	30,068
Direct costs	<u>(24,122)</u>	<u>(24,286)</u>
Gross profit	5,820	5,782
Other (expense)/income, net	(340)	163
Administrative expenses	(2,580)	(2,626)
Finance costs	<u>(23)</u>	<u>(37)</u>
Profit before taxation	2,877	3,282
Income tax expense	<u>(374)</u>	<u>(308)</u>
Profit for the year	<u>2,503</u>	<u>2,974</u>
Profit and other comprehensive income for the year	<u><u>2,503</u></u>	<u><u>2,974</u></u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

During the Track Record Period, our Group recorded revenue of approximately S\$29.9 million and S\$30.1 million for the two years ended 31 December 2016, respectively; and our Group recorded profit and total comprehensive income for the year of approximately S\$2.5 million and S\$3.0 million for the same periods, respectively.

Revenue

Our revenue was principally derived from providing reinforced concrete works, which cover the main areas of steel reinforcement works, formwork erection and concrete works, in Singapore. During the Track Record Period, 23 projects in total had recognised revenue, of which 17 projects were completed and six were still ongoing as at 31 December 2016. For the completed projects, 16 projects were related to general building works and one project was related to civil engineering works. For the projects which were still ongoing, four and two projects were related to general building works and civil engineering works, respectively. The following table sets out our revenue generated from projects related to general building works and civil engineering works:

	For the year ended 31 December					
	2015			2016		
	<i>No. of projects handled (Note)</i>	<i>S\$'000</i>	<i>%</i>	<i>No. of projects handled</i>	<i>S\$'000</i>	<i>%</i>
Revenue						
General building projects	13	28,873	96.4	15	21,859	72.7
Civil engineering projects	<u>2</u>	<u>1,069</u>	<u>3.6</u>	<u>2</u>	<u>8,209</u>	<u>27.3</u>
	<u>15</u>	<u>29,942</u>	<u>100.0</u>	<u>17</u>	<u>30,068</u>	<u>100.0</u>

Note: The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year during the Track Record Period.

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During the Track record Period, our Group engaged in construction projects from both public and private sectors. Public sector projects refer to projects where the ultimate employer(s) are Singapore government departments and statutory bodies, while private sector projects refer to projects where the ultimate employer(s) are corporate property developer(s) and land owner(s). The following table sets forth the revenue generated from the sector where our ultimate project employers belong to:

	For the year ended 31 December					
	2015			2016		
	<i>No. of projects handled (Note)</i>	<i>S\$'000</i>	<i>%</i>	<i>No. of projects handled (Note)</i>	<i>S\$'000</i>	<i>%</i>
Revenue						
Public sector projects	5	6,540	21.8	6	21,790	72.5
Private sector projects	<u>10</u>	<u>23,402</u>	<u>78.2</u>	<u>11</u>	<u>8,278</u>	<u>27.5</u>
	<u>15</u>	<u>29,942</u>	<u>100.0</u>	<u>17</u>	<u>30,068</u>	<u>100.0</u>

Note: The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year during the Track Record Period.

Revenue contributed from public sector projects accounted for approximately 21.8% and 72.5% of our total revenue for the two years ended 31 December 2016, respectively. Revenue contributed from private sector projects accounted for approximately 78.2% and 27.5% of our total revenue for the two years ended 31 December 2016, respectively.

The increase in revenue contributed from public sector projects for the year ended 31 December 2016 was mainly due to (i) substantial completion of Project Sengkang General Hospital 2; (ii) the commencement of Project Outram Community Hospital; and (iii) the performance of a greater amount of work for Project Orchard Station during the year.

The decrease in revenue contributed from private sector projects for the year ended 31 December 2016 was mainly due to the fact that a substantial portion of each of the contract values of Project Tanjong Pagar Hotel, Project Tanjong Pagar Mixed Development, Project Micron and Project Jalan Pemimpin was recognised as revenue during prior years.

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The following table sets forth our revenue derived from our projects at different completion stages during the Track Record Period:

	For the year ended 31 December					
	2015			2016		
	<i>No. of projects handled (Note)</i>	<i>S\$'000</i>	<i>%</i>	<i>No. of projects handled (Note)</i>	<i>S\$'000</i>	<i>%</i>
Revenue						
Revenue derived from projects brought forward	8	21,954	73.3	9	21,193	70.5
Revenue derived from new projects commenced	<u>7</u>	<u>7,988</u>	<u>26.7</u>	<u>8</u>	<u>8,875</u>	<u>29.5</u>
	<u>15</u>	<u>29,942</u>	<u>100.0</u>	<u>17</u>	<u>30,068</u>	<u>100.0</u>

Note: The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year during the Track Record Period.

The following table sets forth the list of projects with contract value of over S\$300,000, which includes the details of each project such as the revenue recognised during the Track Record Period and the percentage of completion by reference to the stage of completion of the contract, which is established according to the progress certificates (by reference to the amount of completed works confirmed by customers) issued by our customers, as at 31 December 2016. The aggregate revenue attributed to each of the following projects, represents over 95% of our total revenue generated, from our project portfolio during the Track Record Period.

No.	Name of project	Project sector	Revenue recognised for the year ended 31 December		Percentage of completion as at 31 December 2016
			2015 <i>S\$'000</i>	2016 <i>S\$'000</i>	
1	Project Tanjong Pagar Mixed Development	Private	8,505	1,043	100.0%
2	Project Tanjong Pagar Hotel	Private	4,795	1,754	100.0%
3	Project Sengkang General Hospital 2	Public	3,168	8,045	71.3%
4	Project Micron	Private	4,096	3,039	100.0%
5	Project Orchard Station	Public	529	6,815	19.8%
6	Project Amkor	Private	3,233	150	100.0%
7	Project Sengkang General Hospital 1	Public	2,233	—	100.0%
8	Project Jalan Pemimpin	Private	1,804	—	100.0%
9	Project Jalan Buroh	Public	540	—	100.0%
10	Project Jurong Island	Private	759	—	100.0%
11	Project New State Courts	Public	—	2,143	9.3%
12	Project Paya Lebar Central	Private	—	156	8.2%

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No.	Name of project	Project sector	Revenue recognised for the year ended 31 December		Percentage of completion as at 31 December 2016
			2015	2016	
			S\$'000	S\$'000	%
13	Outram Community Hospital	Public	—	4,671	20.1%
14	SICC	Private	—	1,394	77.4%
	Others ^(Note)	Public/ Private	280	858	100.0%
			<u>29,942</u>	<u>30,068</u>	

Note: From time to time, our Group also undertakes projects in which we have short-term arrangement of supplying labour workforce for reinforced concrete works to our customers, who are subcontractors of these projects. For this type of projects, our Group does not undergo the tendering process and the contract amount is relatively small. For the two years ended 31 December 2016, we had participated in five and seven projects with the respective contracts in relation to short-term arrangements of supplying labour workforce, which were on a unit rate basis, respectively. The revenue generated from each of these projects ranged from approximately S\$1,440 to approximately S\$300,000 and the total revenue we generated from this type of projects was approximately S\$0.3 million and S\$0.9 million for the two years ended 31 December 2016, respectively, representing approximately 1.0% and 3.0% of our total revenue for the corresponding periods.

Direct costs

The following table sets out the breakdown of our direct costs during the Track Record Period:

	For the year ended 31 December			
	2015		2016	
	S\$'000	%	S\$'000	%
Cost of construction materials and consumables	2,310	9.6	6,482	26.7
Direct labour	12,932	53.6	10,185	41.9
Subcontracting charges	5,771	23.9	5,533	22.8
Accommodation expenses	1,081	4.5	746	3.1
Other direct costs	<u>2,028</u>	<u>8.4</u>	<u>1,340</u>	<u>5.5</u>
	<u>24,122</u>	<u>100.0</u>	<u>24,286</u>	<u>100.0</u>

Costs of construction materials and consumables

Cost of construction materials and consumables mainly represent direct costs for the purchases of construction materials, such as timber, plywood, steel and aluminium and formwork-related components, which are directly attributed to our construction project works.

Direct labour

Direct labour represents salaries and benefits to our staff who are directly involved in the provision of our construction works.

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Subcontracting charges

Subcontracting charges represent fees paid to our subcontractors, who mainly perform steel reinforcement works and formwork erection works for us.

Accommodation expenses

Accommodation expenses represent costs for leasing dormitories for our foreign workers, who are directly involved in the provision of our construction project works.

Other direct costs

Other direct costs include less significant and/or miscellaneous direct costs for carrying out the formwork erection works undertaken by us, which mainly include conservancy charges for our foreign workers, rental of equipment, utility expenses and depreciation of our site equipment.

Gross profit and gross profit margin

The following tables set forth our gross profits and gross profit margins by business type and business sector for the Track Record Period:

	For the year ended 31 December			
	2015		2016	
	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>
	<i>S\$'000</i>	<i>margin</i>	<i>S\$'000</i>	<i>margin</i>
		<i>%</i>		<i>%</i>
General building projects	5,225	18.1	4,185	19.1
Civil engineering projects	595	55.7	1,597	19.5
	5,820	19.4	5,782	19.2

	For the year ended 31 December			
	2015		2016	
	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
		<i>%</i>		<i>%</i>
Public sector projects	1,635	25.0	4,986	22.9
Private sector projects	4,185	17.9	796	9.6
	5,820	19.4	5,782	19.2

During the Track Record Period, our gross profit margin varied from project to project. Our gross profit and gross profit margin are dependent on various factors, including (i) the nature and complexity of projects that were undertaken by our Group; (ii) the progress of such projects during the relevant financial year; and (iii) our cost control and management, including execution of works efficiently. Our Directors consider that higher margin is expected to result from the optimised design of customised

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formwork proposals as the correct choice and mix of timber and system formworks can achieve cost savings in labour costs and/or material costs. As such, our gross profit margin achieved in a financial year is not an accurate indicator of the gross profit margin that may be achieved in the subsequent financial year.

Our gross profit remained stable at approximately S\$5.8 million and S\$5.8 million for the two years ended 31 December 2016, respectively. Meanwhile, our gross profit margin remained relatively stable at approximately 19.4% and 19.2% for the two years ended 31 December 2016, respectively.

General building

Our gross profit margin for the general building projects increased from approximately 18.1% for the year ended 31 December 2015 to approximately 19.1% for the year ended 31 December 2016. The increase in gross profit margin for our general building projects was mainly attributable to the higher gross profit margin achieved by Project Sengkang General Hospital 2. The effect was partially offset by the negative gross profit margins recorded by Project Tanjong Pangar Hotel and Project Amkor. The higher gross profit margin for Project Sengkang General Hospital 2 was attributable to the variation orders of such project completed during the year with significant revenue certified for the variation orders for which we managed costs well. Negative gross profit margins recorded by Project Tanjong Pangar Hotel and Project Amkor were due to the fact that the budget cost was revised upward to take into account the costs to be incurred for variation orders to be undertaken in the year ended 31 December 2016.

Civil engineering

Our gross profit margin for the civil engineering projects decreased from approximately 55.7% for the year ended 31 December 2015 to approximately 19.5% for the year ended 31 December 2016. The decrease in gross profit margin for our civil engineering projects was mainly attributable to the significantly higher gross profit margin achieved by Project Jalan Buroh for the year ended 31 December 2015. The high gross profit margin Project Jalan Buroh was due to the variation orders for works which were performed in the preceding year and such variation orders were only confirmed by our customer during the year ended 31 December 2015.

Public sector and private sector

During the track Record Period, gross profit margin for the public sector projects was generally higher than private sector projects. The higher gross profit margin in public sector projects is normally expected since a number of our public sector projects, such as Project Jalan Buroh and Project Sengkang General Hospital 2, were with a higher profit margin for the two years ended 31 December 2016, respectively, as discussed above.

Other (expenses)/income, net

Our net other expenses and income primarily consisted of (i) government grants; (ii) rental income; (iii) bad debt provision; and (iv) net gain on disposal of property, plant and equipment. During the Track Record Period, we received government grants of approximately S\$0.1 million and S\$0.1 million for the two years ended 31 December 2016, respectively, from the Singapore government which were mainly subsidised us for (i) hiring Singaporean workers aged 55 or above; and (ii) Singaporean employees

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earning a gross monthly wage of \$4,000 and below under the special employment credit scheme. There were no conditions or contingencies relating to those government grants. Our rental income was derived from leasing of our industrial building unit to a third party under operating lease. Our bad debt provision represented provision for impairment of trade and retention sum receivables related to trade and retention sum receivables which we considered to be impaired based on the low likelihood of collectability, which amounted to approximately S\$0.5 million for the year ended 31 December 2015. Our net gain on disposals of property, plant and equipment represented the gain on disposal of our furniture and fixtures and motor vehicles during the two years ended 31 December 2016, respectively. The following table sets forth the breakdown of our other income and gains during the Track Record Period:

	For the year ended 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Government grants	87	82
Rental income	3	28
Net gain on disposal of property, plant and equipment	93	37
Written off of property, plant and equipment	(3)	—
Bad debt provision	(525)	—
Sundry income	5	16
	(340)	163

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the Track Record Period:

	For the year ended 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Staff costs	785	795
Directors' remuneration	887	1,101
Rent, rate and management fees	14	11
Depreciation of property, plant and equipment	206	169
Legal and professional expenses	67	48
Travelling expenses	91	69
Entertainment expenses	80	72
Motor vehicle expenses	114	136
Office expenses	49	39
Telephone expenses	46	35
Other miscellaneous expenses	241	151
Total	2,580	2,626

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Administrative expenses comprised mainly staff costs and directors' remuneration. Others mainly included depreciation of property, plant and equipment, legal and professional expenses, travelling expenses, entertainment expenses, motor vehicle expenses, office expenses, telephone expenses and other miscellaneous expenses. Administrative expenses amounted to approximately S\$2.6 million and S\$2.6 million for the two years ended 31 December 2016, respectively.

Staff costs related to staff salaries and bonus, CPF contributions and other benefits. Our staff costs amounted to approximately S\$0.8 million and S\$0.8 million for the two years ended 31 December 2016, respectively. Remuneration for our Directors amounted to approximately S\$0.9 million and S\$1.1 million for the two years ended 31 December 2016, respectively.

Depreciation of our property, plant and equipment amounted to approximately S\$0.2 million and S\$0.2 million for the two years ended 31 December 2016, respectively. Legal and professional expenses mainly related to audit fee, tax agent fee and consultancy fee.

Other miscellaneous expenses included repair and maintenance expenses, stamp duties, printing and stationery expenses and sundry expenses. Other miscellaneous expenses amounted to approximately S\$0.2 million and S\$0.2 million for the two years ended 31 December 2016, respectively. Our administrative expenses amounted to approximately 8.6% and 8.7% of our total revenue for the two years ended 31 December 2016, respectively.

Finance costs

Our finance costs represent interest expenses on bank borrowings and obligation under finance lease. For the two years ended 31 December 2016, our finance costs amounted to S\$23,000 and S\$37,000, respectively.

	For the year ended 31 December	
	2015	2016
Interest on:	<i>S\$'000</i>	<i>S\$'000</i>
bank borrowings wholly repayable on demand	16	25
obligation under finance lease wholly repayable within five years	7	12
	23	37

As at 31 December 2016, our bank borrowings amounted to approximately S\$0.8 million and our obligation under finance lease of approximately S\$0.4 million represented lease for our motor vehicles and a hydraulic crawler crane.

Income tax expense

Since our operation is based in Singapore, our Group is liable to pay corporate income tax in accordance with the tax regulations of Singapore. Income tax expenses of our Group amounted to approximately S\$0.4 million and S\$0.3 million for the two years ended 31 December 2016, respectively.

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The statutory corporate tax rate in Singapore was 17% throughout the Track Record Period, while our corresponding effective tax rates were approximately 13.0% and 9.4% for the two years ended 31 December 2016, respectively. Our effective tax rate was lower than the statutory tax rate for the two years ended 31 December 2016, which was mainly due to, amongst others, non-taxable income, tax incentives and rebates relating to the Productivity and Innovation Credit Scheme (“**PIC Scheme**”), under which we had additional tax deductions and temporary differences. The PIC Scheme allows, amongst others, companies with active business operations in Singapore to claim (i) tax deductions and/or allowances; and/or (ii) cash payouts; and/or (iii) cash bonuses (on a dollar for dollar matching basis) in addition to (i) and/or (ii) above, in respect of certain qualifying activities undertaken by such companies, including the acquisition or leasing of certain qualifying equipment and certain types of training of employees, subject to prescribed expenditure caps. Our Directors have confirmed that all relevant taxes had been paid when due and there are no disputes or unresolved tax issues with the relevant tax authorities.

JOINT OPERATION

Our Group has been participating in various construction projects in Singapore with extensive experience in steel reinforcement works. In 2013, our Group was invited to participate in a sizeable and landmark development project, namely, Project Tanjong Pagar Mixed Development, which comprises residential, a five-star hotel, office and retail outlets and, upon completion, it was the tallest building in Singapore. Since our Group was required to perform substantial formwork, if the tender awarded, which we had not been actively engaged in, we had set up an unincorporated joint arrangement (the “**Joint Operation**”) with Joint Operator, an independent third party general contractor, for the share of the Shared Works. Under the Joint Operation, each of our Group and Joint Operator agreed to contribute S\$0.3 million as initial working capital to start up the Shared Works and relevant ongoing costs would be shared equally. There is the subsequent contribution of initial working capital of S\$0.3 million, from our Group and Joint Operator, respectively. The Joint Operation has been effective upon its setup and shall last until the final account under the Joint Operation is issued (i.e. subject to the finalisation of work done with the main contractor). During our construction phase of Project Tanjong Pagar Mixed Development, all financial benefits from the Shared Works would be accounted for in equal proportion.

Pursuant to the Joint Operation, both parties have agreed to engage a Customer D/Supplier C/ Subcontractor A, an independent third party construction company, also being one of our customers during the Track Record Period, to perform the Shared Works whilst Joint Operator would be responsible for the supervision and procurement of the performance of Supplier C/Subcontractor A. In addition, certain managerial staff, including a project director, an assistant project manager and an administrative personnel, shall also be appointed by us and Supplier C/Subcontractor A for the Shared Works with relevant staff costs to be shared equally under the Joint Operation.

It is also agreed under the Joint Operation that, among others, (i) we, as a subcontractor to Project Tanjong Pagar Mixed Development, shall distribute the payments relating to the Shared Works received from the main contractor to Joint Operator in accordance with the agreed proportion; (ii) all related costs or expenses for the Shared Works borne by us shall be shared equally under the Joint Operation based on the final re-measurement; and (iii) any expenses, backcharges by the main contractor and any other related expenses such as imposition of liquidated damages, unexpected damages, and all the obligations taken by us, shall be shared equally under the Joint Operation.

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The reasons for setting up the Joint Operation are mainly that (i) Project Tanjong Pagar Mixed Development is a sizeable and landmark development project in Singapore, which was expected to demand extra supervision to meet the main contractor's requirement in terms of time and quality; (ii) to obtain additional fund to finance our initial working capital to start up the Shared Works as purchases of construction work materials and relevant consumables are usually required for the formwork; and (iii) certain risk in relation to our project cost budgeting and performance under Project Tanjong Pagar Mixed Development (i.e. profit or loss from the Shared Works) could also be shared with Joint Operator, given that we did not have extensive prior experience in participating in sizeable and lengthy formwork projects.

In view of the fact that the initial working capital and the subsequent working capital for the Shared Works were jointly contributed by us and Joint Operator to our designated bank account and subsequent receipts from the main contractor for the provision of our works and payments of expense to our suppliers including Supplier C/Subcontractor A for their supervision and performance of the Shared Works were generally made via our principal bank accounts, the amount due to Joint Operator is recorded, which takes into account (i) the initial and subsequent capital contributions by Joint Operator; (ii) the shared profit from its performance of the Shared Works after netting off the shared costs and expenses based on the allocation and calculation agreed by both parties with reference to the project specification and progress; and (iii) the repayment of partial capital contribution to Joint Operator.

During the two years ended 31 December 2016, revenue recognised for the formwork part of Project Tanjong Pagar Mixed Development amounted to approximately S\$5.6 million and S\$0.6 million respectively. Since our Group and Joint Operator equally shared the benefit from and costs incurred for the formwork part of the project, (i) approximately S\$2.8 million and S\$0.3 million (being half of the formwork revenue above and represent approximately 9.4% and 1.0% of our total revenue for the two years ended 31 December 2016 respectively); and (ii) approximately S\$2.5 million and S\$0.3 million (being half of the formwork costs) were attributable to us and Joint Operator during the two years ended 31 December 2016 respectively. Thus, we shared a gross profit of approximately S\$0.3 million and a gross loss of S\$49,000 for the two years ended 31 December 2016 from the formwork part of Project Tanjong Pagar Mixed Development. Taking into account the repayment of capital to Joint Operator during the Track Record Period, the amount due to Joint Operator amounted to approximately S\$0.7 million and S\$0.6 million as at 31 December 2015 and 2016, respectively. Since Project Tanjong Pagar Mixed Development was completed in June 2016 pending the issue of final accounts by the main contractor, the amount due to Joint Operator is expected to be settled by that time and the Joint Operation will cease accordingly.

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RESULTS OF OPERATIONS OF OUR GROUP

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue increased by approximately S\$0.2 million, or approximately 0.4%, from approximately S\$29.9 million for the year ended 31 December 2015 to approximately S\$30.1 million for the year ended 31 December 2016. The increase in our revenue for the year ended 31 December 2016 was mainly attributable to (i) the increase in revenue of approximately S\$4.8 million and S\$6.3 million recognised for Project Sengkang General Hospital 2 and Project Orchard Station, respectively, as a result of greater portions of works performed during the year ended 31 December 2016; and (ii) the commencement of Project Outram Community Hospital with a revenue of approximately S\$4.7 million being recognised during the year ended 31 December 2016. The effect was partially offset by (i) the decrease in revenue of approximately S\$7.5 million, S\$3.1 million and S\$3.0 million recognised for Project Tanjong Pagar Mixed Development, Project Amkor and Project Tanjong Pagar, respectively, resulting from lesser portions of works being performed during the year ended 31 December 2016 as they were substantially completed as at 31 December 2015; and (ii) no revenue being recognised for Project Sengkang General Hospital 1 during the year ended 31 December 2016 as it was completed as at 31 December 2015, while approximately S\$2.3 million of revenue was recognised for the year ended 31 December 2015.

Direct costs

Our direct costs increased by approximately S\$0.2 million, or approximately 0.7%, from approximately S\$24.1 million for the year ended 31 December 2015 to approximately S\$24.3 million for the year ended 31 December 2016. Such increase was mainly attributable to (i) the commencement of Project Outram Hospital Community and Project New State Courts; and (ii) greater portions of works being performed for Project Sengkang General Hospital 2 and Project Orchard Station during the year ended 31 December 2016 and thus we incurred a higher level of related expenses for the performance of our services.

Gross profit and gross profit margin

Our gross profit remained stable at approximately S\$5.8 million and S\$5.8 million for the two years ended 31 December 2016, respectively. The gross profit increased in line with the increase in our revenue. Our gross profit margin remained relatively stable at approximately 19.4% and 19.2% for the two years ended 31 December 2016, respectively.

Other (expenses)/income, net

For the year ended 31 December 2015, we recorded net other expenses of approximately S\$0.3 million, which mainly comprised a bad debt provision of approximately S\$0.5 million. Such bad debt provision was recognised as other expenses and it was partially offset by (i) government grants of approximately S\$0.1 million recognised for the year ended 31 December 2015; and (ii) a net gain on disposal of property, plant and equipment of approximately S\$0.1 million. For the year ended 31

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December 2016, we recorded net other income of approximately S\$0.2 million, which was mainly due to (i) no bad debt provision being recognised during the year; and (ii) an increase in our rental income from leasing our industrial property since May 2016.

Administrative expenses

Our administrative expenses remained relatively stable at approximately S\$2.6 million and S\$2.6 million for the two years ended 31 December 2016, respectively.

Finance costs

Our finance costs increased by approximately S\$14,000, or approximately 60.9%, from approximately S\$23,000 for the year ended 31 December 2015 to approximately S\$37,000 for the year ended 31 December 2016. Such increase in finance costs was mainly due to an increase in interest charged on our mortgage loan as the interest rate went up during the year.

Income tax expense

Our income tax expense decreased by approximately S\$0.1 million, or 25.0%, from approximately S\$0.4 million for the year ended 31 December 2015 to approximately S\$0.3 million for the year ended 31 December 2016. The decrease in income tax expense was mainly due to the under provision of income tax expense in respect of prior years, which amounted to approximately \$0.1 million. Our effective tax rate was approximately 13.0% and 9.4% for the two years ended 31 December 2016, respectively, which was below the statutory tax rate of 17% in Singapore, which was mainly due to the tax incentives of approximately S\$0.2 million and S\$0.2 million for the two years ended 31 December 2016, respectively, which our Group enjoyed from the Singapore government.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately S\$0.5 million, or approximately 20.0% from approximately S\$2.5 million for the year ended 31 December 2015 to S\$3.0 million for the year ended 31 December 2016.

Our net profit margin also slightly increased from approximately 8.4% for the year ended 31 December 2015 to approximately 9.9% for the year ended 31 December 2016. The increase in net profit margin for the year was mainly attributable to (i) a net other income being recognised for the year ended 31 December 2016, whereas net other expenses were recognised for the year ended 31 December 2015; and (ii) a decrease in income tax expense for the year as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

Our primary use of cash is to fund our operations. We have historically funded our liquidity and capital requirements primarily through a combination of capital contributions from our Controlling Shareholders, bank borrowings and internally generated funds from our operating activities. We had net cash generated from operating activities of approximately S\$2.9 million and S\$7.9 million for the two

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years ended 31 December 2016, respectively. As at 31 December 2015 and 2016 and 28 February 2017, we had bank balances and cash of approximately S\$4.3 million, S\$7.0 million and S\$5.5 million, respectively. Substantially all of our Group’s cash and cash equivalents are held in Singapore dollars.

We expect to finance our working capital requirements and the planned capital expenditures for the 12 months following the date of this document with the following sources of funding:

- (i) net cash inflows to be generated from our operating activities;
- (ii) the cash and cash equivalents available, which were S\$5.5 million as at 28 February 2017; and
- (iii) [REDACTED] to be received by our Group from the [REDACTED].

Based on the above, our Directors believe that we will have sufficient funds for our present working capital requirements for at least the next 12 months from the date of this document.

For more information on our expected capital expenditure requirements, please refer to the paragraph headed “Capital expenditures” in this section.

Cash flows of our Group

The following table sets forth the selected cash flow data from our combined statements of cash flows for the Track Record Period:

	For the year ended	
	31 December	
	2015	2016
	<i>S\$’000</i>	<i>S\$’000</i>
Net cash generated from operating activities	2,907	7,891
Net cash used in investing activities	(286)	(96)
Net cash used in financing activities	(1,329)	(5,032)
Net increase in cash and cash equivalents	1,292	2,763
Cash and cash equivalents at the beginning of the year	2,960	4,252
Cash and cash equivalents at end of the year	4,252	7,015

Net cash generated from operating activities

Our cash inflow from operating activities is principally derived from providing reinforced concrete works. Our working capital requirements typically arise from purchases of materials and settlements of our staff costs and subcontracting fees. During the Track Record Period, our net cash flows from operating activities represented profit before tax for the year adjusted for income tax paid, income tax refund, finance costs, non-cash items such as depreciation of property, plant and equipment and loss on disposal of property, plant and equipment and changes in working capital.

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For the year ended 31 December 2016, we had net cash generated from operating activities of approximately S\$7.9 million, which was a combined effect of operating cash inflows before movements in working capital of approximately S\$3.6 million, net increase in working capital changes of approximately S\$4.8 million and income tax paid of approximately S\$0.5 million. Net increase in working capital changes primarily was reflected by (i) a decrease in trade and retention sum receivables of approximately S\$6.1 million mainly attributable to the completion of several projects; and (ii) an increase in other payables and accruals of approximately S\$2.7 million, mainly arising from increases in accrued salaries and accrued materials costs. The effect was partially offset by (i) an increase in amounts due from customers for contract works of approximately S\$3.7 million; and (ii) a decrease in amounts due to customers for contract works of approximately S\$0.7 million.

For the year ended 31 December 2015, we had net cash generated from operating activities of approximately S\$2.9 million, which was a combined effect of operating cash inflows before movement in working capital changes of approximately S\$3.6 million and net decrease in working capital changes of approximately S\$0.7 million. Net decrease in working capital changes was primarily reflected by an increase in trade and retention sum receivables of approximately S\$7.0 million, which was mainly attributable to the increases in progress billings in Project Micron and Project Tanjong Pagar Mixed Development, resulting from the greater amounts of works performed during the year ended 31 December 2015. The effect was partially offset by (i) an increase in amounts due to customers for contract works of approximately S\$5.1 million; and (ii) a decrease in amounts due from customers for contract works of approximately S\$2.6 million.

Net cash used in investing activities

Our cash used in investing activities mainly consists of the purchases of property, plant and equipment.

For the year ended 31 December 2016, we had net cash used in investing activities of approximately S\$96,000, which was primarily attributable to the purchases of property, plant and equipment of approximately S\$144,000, which mainly included a forklift and a lorry. The effect was partially offset by the proceeds on disposal of property, plant and equipment of approximately S\$48,000, which was mainly attributable to the disposal of a motor vehicle.

For the year ended 31 December 2015, we had net cash used in investing activities of approximately S\$0.3 million, which was primarily due to the purchases of property, plant and equipment, which related to the purchase of a hydraulic crawler crane.

Net cash used in financing activities

Our cash inflows from financing activities mainly consist of proceeds from new finance leases and proceeds from issuance of share capital of our Company. Our cash used in financing activities mainly consist of repayments of borrowings and dividend paid.

For the year ended 31 December 2016, we had net cash used in financing activities of approximately S\$5.0 million, which was primarily consisted of (i) advances to directors of approximately S\$2.2 million; and (ii) dividend paid in the amount of approximately S\$2.5 million.

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For the year ended 31 December 2015, we had net cash used in financing activities of approximately S\$1.4 million, which was primarily consisted of dividend paid in the amount of approximately S\$1.0 million.

WORKING CAPITAL

The following table below sets forth the breakdown of our current assets, current liabilities and net current assets as at 31 December 2015, 31 December 2016 and 28 February 2017.

	As at 31 December		As at 28 February
	2015	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
			(Unaudited)
Current assets			
Trade and retention sum receivables	10,156	2,684	7,026
Amounts due from customers for contract works	710	4,426	3,850
Prepayments, deposits and other receivables	836	883	1,128
Amounts due from directors	2,294	4,491	4,533
Amount due from related companies	130	93	—
Cash and cash equivalents	4,252	7,015	5,539
	18,378	19,592	22,076
Current liabilities			
Trade and retention sum payables	1,194	1,499	1,310
Amounts due to customers for contract works	5,972	5,282	8,658
Other payables and accruals	3,772	6,513	6,576
Amount due to a director	966	954	954
Amounts due to related companies	604	706	—
Bank borrowings	860	771	751
Obligation under finance lease	197	188	157
Tax payables	632	414	314
	14,197	16,327	18,914
Net current assets	4,181	3,265	3,344

We record net current assets of approximately S\$4.2 million, S\$3.3 million and S\$3.3 million as at 31 December 2015, 31 December 2016 and 28 February 2017, respectively.

Net current assets decreased from approximately S\$4.2 million as at 31 December 2015 to approximately S\$3.3 million as at 31 December 2016. The decrease in net current assets of approximately S\$0.9 million was mainly due to (i) a decrease in trade and retention sum receivables of approximately S\$7.5 million; and (ii) an increase in other payables and accruals of approximately S\$2.7 million. The effect was partially offset by (i) an increase in amounts due from customers for contract

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works of approximately S\$3.7 million; (ii) an increase in amounts due from directors of approximately S\$2.2 million; (iii) an increase in cash and cash equivalents of approximately S\$2.7 million; and (iv) a decrease in amounts due to customers for contract works of approximately S\$0.7 million.

Net current assets remained stable at approximately S\$3.3 million as at 31 December 2016 and as at 28 February 2017.

Please refer to the paragraph headed "Discussion of selected statements of financial position items" in this section for a discussion of various current assets and current liabilities items.

DISCUSSION OF SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS

Investment property

During the Track record Period, our investment property represented an industrial building unit held by our Group leased out to an Independent Third Party for generating rental income. Our investment property remained approximately at S\$0.3 million and S\$0.3 million as at 31 December 2015 and 2016, respectively.

The fair value of our investment property was amounted to approximately S\$0.6 million and S\$0.6 million as at 31 December 2015 and 2016, respectively, and the fair value of our investment property has carried out by an independent property valuer.

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly comprised a property, leasehold improvements, furniture and fixtures, machinery and equipment, and motor vehicles. Our property represented our office premises. As at 31 December 2015 and 2016, the carrying amounts of our property, plant and equipment amounted to approximately S\$2.4 million and S\$2.3 million, respectively.

Our property, plant and equipment decreased slightly by approximately S\$0.1 million, or approximately 4.2%, from approximately S\$2.4 million as at 31 December 2015 to approximately S\$2.3 million as at 31 December 2016, which was primarily due to the depreciation charge for the year, amounting to approximately S\$0.3 million, which was partially offset by the additions of machinery and equipment and motor vehicles for our operations, which amounted to approximately S\$0.2 million.

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Trade and retention sum receivables

Our trade and retention sum receivables (net of provision of impairment) as at 31 December 2015 and 2016 were approximately S\$12.9 million and S\$6.8 million, respectively. The following tables sets forth a breakdown of our trade and retention sum receivables as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Trade receivables	9,693	1,792
Retention sum receivables	<u>3,765</u>	<u>5,572</u>
	13,458	7,364
Less: Provision for bad debts	<u>(525)</u>	<u>(525)</u>
	<u><u>12,933</u></u>	<u><u>6,839</u></u>

During the Track Record Period, our trade receivables primarily represented amounts receivable from our customers for our provision of our services. Our Group’s business is project-based, of which our trade receivables are subject to the progress and number of the projects as at the reporting date. We generally granted up to a 35 days credit term to customers upon issuance of invoices. Trade receivables decreased by approximately S\$7.9 million, or approximately 81.4% from approximately S\$9.7 million as at 31 December 2015 to approximately S\$1.8 million as at 31 December 2016, which was mainly attributable to the decrease in progress billings in connection with Project Micron and Project Tanjung Pagar Mixed Development during the year, which were completed in November 2016 and June 2016, respectively and all of the trade receivables in connection with such project was settled as at 31 December 2016.

Our retention sum receivables mainly represented the retention monies required by our customers to secure our Group’s due performance of the contracts. The sum generally provided in a contract is to be retained by our customer at each interim payment. Typically, the amount to be held up is 5% or 10% of each of the certified amounts and up to a maximum limit of 5% or 10% of the total contract sum. Half of the retention monies is to be released upon agreement of the final accounts. The remaining half of the retention monies is usually to be released (i) upon completion of our part of our works; (ii) upon completion of the works under the main contract; (iii) upon expiration of the defects liability period as stipulated in the contract with our customer; or (iv) upon expiration of the defects liability period as stipulated in the main contract. Generally, the defects liability period lasts for up to 18 months from the date of completion for our projects as subcontractors. As for projects we act as a main contractor, the defects liability period lasts for 12 months from the date of completion. The terms and conditions in relation to the release of retention monies also vary from contract to contract, which may be subject to, practical completion, the expiry of the defects liability period or a pre-agreed time period. The retention sum receivables are non-interest-bearing and on terms based on respective contract’s retention period. In line with the progress of our projects, the balance of our retention sum receivables increased from approximately S\$3.8 million as at 31 December 2015 to approximately S\$5.6 million as at 31 December 2016, which was mainly due to the increasing amount of works completed that is pending the release of retention monies.

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The following table sets forth the ageing analysis of our trade and retention sum receivables (net of provision for impairment) based on the invoice date as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
0 to 30 days	6,592	1,794
31 to 90 days	3,448	308
91 to 180 days	499	438
181 to 365 days	264	920
Over 1 year but less than 2 years	1,830	1,430
Over 2 years	300	1,949
	12,933	6,839

To a certain extent, our trade and retention sum receivables were concentrated to our largest and the five largest debtors as illustrated in the table below for the respective dates indicated:

	As at 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Largest debtor	4,789	2,722
Five largest debtors	12,679	6,654

We seek to maintain strict control over our outstanding receivables and have a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by our finance department and quantity surveyors.

In determining the recoverability of trade receivables, our Group considers any change in the credit quality of our trade receivables from the date credit was initially granted up to the end of the reporting period.

Our Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

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The following table sets forth the aging analysis of trade and retention sum receivables (net of provision for impairment) that are not impaired as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Neither past due nor impaired	8,694	5,627
1 to 30 days	2	61
31 to 90 days	185	—
91 to 180 days	3,751	164
181 to 365 days	—	21
Over 1 year but less than 2 years	210	754
Over 2 years	91	212
	12,933	6,839

As at 31 December 2015 and 2016, approximately S\$4.2 million and S\$1.2 million, respectively, representing approximately 32.6% and 17.7% of our trade and retention sum receivables (net of provision for impairment), respectively, were past due but not impaired. Based on our experience, our Directors are of the view that no impairment allowance is necessary in respect of these overdue balances as there has not been significant change in the credit quality of our customers and the balances are considered fully recoverable.

Our Group considered no further provision is needed on the following basis: (i) most of our customers have demonstrated good historical repayment record; and (ii) we have put strong effort in chasing payments for overdue balance and frequently assessed repayment schedule of customers by having communications with them and we were not aware of circumstances which might cause impairment to these trade receivables, and therefore we considered and concluded that the trade receivables were recoverable and not impaired.

Trade receivables and retention receivables turnover days

The following table sets forth our trade receivables turnover days for the periods indicated:

	As at 31 December	
	2015	2016
Trade receivables turnover days (<i>Note 1</i>)	77	66
Retention receivables turnover days (<i>Note 2</i>)	827	1,083

Notes:

1. Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year, then multiplied by the number of days of the year.
2. Retention receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by 5% of the revenue for the year being the general limit of the retention monies, then multiplied by the number of days of the year.

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Our trade receivables turnover days during the Track Record Period were more than our credit term of 35 days as some of our customers do not make payment within the payment term of our invoices. For the year ended 31 December 2015, our trade receivables turnover days were more than 35 days mainly because invoices in the aggregate amount of approximately S\$3.2 million and S\$3.0 million were issued to Customer A/Subcontractor D and Customer B/Supplier A/Subcontractor G in relation to the work mainly performed for the year ended 31 December 2015 for Project Tanjong Pagar Mixed Development and Project Micron, respectively, close to the end of the year ended 31 December 2015, which led to a larger closing balance of our trade receivables. For the year ended 31 December 2016, our trade receivables turnover days were more than 35 days as there were delays in payments from a number of our top customers. As our business operates on a non-recurring and project-by-project basis, the progress of our reinforced concrete works projects at a given time would affect our trade receivables balances as at the respective year end date and thus the trade receivables turnover days during the Track Record Period.

As at Latest Practicable Date, approximately S\$1.5 million, or 83.3% of our trade receivables outstanding as at 31 December 2016 had been subsequently settled.

Our retention receivables turnover days were approximately 827 days and 1,083 days for the two years ended 31 December 2016, respectively. The increase in retention receivables turnover days for the year ended 31 December 2016 was mainly due to the significant increase in retention sum receivables as at 31 December 2016, which far more offset the impact of the increase in revenue in the same year. Unlike trade receivables, which are normally settled according to the credit period we grant to our customers, retention receivables are settled in a less systematic manner and usually released some time after completion of a project.

As at the Latest Practicable Date, none of our retention receivables outstanding as at 31 December 2016 had been subsequently settled, which was due to the defect liability periods as stipulated in our contracts with our customers or in the main contract of the relevant projects were not expired.

Prepayment, deposits and other receivables

Our prepayment, deposits and other receivables comprised prepaid expenses for our operations and materials, rental and utility deposits, and advance to our staff.

Our prepayment, deposits and other receivables increased by approximately S\$0.1 million, or approximately 12.5%, from approximately S\$0.8 million as at 31 December 2015 to approximately S\$0.9 million as at 31 December 2016, which was primarily due to an increase in other receivables of approximately S\$0.3 million mainly resulting from an amount due to Ms. Wu, who is a former shareholder and director of ICPL and resigned on 9 December 2016. The effect was partially offset by a decrease in prepayment of approximately S\$0.2 million, which was mainly due to less deposits being made for the accommodation for our foreign workers, which was in line with the decrease in our accommodation expenses for the year ended 31 December 2016.

Amount due from/to customers for contract works

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. When progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an

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amount due to contract customers. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amounts due from contract customers.

The following table sets out the amounts due from/(to) customers for contract work as at the end of each year as indicated.

	As at 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Contract cost incurred plus recognised profit less recognised loss	43,769	38,081
Less: Progress billings	<u>(49,031)</u>	<u>(38,937)</u>
	<u><u>(5,262)</u></u>	<u><u>(856)</u></u>

Analyses for reporting purposes as:

	As at 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Amount due from customers for contract works	710	4,426
Amount due to customers for contract works	<u>(5,972)</u>	<u>(5,282)</u>
Balance at end of the year	<u><u>(5,262)</u></u>	<u><u>(856)</u></u>

All amounts due from/(to) customers for contract works are expected to be recovered/settled within one year.

Amounts due from directors and related companies

The following table sets forth an analysis of the amounts due from directors and a related company as at the end of each year as indicated.

	As at 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Amount due from directors (non-trade nature)	<u>2,294</u>	<u>4,491</u>
Amount due from related companies (trade nature)	<u>130</u>	<u>93</u>

Our amounts due from directors mainly represented advances to related companies, which amounted to S\$2.3 million and S\$4.5 million as at 31 December 2015 and 2016, respectively. Such amounts are interest-free, unsecured and repayable on demand. All of these amounts due from directors will be fully settled by way of setting off the proposed special dividend prior to the [REDACTED].

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Our amount due from related companies amounted to approximately S\$130,000 and \$93,000 as at 31 December 2015 and 2016, respectively, which was mainly due to the sales of written-off machine to our related company during the year ended 31 December 2015.

Trade and retention sum payables

Our trade and retention sum payables were mainly incurred for the purchase of materials from our suppliers and subcontracting charges. Our Group's trade and retention sum payables are non-interest bearing and the credit terms of our trade payables granted by our subcontractors and suppliers are generally 30 days after the issuance of invoices. Our retention sum payables are generally settled within one year and subject to practical completion, the expiry of the defects liability period or a pre-agreed time period. The table below sets out an ageing analysis of our trade payables and our trade payables turnover days as at the end of each year as indicated.

	As at 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Trade payables	1,056	1,335
Retention sum payables	138	164
	1,194	1,499
Trade and retention sum payable turnover days (<i>Note 1</i>)	21	18

Note:

- Trade and retention sum payables turnover days is calculated based on the average of the beginning and ending balance of trade and retention sum payables divided by direct cost for the year, then multiplied by the number of days of the year.

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The following table sets forth the ageing analysis of our trade and retention sum payables as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
0 to 30 days	420	694
31 to 90 days	345	445
91 to 180 days	47	44
Over 180 days	382	316
	1,194	1,499

Our trade and retention sum payables increased by approximately S\$0.3 million, or approximately 25.0%, from approximately S\$1.2 million as at 31 December 2015 to approximately S\$1.5 million as at 31 December 2016, which was mainly due to larger claims incurred as at year end as a result of higher percentage of completion for general construction works.

As at the Latest Practicable Date, approximately S\$1.0 million or 66.7% of our trade and retention sum payables outstanding as at 31 December 2016 had been subsequently settled.

For the two years ended 31 December 2015 and 2016, our trade and retention sum payables turnover days were approximately 21 days and 18 days, respectively. Our trade and retention sum payables turnover days were generally in line with the credit terms granted by our subcontractors or suppliers.

Other payables and accruals

Our other payables and accruals mainly consisted of the (i) accrued costs for our materials used for our formwork projects; (ii) accrued expenses in relation to salaries and wages of our staff; and (iii) amounts due to Joint Operator. Our other payables and accruals increased by approximately S\$2.7 millions, or, approximately 71.1%, from approximately S\$3.8 million as at 31 December 2015 to approximately S\$6.5 million, which mainly resulted from the (i) increase in accrued salaries for our labour, representing increasing labour in contract works; and (ii) increase in accrued cost of construction materials and consumables and subcontracting charges, which was in line with the growing trend of the size of our contract sum.

Our amount due to Joint Operator was approximately S\$0.7 million and S\$0.6 million as at 31 December 2015 and 2016, respectively. Since Project Tanjong Pagar Mixed Development was completed in June 2016, pending for the issue of final accounts by the main contractor, the amount due to Joint Operator is expected to be settled by that time and the Joint Operation will cease accordingly.

Amounts due to a director and related companies

Our amount due to a director amounted to approximately S\$1.0 million and S\$1.0 million as at 31 December 2015 and 2016, respectively.

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Our amount due to a director was non-trade in nature, unsecured, interest-free and has no fixed terms of repayment. All of these amounts due to a director and will be fully settled prior to the [REDACTED].

Our amount due to related companies amounted to approximately S\$0.6 million and S\$0.7 million as at 31 December 2015 and 2016, respectively, which primarily related to our subcontracting fees incurred. Such amounts are interest-free, unsecured and repayable on demand.

INDEBTEDNESS

Bank borrowings

The following table sets out our bank borrowings as at the dates indicated.

	As at 31 December		As at 28 February
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Secured mortgage loan	<u>860</u>	<u>771</u>	<u>751</u>

As at 31 December 2015 and 2016 and 28 February 2017, our bank borrowings consisted of mortgage loans for financing mortgage payments for our property held for occupation, which is our office premises. All of our bank borrowings were denominated in Singapore dollar and the effective interest rates as at 31 December 2015 and 2016 and 28 February 2017 were approximately 3.05%, 3.42% and 3.48% per annum, respectively. Such mortgage loan was secured by (i) the pledge of the investment property of our Group; (ii) the pledge of certain of our Group's property, plant and equipment; and (iii) the personal guarantee executed by Mr. Goh, which shall be released upon [REDACTED] and replaced by corporate guarantees granted by our Company. As at 28 February 2017, our mortgage loan of approximately S\$0.8 million which is currently scheduled to be repaid within one year and we expect to repay such amount in accordance with the repayment schedule.

Obligation under finance lease

The following table below sets out our obligations under a finance lease as at the dates indicated.

	As at 31 December		As at 28 February
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Current portion	197	188	188
Non-current portion	<u>306</u>	<u>183</u>	<u>149</u>
Total	<u>503</u>	<u>371</u>	<u>337</u>

Our obligation under finance lease as at 31 December 2015 and 2016 and 28 February 2017 comprised primarily of finance leases for the purchases of certain motor vehicles and heavy machinery used for our operations. The finance lease is secured by the relevant motor vehicles and heavy

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machinery and guaranteed by Mr. Goh, which shall be released upon [REDACTED] and replaced by corporate guarantees granted by our Company. Our finance lease liabilities were denominated in Singapore dollars and the effective annual interest rates as at 31 December 2015 and 2016 and 28 February 2017 were ranging from approximately 3.65% to 6.00%, 3.65% to 4.84% per annum, respectively.

As at 28 February 2017, being the latest practicable date for determining our indebtedness, our Group's total indebtedness amounted to S\$2.1 million, which consisted of (i) secured and guaranteed bank borrowings in the amount of approximately S\$0.8 million; (ii) secured and guaranteed obligation under finance lease in the amount of approximately S\$0.3 million; and (iii) unsecured and unguaranteed amount due to a director in the amount of approximately S\$1.0 million. The effective interest rates of bank borrowings and obligation under finance lease were approximately 3.48% and ranging from 3.65% to 4.84% per annum, respectively. We had an unutilised banking facility of S\$1.4 million which was an unutilised term loan granted by a bank for the purpose of general working capital of the Group. There are no material covenants relating to these outstanding indebtedness. Our Directors have confirmed that there had been no material change in our indebtedness since 31 December 2016 up to the Latest Practicable Date.

Save as disclosed above and apart from intra-group liabilities, as at 28 February 2017, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees. In addition, we currently do not have any external debt financing plan.

CAPITAL EXPENDITURES

Our Group's capital expenditures principally consisted of additions of machinery and equipment and motor vehicles for our operations. During the Track Record Period, our Group incurred capital expenditures of approximately S\$0.8 million and S\$0.2 million for the two years ended 31 December 2016, respectively, which were primarily resulted from purchases of a hydraulic crawler crane and motor vehicles. Since 31 December 2016 and up to the Latest Practicable Date, we did not have any material capital expenditures.

For the year ending 31 December 2017, we estimate that no capital expenditures are expected to be incurred. For the year ending 31 March 2018, we estimate to incur a projected total capital expenditures of approximately S\$12.6 million, including (i) approximately S\$11.3 million will be incurred for an acquisition of a property ("**New Property**") for our cut and bend factory and our dormitory to accommodate our foreign workers; (ii) approximately S\$0.6 million will be incurred for the renovation of the New Property; and (iii) approximately S\$0.7 million will be incurred for purchasing one single production line of cut and bend system.

We intend to finance the above costs in the following manner: (i) approximately S\$6.1 million, representing approximately 55.0% of the property value in the amount of approximately S\$11.0 million, stamp duty in the amount of approximately S\$0.3 million, and (ii) approximately S\$4.9 million, representing approximately 45.0% of the property value, will be funded by bank borrowings. The initial capital expenditure of approximately S\$0.6 million for renovating the New Property and one single production line of cut and bend system in the amount of approximately S\$0.7 million, will also be funded by the [REDACTED].

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As such, the capital expenditure requirement for our Group’s implementation plans is expected to amount to approximately S\$12.6 million, of which approximately S\$7.7 million, or 61.1% of the total capital expenditure requirement, is expected to be financed by 95.1% of the [REDACTED] from the [REDACTED] and the remaining balance of S\$4.9 million is expected to be financed by bank borrowing.

To our Director’s best estimation, additional depreciation for the two years ending 31 December 2018 is expected to be nil and approximately S\$0.1 million, respectively.

Our expansion plans in Singapore for the two years ending 31 December 2018 and the related projected capital expenditures are summarised as follows:

Plans	From the Latest Practicable Date to 31 December	For the six months ended		Total
	2017 S\$'000	30 June 2018 S\$'000	31 December 2018 S\$'000	
Acquiring property for our dormitory and cut and bend factory	—	11,300	—	11,300
Renovating the new dormitory and cut and bend factory	—	—	600	600
Purchasing one single production line of cut and bend system	—	—	700	700
Total	—	11,300	1,300	12,600

Our Group’s projected capital expenditures are subject to revision based on any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed “Future Plans and [REDACTED]” of this document for further information. We did not have any capital commitment as at 31 December 2016.

We expect to fund our contractual commitments and capital expenditures principally through the [REDACTED] we receive from the [REDACTED] and our internal resources. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months from the date of this document.

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CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As lessor

As at 31 December 2015 and 2016, our Group had leased our industrial building unit which was classified as investment property under operating lease arrangements, with leases negotiated for term ranging from one to two years. We had total future minimum lease receivables under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Within one year	32	34
In the second to fifth year, inclusive	27	46
	59	80

As lessee

As at 31 December 2015 and 2016, our Group had commitments for future minimum lease payments in respect of our dormitories and site equipment under non-cancellable operating lease arrangements, with leases negotiated for an initial period of six months to 2.5 years. We had total future minimum lease payables under non-cancellable operating lease arrangements which fall due as follows:

	As at 31 December	
	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>
Within one year	1,047	1,212
In the second to fifth year, inclusive	—	—
	1,047	1,212

CONTINGENT LIABILITIES

As at the Latest Practicable Date, other than disclosed in the section headed “Business — Legal proceedings” of this document, we were not involved in any legal proceedings pending or, to our knowledge, threatened against our Group which could have a material adverse effect on our business or operations. The Directors confirm that as at the Latest Practicable Date, we did not have any material contingent liabilities.

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RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in note 34 to the Accountants' Report in Appendix I to this document, our Directors confirm that each transaction set forth therein were conducted in accordance with to terms as agreed between us and the respective related parties, were conducted on an arm's length basis and did not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

SUMMARY OF KEY FINANCIAL RATIOS

The following sets out our key financial ratios during the Track Record Period:

	As at 31 December	
	2015	2016
Profitability ratios		
Return on equity ⁽¹⁾ (%)	26.8	30.4
Return on total assets ⁽²⁾ (%)	10.5	11.3
Liquidity ratios		
Current ratio ⁽³⁾ (times)	1.3	1.2
Capital adequacy ratios		
Gearing ratio ⁽⁴⁾ (%)	25.0	21.4
Interest coverage ratio ⁽⁵⁾ (times)	126.1	89.7

Notes:

1. Return on equity is calculated by dividing profit for the year by total equity at the end of the respective years and multiplying the resulting value by 100%.
2. Return on total assets is calculated by dividing profit for the year by total assets at the end of the respective years and multiplying the resulting value by 100%.
3. Current ratio is calculated as total current assets divided by total current liabilities.
4. Gearing ratio is calculated as total debt (summation of amount due to a director, bank borrowing and obligation under finance leases) divided by total equity and multiplied by 100%.
5. Interest coverage ratio is calculated by dividing profit before finance costs and tax from continuing operations by finance costs.

Return on equity

Our return on equity increased from approximately 26.8% for the year ended 31 December 2015 to approximately 30.4% for the year ended 31 December 2016. The increase was mainly due to an increase in our profit for the year, which was mainly attributable to (i) a net other income being recongnised for the year ended 31 December 2016, whereas net other expenses was recognised for the year ended 31 December 2015; and (ii) a decrease in income tax expense for the year ended 31 December 2016.

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Return on total assets

Our return on total assets increased from approximately 10.5% for the year ended 31 December 2015 to approximately 11.3% for the year ended 31 December 2016. The increase was mainly due to an increase in our profit for the year, which was mainly attributable to (i) a net other income being recognised for the year ended 31 December 2016, whereas net other expenses were recognised for the year ended 31 December 2015; and (ii) a decrease in income tax expense for the year ended 31 December 2016.

Current ratio

Our current ratio decreased from approximately from 1.3 times as at 31 December 2015 to approximately 1.2 times as at 31 December 2016. The decrease was mainly attributable to (i) a decrease in trade and retention sum receivables; and (ii) an increase in other payables and accruals. The effect was partially offset by (i) an increase in amounts due from customers for contract works; (ii) an increase in amounts due from directors; (iii) an increase in cash and cash equivalents; and (iv) a decrease in amounts due to customers for contract work.

Gearing ratio

Our gearing ratio decreased from approximately 25.0% as at 31 December 2015 to approximately 21.4% as at 31 December 2016. The decrease was mainly attributable to the decrease in bank borrowings and obligation under finance lease resulting from the repayments during the year ended 31 December 2016.

Interest coverage ratio

Our interest coverage ratio decreased from approximately 126.1 times for the year ended 31 December 2015 to approximately 89.7 times for the year ended 31 December 2016. The decrease was primarily due to an increase in finance costs, mainly resulting from an increase in interest charged on our mortgage loan as the interest rate went up during the year.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed herein, we had no other material off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, include credit risk and liquidity risk. We monitor and manage such financial risks through internal risks reports which analyse exposure by degree and magnitude of risk. Please also see note 36 to the Accountants' Report in Appendix I to this document for further details regarding our financial risks.

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Credit risk

At the end of each of the Track Record Period, our maximum exposure to credit risk which will cause a financial loss to us due to default 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.

In order to minimise the credit risk, we monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, we consider that our credit risk is significantly reduced.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when we have significant exposure to the risks relating to individual customers. As at 31 December 2015 and 2016, the amount of trade receivables from the five largest debtors represented approximately 94.0% and 97.9% of the total trade and retention sum receivables, respectively, while approximately 37.0% and 39.8% of the total trade and retention sum receivables was due from the largest single debtor, respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, we do not have any other significant concentration of credit risk.

Liquidity risk

Our liquidity risk is primarily attributable to the risk that we may not be able to meet our financial obligations as they fall due. To ensure that we will always have sufficient liquidity to meet our liabilities when they fall due, our policy is to monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our short and long term liquidity requirements. In particular, our Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Group relies on internally generated funding and borrowings as significant sources of liquidity.

DIVIDENDS

During the Track Record Period, no dividend had been paid or declared by our Company. IEPL declared and paid dividends of approximately S\$1.1 million and S\$2.5 million to the then shareholders for the two years ended 31 December 2016, respectively. After the Track Record Period, IEPL proposed a special dividend of approximately S\$4.5 million, which will be settled by setting off against the amount due from Mr. Goh. Our Directors consider that there has not been any material adverse impact on our Group's financial and liquidity position arising out of the dividend payment as our Group continues to maintain net current assets and net assets positions after such payment.

We currently do not have a dividend policy. There is no expected or predetermined dividend payout ratio after the [REDACTED]. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital

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requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

[REDACTED]

Our estimated [REDACTED] primarily consist of [REDACTED] commissions in addition to professional fees paid to the Sole Sponsor, legal advisers and the reporting accountant for their services rendered in relation to the [REDACTED]. Assuming the [REDACTED] is not exercised and assuming an [REDACTED] of [REDACTED] per Share, being the mid-point of our indicative price range for the [REDACTED] stated in this document, the total [REDACTED] will be [REDACTED] (equivalent to [REDACTED]), of which approximately [REDACTED] (equivalent to [REDACTED]) is directly attributable to the [REDACTED] and is expected to be capitalised after the [REDACTED]. The remaining amount of approximately [REDACTED] (equivalent to [REDACTED]) is expected to be charged to the Company's combined statements of comprehensive income for the year ending 31 December 2017. During the Track Record Period, we did not incur any [REDACTED]. The estimated [REDACTED] are subject to adjustments based on the actual amount incurred or to be incurred.

EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO [REDACTED]

Our net profit for the year ending 31 December 2017 will have a considerable reduction due to the incurrance of [REDACTED] in 2017. Our financial performance for the year ending 31 December 2017 will be affected by such expenses as compared with our financial performance for the year ended 31 December 2016.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Please refer to note 38 to the Accountants' Report set forth in Appendix I to this document for events of our Group which took place subsequent to 31 December 2016.

DISTRIBUTABLE RESERVE

As at 31 December 2016, our Company did not have reserve available for distribution to its Shareholders.

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UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets and is based on the audited consolidated net assets attributable to owners of our Company as at 31 December 2016 as shown in the Accountants’ Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited combined net tangible assets of our Group as at 31 December 2016 S\$’000 (Note 1)	Estimated [REDACTED] from the proposed [REDACTED] S\$’000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of our Group S\$’000 (Note 3)	Unaudited pro forma adjusted combined net tangible assets per Shares S\$ (Note 4)	Unaudited pro forma adjusted combined net tangible assets per Shares HK\$
Based on [REDACTED] of [REDACTED] per Share	<u>9,797</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on [REDACTED] of [REDACTED] per Share	<u>9,797</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Notes:

- (1) The audited combined net tangible assets of our Group attributable to owners of our Company is extracted from the Accountants’ Report set out in Appendix I to this document.
- (2) The estimated [REDACTED] from the issue of the new Shares pursuant to the proposed [REDACTED] are based on [REDACTED] new Shares at the [REDACTED] of lower limit and upper limit of [REDACTED] and [REDACTED] per New Share, respectively, after deduction of the [REDACTED] commissions and fees and other related expenses, other than those expenses which had been recognised in profit or loss on or prior to 31 December 2016.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group does not take into account the effect of any trading result and other transactions of our Group entered into subsequent to 31 December 2016.
- (4) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme or any shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of shares.

DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, save as disclosed in this section, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

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REASONS FOR THE [REDACTED]

Please refer to the section headed “Future Plans and [REDACTED] — Reasons for [REDACTED]” of this document for details.

NO MATERIAL ADVERSE CHANGE

The impact of the [REDACTED] on our profit and loss accounts have posted a material adverse change in the financial or trading position or prospect of our Group since 31 December 2016 (being the date the latest audited consolidated financial statements were made up). [REDACTED] should be aware of the impact of the [REDACTED] on the financial performance of our Group for the year ending 31 December 2017.

Save as disclosed above, our Directors confirmed that, up to the date of this document, there had been no material adverse change in the financial or trading positions or prospects of our Group since 31 December 2016 (being the date of which our Group’s latest audited financial statements were made up as set out in the Accountants’ Report in Appendix I to this document) and there had been no event since 31 December 2016 which would materially affect the information shown in the Accountants’ Report in Appendix I to this document.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please refer to the section headed “Business — Our Business Strategies” of this document for a description of our future plans.

REASONS FOR THE [REDACTED] AND [REDACTED]

The [REDACTED] of the [REDACTED] will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out in this section.

Assuming that the [REDACTED] is determined at [REDACTED] (being the mid-point of the [REDACTED] range), the aggregate amount of [REDACTED] (the “[REDACTED]”) of the [REDACTED] to be received by our Company after deducting the [REDACTED] commission and estimated expenses payable by our Company is estimated to be approximately [REDACTED] (equivalent to approximately [REDACTED]) (assuming the [REDACTED] is not exercised). Our Directors currently intend to apply such [REDACTED] in the following manner:

- (a) approximately [REDACTED] (equivalent to approximately [REDACTED], or approximately [REDACTED]) will be used for the acquisition of a property (“**New Property**”) for our cut and bend factory and our dormitory to accommodate our foreign workers;
- (b) approximately [REDACTED] (equivalent to approximately [REDACTED], or approximately [REDACTED]) will be used for the renovation of the New Property;
- (c) approximately [REDACTED] (equivalent to approximately [REDACTED], or approximately [REDACTED]) will be used to purchase one single production line of cut and bend system; and
- (d) approximately [REDACTED] (equivalent to approximately [REDACTED], or approximately [REDACTED]) will be used for working capital and other general corporate purposes of our Group.

During the Track Record Period, the amount we incurred for accommodation expenses amounted to S\$1.1 million and S\$0.7 million respectively, representing approximately 4.5% and 3.1% of our direct costs for the respective periods. Our Group expects that with our own dormitory to accommodate our foreign workers, we can save an amount of our direct costs. We plan to have the dormitory and the cut and bend factory in the New Property. We expect the New Property to be in the saleable area of approximately 5,000 sq.m. The acquisition of the New Property is expected to be in the amount of [REDACTED], including (i) value of the property in the amount of approximately [REDACTED]; and (ii) stamp duty in the amount of approximately [REDACTED]. Assuming that the [REDACTED] is determined at the mid-point of the indicative [REDACTED] Range, we intend to finance the above costs in the following manner: (i) approximately [REDACTED], representing approximately [REDACTED] of the property value and stamp duty in the amount of approximately [REDACTED], will be funded by the [REDACTED]; (ii) approximately [REDACTED], representing approximately [REDACTED] of the property value, will be funded by bank borrowings; and (iii) initial capital expenditure of approximately [REDACTED] representing [REDACTED] for renovating the New Property will be funded by the [REDACTED].

During the Track Record Period, our steel reinforcement works involved the use of approximately 44,100 tonnes and 47,900 tonnes of steel reinforcing bars, respectively. Yet we relied on external cut and bend service providers to provide cut and bend services. To set up a cut and bend factory, we aim to use [REDACTED], representing [REDACTED] of the [REDACTED], to purchase one single production line of cut and bend system, which has an annual processing production capacity of approximately 30,000 tonnes of steel reinforcing bars. We expect that the setting up of our own cut and bend factory

FUTURE PLANS AND [REDACTED]

will allow us to enhance the operating efficiency of our cut and bend process and to control the schedule of our projects more effectively and we would be able to enhance our profitability by taking up the cut and bend process.

As at 28 February 2017, our Group had unutilised banking facilities of approximately S\$1.4 million, which consisted of (i) overdraft ("**Overdraft**") for general working capital purposes of approximately S\$0.4 million; (ii) credit card limit ("**Credit Card**") for general working capital purposes of approximately S\$0.1 million; (iii) trading facilities ("**Trade Facilities**") of approximately S\$0.6 million, comprising letters of credit and trust receipts, of which usage is restricted to, among others, financing suppliers accounts; and (iv) performance guarantee ("**Performance Guarantee**") for general working capital purposes of approximately S\$0.3 million. The Overdraft, Trading Facilities and Performance Guarantee in the aggregate amount of approximately S\$1.3 million require bank's approval before drawdown. In addition, our unutilised banking facilities are repayable on demand. Therefore, we do not consider the unutilised facilities as appropriate banking facilities to fund our intended acquisition of a suitable property for our dormitory and cut and bend factory. The [REDACTED] will enable us to pursue our business strategies with the support of capital and allow us to grasp the relevant investment opportunities in a timely manner.

The above allocation of the [REDACTED] of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is determined at a higher or lower level compared to the mid-point of the [REDACTED] range.

Assuming that the [REDACTED] is determined at [REDACTED] (being the high-end of the [REDACTED] range), our Company will receive additional [REDACTED] of approximately [REDACTED] (equivalent to approximately [REDACTED]).

Assuming that the [REDACTED] is determined at [REDACTED] (being the low-end of the [REDACTED] range), the [REDACTED] our Company receives will be reduced by approximately [REDACTED] (equivalent to approximately [REDACTED]).

The [REDACTED] will be used in the same proportions as disclosed above irrespective of whether the [REDACTED] is determined at the highest or lowest point of the indicative [REDACTED] range.

To the extent that the [REDACTED] of the [REDACTED] are not immediately required for the above purposes, our Directors currently intend that such proceeds be placed on short-term deposits with licensed banks and/or financial institutions.

To implement our expansion plans, we are required to seek and obtain certain approval, consent or permission in relation to the setting up of our dormitory and cut and bend factory:

1. To acquire the New Property for our dormitory and cut and bend factory, our Group is generally required to obtain approval from Jurong Town Corporation, Urban Redevelopment Authority.
2. Given that the workers' dormitory is treated as residential use under the Residential Property Act (the "**RPA**"), our Group may be required to obtain from the Land Dealings Approval Unit of the Singapore Land Authority confirmation whether their clearance approval is required under Section 10 or Section 25 of the RPA for our Group to purchase the New Property as workers' dormitory.

FUTURE PLANS AND [REDACTED]

3. As our Group intends to use part of the New Property for warehouse or storage use, we are required to seek clearance from the LTA.
4. With respect to the New Property's fire safety requirements, our Group is required to seek approval from the Singapore Civil Defence Force.
5. Our Group needs to apply for a dormitory licence and we are required to obtain consent from the Commissioner for Foreign Employee Dormitories pursuant to Section 17 of the Foreign Employee Dormitories Act 2015.

We believe it is feasible to obtain the requisite approvals to implement our expansion plans from the relevant authorities within 16 weeks. We are of the opinion that there is no legal impediment for our Group to obtain all the approvals, consents and permissions to execute our expansion plan.

REASONS FOR [REDACTED]

Our Directors believe that our Company and its Shareholders will benefit as a whole from the [REDACTED] for the following reasons:

(i) Accelerate the implementation of our corporate strategies

Our Group is operating in a labour-intensive and capital-intensive environment, and we have spent considerable efforts in managing our financial and human resources. Most of the [REDACTED] from the [REDACTED] are expected to be dedicated to the implementation of our corporate strategies. The [REDACTED] grants our Group access to a larger investor base and additional fund-raising channels where we can promptly raise new capital from time to time, and accelerates our pace of achieving our business objective.

(ii) Promote our corporate profile and reputation

Our Group has been contemplating the growth and expansion of our business and accordingly, [REDACTED] has been considered. Our Company has never applied for [REDACTED] of our Shares in other jurisdictions including the Singapore Stock Exchange. We believed that [REDACTED] in Singapore was not conducive to our Group in terms of long-term growth and financing needs. Our Group explored other platforms and concluded that the Stock Exchange is a suitable platform given its level of internationalism, maturity in the global financial world and sufficient institutional capital and funds following listed companies in Hong Kong.

Our Directors believe that the [REDACTED] on the Stock Exchange will provide an indirect complimentary advertising to raise our Group's brand awareness and publicity on an international level, making our Company's range of services known to new potential local and international customers for their projects in Singapore, in the hope of leading to an increase in our Company's market share. Being a publicly traded company, the flow of information is established towards different stakeholders, including Shareholders, customers, suppliers, subcontractors and our employees. The [REDACTED] status and the public disclosure of our information will allow these parties to know ourselves better and, hence, are an effective way to promote our corporate profile as well as enhance our Group's reputation.

FUTURE PLANS AND [REDACTED]

In addition, our Directors also believe that customers may prefer contractors who are listed given their reputation, [REDACTED] status, public financial disclosures and general regulatory supervision by relevant regulatory bodies. Given the continuing expansion plans of our Group, the [REDACTED] would give us an additional fund raising option by issuance of Shares. Therefore, although our Group has a strong financial position during the Track Record Period, the publicity from the [REDACTED] would be beneficial to our Group. Our Directors believe that to the best of their knowledge and belief, our Company would be eligible to apply for [REDACTED] on, if we were to list on, the Singapore Stock Exchange.

(iii) Facilitate capital structure's optimisation

In choosing between debt financing and equity financing, our Directors have taken into account (i) the nature of construction industry, especially the reinforced concrete works industry in which our Group operates, where upfront cash outflow is often incurred in the early phase of our project. The early cash outflow is also expected to be in place quickly after our customer has engaged us, which would mean equity financing is a more appropriate source since funds raised from the issue of equity are a committed source of fund and does not entail a maturity date; (ii) debt financing from banks or financial institutions normally require the pledge of properties or other significant assets, which our Group lacks or does not require for our operation; and (iii) debt financing and equity financing are not mutually exclusive, but our Group is expected to have a better position to negotiate with banks and financial institutions if we are a listed company with enlarged equity and financial capital base. Our Directors further believe that the [REDACTED] would broaden our shareholder base and enhance the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the [REDACTED]. Our Directors seek to optimise our Company's capital structure and take the view that the [REDACTED] will give our Group the flexibility in doing so.

FUTURE PLANS AND [REDACTED]

IMPLEMENTATION PLAN

In light of the business objectives of our Group, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 31 December 2018. [REDACTED] should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” of this document. Our Group’s actual course of business may vary from the business objectives set out in this document. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Based on the current state of the construction industry, our Directors intend that the [REDACTED] will be applied as follows:

Plans	From the Latest	For the six months		Total	Approximate % of [REDACTED]
	Practicable Date to 31 December 2017	30 June 2018	31 December 2018		
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	
Acquiring property for our dormitory and cut and bend factory	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Renovating the new dormitory and cut and bend factory	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Purchasing one single production line of cut and bend system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The remaining approximately [REDACTED], approximately [REDACTED] of the [REDACTED], will be used as our Group’s general working capital.

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- (a) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (b) there will be no material changes in existing laws, rules and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- (c) there will be no change in the funding requirement for each of the near term business objectives described in this document from the amount as estimated by our Directors;
- (d) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;

FUTURE PLANS AND [REDACTED]

- (e) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group; and
- (f) we will not be materially affected by the risk factors as set out in the section headed “Risk Factors” of this document.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The Board currently consists of six directors comprising three executive Directors and three independent non-executive Directors. Our directors are supported by our senior management in the day-to-day management of our business.

The following table sets forth the information regarding the members of the Board and our senior management:

Members of our Board

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. GOH Cheng Seng (吳進順先生)	47	Executive Director, Chairman and CEO	June 1992	March 2017	Responsible for overseeing our Group’s business strategy and overall management	Spouse of Ms. Tan and brother-in-law of Ms. Tan Soh Lay
Ms. TAN Soh Kuan (陳素寬女士)	45	Executive Director	December 1996	March 2017	Responsible for overseeing the financial performance of our Group and ensuring compliance with our Group’s policies and objectives	Spouse of Mr. Goh and sister of Ms. Tan Soh Lay
Mr. NG Sai Cheong (伍世昌先生)	40	Executive Director, company secretary and compliance officer	April 2017	April 2017	Responsible for overall financial and secretarial aspects of our Group	N/A
Mr. MA Yiu Ho Peter (馬遙豪先生)	52	Independent non-executive Director	[●] 2017	[●] 2017	Supervising and providing independent judgment to our Board	N/A
Mr. TAN Kee Cheo (also known as TAN Kee Cheok) (陳祺石先生)	51	Independent non-executive Director	[●] 2017	[●] 2017	Supervising and providing independent judgment to our Board	N/A
Mr. YIP Ki Chi Luke (葉祺智先生)	51	Independent non-executive Director	[●] 2017	[●] 2017	Supervising and providing independent judgment to our Board	N/A

Members of our senior management

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. TAN Kim Yem (陳錦炎先生)	67	Operation director	April 1996	April 2010	Responsible for establishing and developing operational plans for our Group’s projects, including its tendering, execution and completion	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Ms. TAN Soh Lay (陳素麗女士)	44	Human resource and administrative director	August 1998	November 2016	Responsible for overseeing our Group’s administrative and human resources activities, and reporting to the executive Directors of human resources issues, strategies and solutions	Sister of Ms. Tan and sister-in-law of Mr. Goh
Mr. KOK Seng Yoong Peter (郭盛勇先生)	55	General manager	November 2016	November 2016	Responsible for developing and implementing market and business development strategies of our Group and managing our relationship with clients	N/A

DIRECTORS

Executive Directors

Mr. GOH Cheng Seng (吳進順先生), aged 47, is our founder, executive Director, Chairman and CEO, a director of Indigo Link and the managing director of IEPL. He is also one of our Controlling Shareholders. He has over 30 years of experience in the construction industry in Singapore and Malaysia. Mr. Goh is primarily responsible for overseeing our Group’s business strategy and overall management of our Group. Prior to founding our Group in 1992, Mr. Goh had accumulated around five years of experience in the construction industry in both Malaysia and Singapore. From 1987 to 1988, Mr. Goh worked as an apprentice in Energo Project Ltd., a construction company in Malaysia, where he started to gain exposure to the construction industry through participating in projects involving pore piling, precast elements and structural works. From 1989 to 1991, Mr. Goh worked for Eastern Industries Pte. Ltd., a construction company in Singapore, as a steel reinforcement scheduler responsible for preparing bar bending schedule for off-site steel reinforcement cut and bending.

Over the years, Mr. Goh has participated and handled various large-scale projects, including the construction of Sungei Langat Water Treatment Plant at Dengkil, Selangor, Malaysia, the 25-kilometre highway from Pagoh to Ayer Keroh in Malaysia, the Seletar Sewage Treatment Plant Phase II in Singapore.

Mr. Goh has attended WSH bizSAFE Level 1 Workshop for Company CEO and Top Management conducted by Hong Tech Consultant Pte. Ltd. in February 2008. He has also completed the Building Construction Supervisor Safety Course and the Work-at-Height Course for Supervisors, both organised by Star Safety Training Pte. Ltd., in August 2015.

Mr. Goh is the spouse of Ms. Tan, our executive Director and Controlling Shareholder, and the brother-in-law of Ms. Tan Soh Lay, our human resource and administrative director.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Goh was a director of the following companies in Singapore immediately prior to their respective dissolutions:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
After Six Pub Pte. Ltd.	Operation of bars	8 December 2006	Striking off	Cessation of business
Sui Investment Pte. Ltd.	Operation of restaurants	12 January 2012	Striking off	Cessation of business
Max-G Pte. Ltd.	Trading and investment in securities	8 August 2012	Striking off	Cessation of business

Mr. Goh confirmed that each of the above companies was solvent at the time of their respective dissolution and there is no wrongful act on his part leading to the dissolutions and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Ms. TAN Soh Kuan (陳素寬女士), aged 45, is our executive Director and a director of ICPL. She is also one of our Controlling Shareholders. She is primarily responsible for overseeing the financial performance of our Group and ensuring compliance with our Group's policies and objectives. She was a director of IEPL from December 1996 to March 2012 responsible for monitoring staff performance, and reviewing and recommending policies on employees' welfare and incentive. She also assumed the role of financial controller of IEPL from January 2013 to December 2015. She is a director of ICPL since September 2013 responsible for its financial, human resources and administrative matters. Ms. Tan attained a specialist diploma in workplace safety and health under the Singapore Workforce Skills Qualifications awarded by the Singapore Workforce Development Agency in August 2010.

Ms. Tan is the spouse of Mr. Goh, our executive Director, Chairman, CEO and Controlling Shareholder, and the sister of Ms. Tan Soh Lay, our human resource and administrative director.

DIRECTORS AND SENIOR MANAGEMENT

Mr. NG Sai Cheong (伍世昌先生), aged 40, is our executive Director, company secretary and compliance officer. He is responsible for the overall financial and secretarial aspects of our Group. Mr. Ng has more than 18 years of experience in auditing and accounting. Prior to joining our Group, Mr. Ng worked as a semi-senior at Lee Sik Wai & Co., an accounting firm, between June 1998 and April 2000. He then worked at Charles Chan, Ip & Fung CPA Limited (currently known as CCIF CPA Limited) as an auditor from April 2000 until February 2001. Between February 2001 and September 2002 and between October 2002 and September 2003, he served as a staff accountant and senior accountant, respectively, at Ernst & Young. He later joined Beauty China Holdings Limited (a company formerly listed on the Singapore Stock Exchange (stock code: B15.SG)) as an accounting manager in October 2003 and was promoted to assistant financial controller in October 2007, a position which he had held until August 2009. He then worked at Top Express Holdings Limited as its accounting manager between September 2009 and April 2012 and his last position held is chief financial officer. Mr. Ng has been the financial controller of Kwan On Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1559) since August 2012 and its company secretary since January 2013.

Mr. Ng graduated from The Hong Kong University of Science and Technology in November 1998 with a bachelor of business administration degree in accounting and obtained a master of corporate governance degree from The Open University of Hong Kong in June 2007. Mr. Ng is an associate of the Hong Kong Institute of Certified Public Accountants and an associate of the Hong Kong Institute of Chartered Secretaries.

During the three years immediately preceding the Latest Practicable Date, none of our executive Directors has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. MA Yiu Ho Peter (馬遙豪先生), aged 52, was appointed as an independent non-executive Director on [●] 2017 and is mainly responsible for supervising and providing independent judgment to our Board. He is also the chairman of the audit committee and a member of the nomination committee of our Company. Mr. Ma is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Chartered Association of Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master Degree of Business Administration from the Hong Kong University of Science and Technology in November 1995. He is also a member of the Hong Kong Institute of Directors since December 2015. Mr. Ma has over 20 years of experience in the finance and accounting field and worked as the financial controller and company secretary of The Hong Kong Parkview Group Limited (now known as Joy City Property Limited) (stock code: 207) and the financial controller of VODone Limited (now known as V1 Group Limited) (stock code: 82) (the shares of these companies are listed on the Main Board of the Stock Exchange), and the chief financial officer of Superior Fastening Technology Limited (now known as Renewable Energy Asia Group Limited), a company listed on the Singapore Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ma has been and is currently an independent non-executive director of various companies whose shares are listed on the Stock Exchange, a summary of which is set out as follows.

Name of companies	Position	Tenure of service
China Ocean Fishing Holdings Limited (formerly known as Sky Forever Supply Chain Management Group Limited) (stock code: 8047)	Independent non-executive director	July 2014 to May 2015
Convoy Financial Holdings Limited (stock code: 1019)	Independent non-executive director	March 2010 to present
China Packaging Holdings Development Limited (stock code: 1439)	Independent non-executive director	December 2013 to present
Huisheng International Holdings Limited (stock code: 1340)	Independent non-executive director	February 2014 to present
TEM Holdings Limited (stock code: 8346)	Independent non-executive director	April 2016 to present
Royal Catering Group Holdings Company Limited (stock code: 8300)	Independent non-executive director	July 2016 to present

DIRECTORS AND SENIOR MANAGEMENT

Mr. TAN Kee Cheo (also known as TAN Kee Cheok) (陳祺石先生), aged 51, was appointed as an independent non-executive Director on [●] 2017 and is mainly responsible for supervising and providing independent judgment to our Board. He is also the chairman of the remuneration committee and a member of the audit committee of our Company. Mr. Tan graduated from the Royal Melbourne Institute of Technology with a bachelor of civil engineering degree in October 1990. He was accredited as a Resident Engineer by the Association of Consulting Engineers Singapore in January 2017. Mr. Tan is currently the director of Arktelier Pte Ltd, a company principally engaged in installation of timber decking, floor timber, trellises, wall and ceiling panel. He also served in various companies in Singapore before. The following table summarises Mr. Tan's working experience over the years:

Company name	Last/current position held	Period of services
Maunsell Consultants (Singapore) Pte Ltd	Resident engineer	June 2008 to November 2009
DE Consultants (S) Pte Ltd	Resident engineer	January 2010 to August 2011
KTP Consultants Pte Ltd	Resident engineer	April 2012 to June 2015
RSP Architects Planners & Engineers (Pte) Ltd	Resident engineer	November 2015 to present

Mr. Tan was a director of the following company in Singapore immediately prior to its dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Woodstock33 Private Limited	General building engineering design and consultancy services	5 June 2015	Striking off	Cessation of business

Mr. Tan confirmed that the above company was solvent at the time of its dissolution and there is no wrongful act on his part leading to the dissolution of the above company and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that his involvement in the above company was part and parcel of his services as a director of the company and that no misconduct or misfeasance had been involved in the dissolution of the company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YIP Ki Chi Luke (葉祺智先生), aged 51, was appointed as an independent non-executive Director on [●] 2017 and is mainly responsible for supervising and providing independent judgment to our Board. He is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of our Company. Mr. Yip obtained a Bachelor of Laws degree from University of London in August 1991 and a Postgraduate Certificate in Laws from The University of Hong Kong in June 1992. He was admitted as a solicitor of the High Court of Hong Kong in April 1994 and is currently a practising solicitor in Hong Kong with over 20 years of post-qualification experience in the legal profession. He has been a partner of Messrs. Cheung & Yip since February 1999. Mr. Yip has been a Notary Public and Civil Celebrant in Hong Kong since 2006. He was recognised as an Accredited General Mediator by the Law Society of Hong Kong in December 2010 and has been a China Appointed Attesting Officer since December 2015.

Save as disclosed above, during the three years immediately preceding the Latest Practicable Date, none of our independent non-executive Directors has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with the appointment of our Directors.

SENIOR MANAGEMENT

Mr. TAN Kim Yem (陳錦炎先生), aged 67, is our operation director and is responsible for establishing and developing operational plans for our Group’s projects, including its tendering, execution and completion. Mr. Tan joined our Group in April 1996 as a site foreman, and was promoted to project manager in April 2004, and to his current position as operation director in April 2010. Mr. Tan completed the Safety Coordinators Training Course organised by the BCA Academy in October 2007, the Safety Management Assessment (SMA) Scheme Workshop conducted by SC2 Pte. Ltd. in January 2008, the certificate in Risk Management Course organised by QuESH Consultants (Pte) Ltd in August 2009, and the Construction Safety Course for Project Managers organised by Absolute Kinetics Consultancy Pte. Ltd. in July 2010. Mr. Tan is a registered CoreTrade personnel under the Construction Registration of Tradesman Scheme implemented by Building and Construction Authority in Singapore.

Ms. TAN Soh Lay (陳素麗女士) (“Ms. Sally Tan”), aged 44, is our human resource and administrative director. Ms. Sally Tan is primarily responsible for overseeing our Group’s administrative and human resources activities, and reporting to the executive Directors of human resources issues, strategies and solutions. Ms. Sally Tan joined our Group in August 1998 as an administrative and accounting assistant, and was promoted to human resources and accounting executive in August 2001, and to human resources and finance manager in April 2004. Ms. Sally Tan assumed her current role in November 2016. Ms. Sally Tan was awarded a Diploma in Business Administration and Marketing in February 1998 by TMC Business School in Singapore. Ms. Sally Tan is the sister of Ms. Tan, our executive Director and Controlling Shareholder, and the sister-in-law of Mr. Goh, our executive Director, Chairman, CEO and Controlling Shareholder.

DIRECTORS AND SENIOR MANAGEMENT

Mr. KOK Seng Yoong Peter (郭盛勇先生), aged 55, is our general manager. Mr. Kok is primarily responsible for developing and implementing market and business development strategies of our Group and managing our relationship with our customers. Prior to joining our Group in November 2016, Mr. Kok has worked at various construction companies in Singapore. He worked as a general manager in BSI (1990) Pte. Ltd. from 2004 to 2016 responsible for overall management and supervision of construction projects in both public government and private sectors. From 1993 to 2004, he was a project manager at Kay Lim Construction & Trading Pte. Ltd. responsible for project management of building construction works which ranges from industrial, institutional to community club buildings for both private and public sectors. From 1981 to 1993, he was a site manager at Tan Gim Huat Contractors Pte. Ltd. responsible for the daily supervision of all works in projects which ranges from bridges, canals, institutional building, landed residential to wild life enclosures at Jurong Bird Park. Mr. Kok graduated from Singapore Polytechnic with a Diploma in Building in May 1995 and was awarded a Bachelor Degree in Applied Science (Construction Management) by Royal Melbourne Institute of Technology in May 1999. Mr. Kok has also obtained a certificate awarded by the Occupational Safety and Health (Training & Promotion) Centre of the Ministry of Manpower in Singapore following his completion of the Construction Safety Course for Project Managers in June 1998.

None of our senior management members had been a director of any public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

COMPANY SECRETARY

Mr. NG Sai Cheong (伍世昌先生) is the company secretary of our Company. Mr. Ng’s biography is set out in the paragraph headed “Directors” in this section above.

COMPLIANCE OFFICER

Mr. NG Sai Cheong (伍世昌先生) is the compliance officer of our Company. Mr. Ng’s biography is set out in the paragraph headed “Directors” in this section above.

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board delegates certain responsibilities to various committees. In accordance with our Articles of Association and the GEM Listing Rules, we have formed three board committees, namely, the audit committee, the remuneration committee and the nomination committee.

Audit committee

Our Company established an audit committee in compliance with Rule 5.28 of the GEM Listing Rules with written terms of reference in compliance with the Corporate Governance Code. Our audit committee consists of Mr. Ma Yiu Ho Peter, Mr. Tan Kee Cheo and Mr. Yip Ki Chi Luke. Mr. Ma Yiu Ho Peter currently serves as the chairman of the audit committee.

The principal responsibilities of the audit committee include:

- reviewing our Company’s annual financial statements;

DIRECTORS AND SENIOR MANAGEMENT

- reviewing and monitoring the extent of the non-audit work undertaken by external auditors;
- advising on the appointment of external auditors; and
- reviewing the effectiveness of our Company's internal audit activities, internal control and risk management systems.

Remuneration committee

Our Company established a remuneration committee with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules. Our remuneration committee consists of Mr. Tan Kee Cheo, Mr. Goh Cheng Seng and Mr. Yip Ki Chi Luke. Mr. Tan Kee Cheo currently serves as the chairman of the remuneration committee.

The principal responsibilities of the remuneration committee include:

- making recommendations to our Board on our Company's policy on executive Director's remuneration;
- determining, the individual remuneration and benefits package of each of our executive Directors; and
- recommending and monitoring the remuneration of senior management below Board level.

Nomination committee

Our Company established a nomination committee in compliance with written terms of reference in compliance with the Corporate Governance Code. Our nomination committee consists of Mr. Yip Ki Chi Luke, Ms. Tan Soh Kuan and Mr. Ma Yiu Ho Peter. Mr. Yip Ki Chi Luke currently serves as the chairman of the nomination committee.

The principal responsibilities of the nomination committee include:

- assisting our Board in discharging its responsibilities relating to the composition of our Board;
- evaluating the balance of skills, knowledge and experience on our Board;
- evaluating the size, structure and composition of our Board; and
- evaluating the retirements and appointments of additional and replacement directors and making appropriate recommendations to our Board on such matters.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company intends to comply with all code provisions under the Corporate Governance Code after the [REDACTED] except for paragraph A.2.1 of the Corporate Governance Code, which provides that the responsibilities between the chairman and the

DIRECTORS AND SENIOR MANAGEMENT

chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Goh currently performs these two roles. Our Directors believe that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient strategic planning for the overall development for our Group. Our Directors also consider that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Group to make and implement effective and expedient decisions. We will continue to review and consider splitting the roles of chairman and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports after the [REDACTED].

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration in the form of salaries, allowances, discretionary bonuses, share options, contributions to retirement benefits schemes and other benefits in kind subject to applicable laws, regulations and rules. The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, contributions to retirement benefits schemes and other benefits in kind) paid to our Directors for the two years ended 31 December 2016 were approximately S\$0.9 million and S\$1.1 million, respectively. The aggregate amount of compensation and benefits in kind paid to the five highest paid individuals of our Group for the two years ended 31 December 2016 were approximately S\$1.2 million and S\$1.4 million, respectively.

Under the arrangements currently in force, the estimated aggregate remunerations, excluding discretionary bonus and share-based payments expense, if any, of our Directors for the year ending 31 December 2017 is approximately S\$1.1 million.

The independent non-executive Directors receive fees from our Company. All Directors receive reimbursements from our Company for expenses which are necessary and reasonably incurred for providing services to our Company or executing matters in relation to the operations of our Company and are paid out of the funds of our Company by way of fees for their services as directors, such sums (if any) as our Directors may from time to time determine (not exceeding in aggregate an annual sum excluding other amounts payable (e.g. expenses as remuneration for employment) or such larger amount as our Company may by ordinary resolution determine). Save as disclosed above, our Directors are not entitled to receive any other special benefits from our Company. The compensation of our Directors is determined by the Board which, following the [REDACTED], will receive recommendation from our remuneration committee which will take into account requirements of applicable laws, regulations and rules.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

DIRECTORS AND SENIOR MANAGEMENT

We have adopted the Share Option Scheme. Please refer to the subsection headed “D. Share Option Scheme” in Appendix V to this document for details.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser upon [REDACTED] in compliance with Rule 6A.19 of the GEM Listing Rules.

We have entered into a compliance adviser’s agreement with the compliance adviser, the material terms of which we expect to be as follows:

- (a) we have appointed the compliance adviser for the purpose of Rule 6A.19 of the GEM Listing Rules for a period commencing on the date of [REDACTED] of our Shares on the Stock Exchange and ending on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of publication of our financial results for the second full financial year after the [REDACTED], unless terminated earlier in accordance with the terms of the compliance adviser’s agreement;
- (b) the compliance adviser shall provide us with such advisory services as are required to be provided by a compliance adviser pursuant to Chapter 6A of the GEM Listing Rules and advise us in the following circumstances:
 - (i) before the publication of any regulatory announcement, circular or financial report;
 - (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including but not limited to share issues and share repurchases;
 - (iii) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
 - (iv) where the Stock Exchange makes an inquiry with us regarding unusual movements in the price or trading volume of the Shares; and
- (c) we may terminate the appointment of the compliance adviser if the compliance adviser’s work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to the compliance adviser as permitted by Rule 6A.26 of the GEM Listing Rules. The compliance adviser will have the right to terminate its appointment by giving not less than 14-day prior notice in writing to us or if we commit a material breach of the agreement.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately upon completion of the [REDACTED] and the [REDACTED], without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, Amber Capital will control [REDACTED]% of our Company's Shares in issue. Amber Capital is an investment holding company held as to 96.77% by Mr. Goh and 3.23% by Ms. Tan, the spouse of Mr. Goh. They have also confirmed that during the Track Record Period, they have been acting in concert and voted in unanimous manner on any proposed resolution in respect of all material management matters, voting decision and business decision relating to our Group. As such, Amber Capital, Mr. Goh and Ms. Tan will be our Controlling Shareholders upon completion of the [REDACTED] and the [REDACTED].

During the Track Record Period, save as disclosed in this document, our Group did not have any business dealings with the companies associated with or controlled by our Controlling Shareholders and there was no overlapping of business between our Group and our Controlling Shareholders.

Our Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, have confirmed that, none of our Controlling Shareholders, our Directors and their respective close associates is interested in any business which competes, or likely to compete, directly or indirectly, with the business of our Company. As part of the Reorganisation, PGSC was deregistered in January 2017 and IBCPL was in the process of being struck off as at the Latest Practicable Date.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after [REDACTED].

Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises three executive Directors and three independent non-executive Directors. Our executive Directors, namely, Mr. Goh and Ms. Tan, are also our Controlling Shareholders. Nevertheless, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum subject to the provision of the Articles of Association; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) other than Ms. Tan Soh Lay, our human resource and administrative director, all our senior management members are independent from our Controlling Shareholders. Our Group has established our own management, finance, human resources, administration, procurement, sales and marketing, quality control departments which are responsible for daily operations of our Group.

Operational independence

We do not share operation team, facilities and equipment with our Controlling Shareholders and their close associates. Our Group has also established a set of internal control measures to facilitate the effective operations of our business. Our Group's customers and suppliers are all independent from our Controlling Shareholders. Despite that certain related parties, namely PGSC and IBCPL, had provided subcontracting services and accommodation for our foreign workers to our Group during the Track Record Period, details of which are set out in the section headed "Discontinued Connected Transactions" of this document, such related party transactions had discontinued as at the Latest Practicable Date as such related parties have either been struck off or have applied to be struck off, and employment agreements of their employees have either been expired or transferred to our Group. Our Group also has independent access to our subcontractors. Our Group does not rely on our Controlling Shareholders or their respective close associates and has an independent management team to handle our day-to-day operations. We are also in possession of all relevant licences, permits and approvals necessary to carry on and operate our business and we have sufficient workforce to operate independently from our Controlling Shareholders and their close associates. Immediately after the [REDACTED], there are no related party transactions or continuing connected transactions between our Group and our Controlling Shareholders and/or their associates. As such, our Directors are of the view that our Group can operate independently from our Controlling Shareholders and their respective close associates.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs.

As at the Latest Practicable Date, our Group had certain banking facilities and performance bonds that were guaranteed by Mr. Goh, details of which are set out in notes 29, 30 and 34 to the Accountants' Report in Appendix I to this document. Such guarantees will be released upon [REDACTED]. During the Track Record Period, our Group had certain amounts due from Mr. Goh, one of our Controlling Shareholders. Please refer to note 22 to the Accountants' Report in Appendix I to this document for further details. All amounts due from our Controlling Shareholders and/or companies controlled by our Controlling Shareholders, which are non-trade nature, will be fully settled before the [REDACTED].

Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the [REDACTED] as we expect that our working capital will be funded by our operating income and bank borrowings. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and its close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING

Mr. Goh, Ms. Tan and Amber Capital, our Controlling Shareholders (the "**Covenantors**", and each of them, a "**Covenantor**"), entered into a Deed of Non-competition in favour of our Company (for itself and as trustee for our subsidiaries):

- (a) Subject to the terms and conditions of the Deed of Non-competition, each of the Covenantors irrevocably and unconditionally undertakes to and covenants with our Company (for itself and as trustee for our subsidiaries) that, during the period in which the Covenantors are subject to the provisions of the deed:
 - (i) he/she/it will not, and will procure his/her/its associates and/or the companies controlled by him/her/it (other than members of our Group) not to, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be engaged in, invest in, acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) any business which is or may be similar to or in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the "**Restricted Business**");
 - (ii) if he/she/it and/or any of his/her/its close associates has received, is offered or has identified any business investment or other business opportunity that competes or may compete, directly or indirectly, with the Restricted Business (the "**New Business Opportunity**"), he/she/it and/or any of his/her/its close associates shall (i) immediately give a notice in writing to our Company in respect of such New Business Opportunity, setting out all reasonably necessary information for our Group to make an informed assessment; and (ii) use his/her/its/their best efforts to assist our Company in acquiring such New Business Opportunity at terms and conditions no less favourable than those available to him/her/it and/or his/her/its close associates;
 - (iii) neither he/she/it nor any of his/her/its close associates, directly or indirectly, carries out, participates or is engaged in, invests in, acquires or holds (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or is otherwise involved (other than through our Group) in the Restricted Business;
 - (iv) he/she/it will provide all necessary information for the Directors (including the independent non-executive Directors) to review his/her/its compliance with and implementation of the Deed of Non-competition on an annual basis and, if necessary, make annual statements in respect of his/her/its compliance with and implementation of the Deed of Non-competition in the annual reports of our Company;
 - (v) he/she/it will allow our Directors, their respective representatives and auditors to have full access to his/her/its records and/or will procure his/her/its close associates to use their best efforts to allow the Directors, their respective representatives and auditors to have full access to their records, in order for him/her/it to meet the terms and conditions of the Deed of Non-competition; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (vi) for so long as he/she/it or any of his/her/its close associates, either alone or as a whole, remains the Controlling Shareholder of our Company (within the meaning of the GEM Listing Rules) or a Director:
- (1) he/she/it will not participate in, carry on or invest in any project or business opportunity that competes or may compete, directly or indirectly, with the business conducted by our Group from time to time;
 - (2) he/she/it will, in accordance with the Articles of Association and the GEM Listing Rules, declare his/her/its interests and, where required, abstain from voting at any board meeting and/or general meeting of our Company and not be counted as quorum where required, if there is any actual or potential conflict of interests;
 - (3) he/she/it and his/her/its close associates (other than our Group) will not solicit any existing or then existing employee of our Group;
 - (4) without the consent of our Company, he/she/it will not use any information pertaining to the business of our Group which may have come to his/her/its knowledge in his/her/its capacity as the Controlling Shareholder of our Company and/or a Director for any purposes; and
 - (5) he/she/it will procure his/her/its close associates (other than our Group) not to participate in, carry on or invest in any project or business opportunity mentioned above (except pursuant to paragraph (a) below).

The non-competition undertakings made by the Covenantors do not apply in the following circumstances:

- (a) if the information on the principal terms of the New Business Opportunity has been made available to our Group and our Directors, and our Company has confirmed that it, after review by our Directors (including the independent non-executive Directors, provided that the resolution shall be approved by the majority of independent non-executive Directors at a meeting in the absence of Directors who have beneficial interest in the project or business relating to such New Business Opportunity), will refuse to operate, participate in or carry on such Restricted Business relating to such New Business Opportunity, then any close associate of the Covenantors (other than our Group) has the right to participate in, carry on or invest in any Restricted Business relating to such New Business Opportunity that has previously been offered to our Group, irrespective of the value of such business. Subject to the foregoing, if the Covenantors or any of his/her/its close associates has decided to directly or indirectly participate in, carry on or invest in any Restricted Business relating to such New Business Opportunity, they shall be subject to any conditions imposed by the independent non-executive Directors and shall disclose to our Company the terms under which they operate, participate or carry on such Restricted Business as soon as practicable; and
- (b) without prejudice to the principle of (a) above, the undertakings made by the Covenantors do not apply to any of the following:
 - (i) holding of shares or other securities issued by our Company or our subsidiaries; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) where a company is a company listed on any stock exchange recognised by national laws and holds the shares or securities in any company participating in any Restricted Business, the total interest (within the meaning of Part XV of the SFO) held by each of the Covenantors and his/her/its close associates is less than 5% of the share capital of such company.

The non-competition undertakings given by our Controlling Shareholders of our Company will take effect from the date on which dealings in our Shares first commence on the Stock Exchange and will cease to have any effect upon the earlier of the date on which:

- (a) our Controlling Shareholders and his/her/its close associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholder of our Company; or
- (b) our Shares cease to be listed on the Stock Exchange (except for temporary suspension of our Shares due to any reason).

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested;
- (2) the independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholders;
- (3) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (4) our Company will disclose decisions with basis 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 our Company;
- (5) our Controlling Shareholders will make an annual declaration on compliance with their Deed of Non-competition in the annual report of our Company;
- (6) the independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (7) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

DISCONTINUED CONNECTED TRANSACTIONS

DISCONTINUED CONNECTED TRANSACTIONS

Our Group has previously entered into certain related party transactions during the Track Record Period, the details of which are set out under note 34 to the accountants' report set out in Appendix I to this document.

General contractor works provided by PGSC

During the Track Record Period, PGSC had provided subcontracting service to our Group in the ordinary course of business and on normal commercial terms. PGSC was wholly-owned by Mr. Goh. PGSC was formed in Singapore as a sole proprietorship and was registered on 22 October 1991. It was principally engaged in provision of construction labour in Singapore immediately prior to its dissolution in January 2017. Had our Group been listed on GEM and assuming that PGSC had continued to exist, PGSC would have been a connected person of our Company pursuant to Chapter 20 of the GEM Listing Rules. The amounts of subcontracting charges payable to PGSC by our Group during the Track Record Period are summarised as follows:

	Year ended 31 December	
	2015	2016
	S\$'000	S\$'000
Sub-contracting charges	<u>686</u>	<u>986</u>

The general contractor works involved in the transactions with PGSC were mainly steel reinforcement works. The price for the general contractor works provided by PGSC to our Group was determined at arm's length basis with reference to the prevailing market price for provision of comparable general contractor works by Independent Third Parties. Based on the foregoing, our Directors are of the view, the Sole Sponsor concurred with our Directors' view, that such pricing was on normal commercial terms and is fair and reasonable to our Group.

The aforementioned transactions with PGSC commenced since April 2013 and had discontinued since December 2016. The relevant trade payables due to PGSC had been fully settled in January 2017.

DISCONTINUED CONNECTED TRANSACTIONS

Provision of labour from IBCPL

During the Track Record Period, IBCPL had provided subcontracting service and accommodation for our foreign workers to our Group in the ordinary course of business and on normal commercial terms. IBCPL was wholly-owned by Mr. Goh and was incorporated in Singapore with limited liability on 17 September 2014. It was principally engaged in provision of construction labour in Singapore immediately prior to its application for striking off in January 2017. Had our Group been listed on GEM and assuming that IBCPL had continued to exist, IBCPL would have been a connected person of our Company pursuant to Chapter 20 of the GEM Listing Rules. The amounts of subcontracting charges and dormitory charges payable to IBCPL by our Group during the Track Record Period are summarised as follows:

	Year ended 31 December	
	2015	2016
	S\$'000	S\$'000
Sub-contracting charges	820	61
Dormitory charges	<u>25</u>	<u>—</u>

The provision of labour and accommodation involved in the transactions with IBCPL were to support Project Sengkang General Hospital 1 and Project Sengkang General Hospital 2. The price for provision of labour and accommodation from IBCPL was determined at arm's length basis with reference to the prevailing market price for provision of comparable labour support and accommodation from Independent Third Parties. Based on the foregoing, our Directors are of the view, the Sole Sponsor concurred with our Directors' view, that such pricing was on normal commercial terms and is fair and reasonable to our Group.

The aforementioned transactions with IBCPL commenced since September 2014 and had discontinued since January 2016. The relevant trade payables due to IBCPL had been fully settled in January 2017.

SHARE CAPITAL

Assuming the [REDACTED] becomes unconditional and without taking into account any Shares which may be allotted and issued upon the exercise of any options to be granted under the Share Option Scheme and the [REDACTED], the authorised and issued share capital of our Company immediately following the [REDACTED] and the [REDACTED] will be as follows:

	Nominal value HK\$
Authorised share capital:	
<u>1,000,000,000</u> Shares	<u>10,000,000</u>

Shares of HK\$0.01 each in issue and to be issued, fully paid or credited as fully paid:

	Nominal value HK\$
[100] Shares in issue	[1]
[REDACTED] Shares to be issued upon completion of the [REDACTED] New Shares to be allotted and issued pursuant to the	[REDACTED]
<u>[REDACTED]</u> [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u> Shares in total	<u>[REDACTED]</u>

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant to the [REDACTED] and the [REDACTED] are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the [REDACTED] or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM [REDACTED]

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the [REDACTED] and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The [REDACTED] will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this document save for the entitlement under the [REDACTED].

SHARE CAPITAL

CIRCUMSTANCES WHERE GENERAL MEETING AND CLASS MEETING OF OUR COMPANY ARE REQUIRED

There are certain circumstances where annual general meetings or extraordinary general meetings of our Company are required under our Articles and the GEM Listing Rules. A general summary of such circumstances are set out below:

- an annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by our Board.
- our Board may, at its discretion, call extraordinary general meetings. However, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of our Company carrying the right of voting at general meetings of our Company (the “**requisitionist**”) shall have the right, by written requisition to our Board or the secretary of our Company, to require an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit our Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/itself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

Other than the above circumstances, certain corporate actions may require the approval of members, which would be obtained at a general meeting. For details, please refer to the section headed “Summary of the Constitution of our Company and Cayman Islands Companies Law” in Appendix III to this document.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] being unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with such number of Shares (otherwise than by way of rights issue or an issue of shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries of Shares or rights to acquire Shares or any scrip dividend, schemes or similar arrangements providing for the allotment and

SHARE CAPITAL

issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting) with a total number not exceeding the aggregate of:

- (i) 20% of the total number of Shares in issue immediately following the completion of the [REDACTED] and [REDACTED] (without taking into account of any Shares falling to be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme); and
- (ii) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue. This mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the section headed “Statutory and General Information — A. Further Information about Our Company — 4. Resolutions in writing of our sole Shareholder passed on [●] 2017” in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase such number of Shares as will represent up to 10% of the aggregate of the total number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account of any Shares falling to be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information about Our Company — 6. Repurchase by our Company of our own securities” in Appendix IV to this document.

This mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;

SHARE CAPITAL

- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the section headed “Statutory and General Information — A. Further Information about Our Company — 4. Resolutions in writing of our sole Shareholder passed on [●] 2017” in Appendix V to this document.

SUBSTANTIAL SHAREHOLDERS

Immediately following submission of the application proof of this document and completion of the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of share option that may be granted under the Share Option Scheme and the [REDACTED]), the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of or any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares held as at the date of the application proof of this document ^(Note 1)	Percentage of shareholding as at the date of the application proof of this document	Number of Shares held immediately after the [REDACTED] and the [REDACTED] ^(Note 1)	Percentage of shareholding immediately after the [REDACTED] and the [REDACTED]
Amber Capital	Beneficial owner	1 (L)	100%	[REDACTED] (L)	[REDACTED]%
Mr. Goh	Interest in controlled corporation ^(Note 2) Interest of spouse ^(Note 3)	1 (L)	100%	[REDACTED] (L)	[REDACTED]%
Ms. Tan	Interest in controlled corporation ^(Note 2) Interest of spouse ^(Note 3)	1 (L)	100%	[REDACTED] (L)	[REDACTED]%

Notes:

1. The letter “L” denotes the entity/person’s long position in the Shares.
2. Amber Capital is owned as to 96.77% by Mr. Goh and 3.23% by Ms. Tan. Therefore, each of Mr. Goh and Ms. Tan is deemed to be interested in the Shares held by Amber Capital pursuant to the SFO.
3. Each of Mr. Goh and Ms. Tan is spouse to each other. Therefore, Mr. Goh is deemed to be interested in the Shares held by Ms. Tan, and vice versa, pursuant to the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of share option that may be granted under the Share Option Scheme and the [REDACTED]), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED], details of which are set out under the section headed “[REDACTED] — [REDACTED] Arrangements and Expenses” of this document. Each of our Controlling Shareholders has also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

[REDACTED]

THE [REDACTED]

[REDACTED]

[REDACTED] ARRANGEMENTS AND EXPENSES

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Total commission, fee and expenses

In connection with the [REDACTED], the [REDACTED] will, and the [REDACTED] are expected to receive an [REDACTED] commission of the aggregate of [REDACTED] of the aggregate [REDACTED] of all the [REDACTED], out of which they will pay any [REDACTED] commissions. If any of [REDACTED] is exercised, the [REDACTED] commission will be calculated in the same manner with the [REDACTED] initially available for subscription. In connection with the [REDACTED], the Sole Sponsor will receive a sponsorship and documentation fee.

The aggregate commissions and estimated expenses, together with [REDACTED] fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the [REDACTED] are estimated to be approximately [REDACTED] (based on the mid-point of our indicative [REDACTED] range and assuming the [REDACTED] is not exercised) and are payable by our Company.

[REDACTED]' INTERESTS IN OUR COMPANY

Save for their respective obligations and interests under the [REDACTED] as disclosed above and the appointment of the Sole Sponsor as our compliance adviser, none of the [REDACTED] has any shareholding interest in our Company or any of our subsidiaries or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

SOLE SPONSOR'S INTEREST AND INDEPENDENCE

Save as disclosed in this document, and for advisory and documentation fee paid and to be paid to Guotai Junan Capital Limited as the Sole Sponsor in connection with the [REDACTED] and as our compliance adviser with effect from the [REDACTED], neither Guotai Junan Capital Limited nor any of

[REDACTED]

its close associates has or may, as a result of the [REDACTED] and [REDACTED], have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities).

No director or employee of Guotai Junan Capital Limited who is involved in providing advice to our Company has or, as a result of the [REDACTED] and/or the [REDACTED], may have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities). No director or employee of Guotai Junan Capital Limited has any directorship in our Company or any other members of our Group.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set forth in Rule 6A.07 of the GEM Listing Rules.

MINIMUM [REDACTED]

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the [REDACTED].

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

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ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF INDIGO STAR HOLDINGS LIMITED AND GUOTAI JUNAN CAPITAL LIMITED

We report on the historical financial information of Indigo Star Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on I-4 to I-43, which comprises the combined statement of financial position as at 31 December 2015 and 2016 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 periods then ended (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on I-4 to I-43 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Growth Enterprises Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company 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 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 Historical Financial Information that

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ACCOUNTANTS' REPORT

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, 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 this accountants' report on Historical Financial Information, a true and fair view of the Group's financial position as at 31 December 2015 and 2016 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on I-3 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends paid by the Group in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hon Koon Fai, Alex

Practising Certificate Number: P05029

Hong Kong

[●]

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ACCOUNTANTS' REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the audited financial statements of Interno Engineering (1996) Pte. Ltd. (the "IEPL") for the Track Record Period ("IEPL Financial Statements") and management accounts of Interno Construction Pte. Ltd. (the "ICPL") for the Track Record Period ("ICPL Management Accounts"), both prepared in accordance with accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB"). The IEPL Financial Statements were audited by CA TRUST PAC in accordance with the Singapore Financial Reporting Standards ("SFRSs") issued by the Accounting Standards Council in Singapore (the "Underlying Financial Statements").

The Historical Financial Information is presented in Singapore dollars ("S\$").

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ACCOUNTANTS' REPORT

Combined Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December 2015 S\$'000	Year ended 31 December 2016 S\$'000
	<i>Notes</i>		
Revenue	6	29,942	30,068
Direct cost		<u>(24,122)</u>	<u>(24,286)</u>
Gross profit		5,820	5,782
Other (expenses)/income, net	8	(340)	163
Administrative expenses		(2,580)	(2,626)
Finance costs	9	<u>(23)</u>	<u>(37)</u>
Profit before taxation	<i>10</i>	2,877	3,282
Income tax expense	<i>13</i>	<u>(374)</u>	<u>(308)</u>
Profit for the year		<u>2,503</u>	<u>2,974</u>
Profit and other comprehensive income for the year		<u><u>2,503</u></u>	<u><u>2,974</u></u>

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ACCOUNTANTS' REPORT

Combined Statements of Financial Position

		As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Investment property	17	268	263
Property, plant and equipment	18	2,403	2,297
Retention sum receivables	19	<u>2,777</u>	<u>4,155</u>
		<u>5,448</u>	<u>6,715</u>
Current assets			
Trade and retention sum receivables	19	10,156	2,684
Amounts due from customers for contract works	20	710	4,426
Prepayments, deposits and other receivables	21	836	883
Amounts due from directors	22	2,294	4,491
Amounts due from related companies	23	130	93
Cash and cash equivalents	24	<u>4,252</u>	<u>7,015</u>
		<u>18,378</u>	<u>19,592</u>
Current liabilities			
Trade and retention sum payables	25	1,194	1,499
Amounts due to customers for contract works	20	5,972	5,282
Other payables and accruals	26	3,772	6,513
Amount due to a director	27	966	954
Amounts due to related companies	28	604	706
Bank borrowing	29	860	771
Obligations under finance leases	30	197	188
Tax payables		<u>632</u>	<u>414</u>
		<u>14,197</u>	<u>16,327</u>
Net current assets		<u>4,181</u>	<u>3,265</u>
Total asset less current liabilities		<u>9,629</u>	<u>9,980</u>
Non-current liabilities			
Obligations under finance leases	30	<u>306</u>	<u>183</u>
Net assets		<u><u>9,323</u></u>	<u><u>9,797</u></u>

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ACCOUNTANTS' REPORT

		As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
	<i>Notes</i>		
CAPITAL AND RESERVES			
Share capital	<i>31</i>	3,100	3,100
Reserves	<i>32</i>	<u>6,223</u>	<u>6,697</u>
Total equity		<u><u>9,323</u></u>	<u><u>9,797</u></u>

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ACCOUNTANTS' REPORT

Combined Statements of Changes in Equity

	Share capital <i>S\$'000</i>	Retained earnings <i>S\$'000</i>	Total <i>S\$'000</i>
As at 1 January 2015	600	4,780	5,380
Dividends	—	(1,060)	(1,060)
Issue of new shares	2,500	—	2,500
Profit and total comprehensive income for the year	<u>—</u>	<u>2,503</u>	<u>2,503</u>
As at 31 December 2015 and 1 January 2016	3,100	6,223	9,323
Dividends	—	(2,500)	(2,500)
Profit and total comprehensive income for the year	<u>—</u>	<u>2,974</u>	<u>2,974</u>
As at 31 December 2016	<u><u>3,100</u></u>	<u><u>6,697</u></u>	<u><u>9,797</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

Combined Statements of Cash Flows

	Year ended 31 December 2015 S\$'000	Year ended 31 December 2016 S\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,877	3,282
Adjustments for:		
Depreciation	241	309
Finance costs	23	37
Bad debt provision	525	—
Written off property, plant and equipment	3	—
Gain on disposal of property, plant and equipment	<u>(93)</u>	<u>(37)</u>
Operating cash flows before movements in working capital	3,576	3,591
(Increase)/decrease in trade and retention sum receivables	(7,021)	6,094
Decrease/(increase) in amounts due from customers for contract works	2,587	(3,716)
Increase in prepayments, deposits and other receivables	(109)	(47)
(Increase)/decrease in amounts due from related companies	(130)	37
(Decrease)/increase in trade and retention sum payables	(717)	305
Increase/(decrease) in amounts due to customers for contract works	5,134	(690)
(Decrease)/increase in other payables and accruals	(396)	2,741
(Decrease)/increase in amounts due to related companies	<u>(16)</u>	<u>102</u>
Cash generated from operating activities	2,908	8,417
Income tax paid	(132)	(534)
Income tax refund	<u>131</u>	<u>8</u>
Net cash generated from operating activities	<u>2,907</u>	<u>7,891</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(286)	(144)
Proceeds on disposal of property, plant and equipment	<u>—</u>	<u>48</u>
Net cash used in investing activities	<u>(286)</u>	<u>(96)</u>

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ACCOUNTANTS' REPORT

	Year ended 31 December 2015 S\$'000	Year ended 31 December 2016 S\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance to directors	(69)	(2,209)
Repayment of bank borrowing	(93)	(89)
Repayment of finance leases	(84)	(197)
Finance costs	(23)	(37)
Dividend paid	<u>(1,060)</u>	<u>(2,500)</u>
Net cash used in financing activities	(1,329)	(5,032)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,292	2,763
Cash and cash equivalents at the beginning of the year	<u>2,960</u>	<u>4,252</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u><u>4,252</u></u>	<u><u>7,015</u></u>

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ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 8 March 2017. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is at #03–08 Quartz Industrial Building, 5 Upper Aljunied Link, Singapore 367903.

The Company is an investment holding company. During the Track Record Period, the Group was principally engaged in provision of structural reinforced and concrete works in buildings and civil engineering works.

The Historical Financial Information is presented except when otherwise indicated, which is the functional currency of the Company and its principal subsidiaries (Note 40).

2. REORGANISATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the Reorganisation as fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” of the document, the Company become the holding company of the companies now comprising the Group on [●]. The companies now comprising the Group were under the common control of Mr. Goh and Ms. Tan before and after the Reorganisation. Accordingly, the Financial Information has been prepared on the basis by applying the principles of merger accounting as if the Reorganisation has been completed at the beginning of the Track Record Period.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows include the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout the Track Record Period or since their respective date of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 December 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganisation had been in existence as at those dates, taking into account the respective dates of incorporation.

All intra-group transactions and balances have been eliminated on combination.

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ACCOUNTANTS’ REPORT

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRSs that are effective for the financial year beginning on 1 January 2016 throughout the Track Record Period.

At the date of issuance of this report, the Group has not early applied the following new and amendments to IFRSs and International Accounting Standards (“IASs”) that have been issued but are not yet effective:

IFRS 9	Financial Instruments ²
IFRS 15	Revenue from Contracts with Customers ²
IFRS 16	Leases ³
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transaction ²
Amendments to IFRS 4	Insurance Contracts ²
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers ²
Amendments to IFRS 10 and IAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 7	Disclosure Initiative ¹
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to IAS 40	Transfers of Investment Property ²
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to IFRSs	Annual Improvement Cycle 2014–2016 ⁵

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after a date to be determined

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Except as described below, the management of the Group consider that the application of the other new and revised standards and amendments is unlikely to have a material impact on the Group’s financial position and performance as well as disclosure to be set out in the future financial statement of the Group.

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Specifically, pursuant to IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments*:

Key requirements of IFRS 9 are described below:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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ACCOUNTANTS' REPORT

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39 *Financial Instruments, Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39 under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for the potential early recognition of credit losses based on the expected credit loss model in relation to the Group's Financial assets measured at amortised costs, the management of the Group anticipates that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2016.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity 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.

For more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's combined financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

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ACCOUNTANTS’ REPORT

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 33, total operating lease commitments as lessee of the Group as at 31 December 2016 approximately S\$1,212,000. The new requirement to recognize a right-of-use asset and a related lease liability may have an impact on the amount recognized in the Group’s combined financial statement in the future and the directors of the Company are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete the review.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with IFRSs issued by the IASB. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

Basis of preparation

The Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for 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 Group takes into account the characteristics of the asset or liability if market participants. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the of IAS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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 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 principal accounting policies are set out below.

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Basis of combination

The combined financial statements incorporate the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved when a company:

- 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 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.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Merger accounting for common control combination

The Financial Information incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution 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 or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully combined from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

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The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statements of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the group's combined financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the group does not recognise its share of the gains and losses until it resells those assets to a third party.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payment. Contract costs include costs that related directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Contract costs are recognised when incurred and costs that relate directly to a specific contract comprise site labour costs; costs of subcontracting; costs of materials used in construction and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the Track Record Period.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable

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to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. When progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) *Construction contracts income*

Revenue from construction contracts is recognised based on the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract.

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Rental income*

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Leases

Leases are classified as finance lease 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.

The Group as lessee

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Singapore dollars) using exchange rates prevailing at the end of each reporting period. Income and expense 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 foreign currency translation reserve (attributable to non-controlling interests as appropriate).

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 a joint arrangement or 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.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributable to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are included.

Employee benefits

Defined contribution plans

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which they become payable in accordance with the scheme.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

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(a) Current income tax

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The 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.

(b) Deferred tax

Deferred tax is recognised on 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 deferred tax assets and liabilities are not recognised if the temporary difference arises 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 and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference 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 in which the liability is settled or the asset 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

(c) Current and deferred tax for the Track Record Period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(d) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the combined statements of financial position.

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets 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.

An item of 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 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.

The property, plant and equipment are depreciated over their estimated useful lives or amortised over the lease period on a straight-line basis as follow:

Leasehold property	60 years
Leasehold improvement	3 years
Furniture and fixture	5 years
Machinery and equipment	1 to 6 years
Motor vehicle	5 years

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over the lease term and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Impairment of assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets with finite useful lives 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 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.

Recoverable amount is the higher of fair value less costs to sell 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.

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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.

When 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the 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 (where 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.

Financial instruments

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

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 Track Record Period. 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) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and retention sum receivables, amounts due from customers for contract works, deposits, other receivables, amount due from a related company, amounts due from directors and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

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Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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 investment have been affected.

For loans and receivables, 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; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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 Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as 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 estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as 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 the Group are recognised at the proceeds received, net of direct issue costs.

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Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities including trade and retention sum payables, amounts due to customers for contract works, other payables and accruals, amount due to director, amount due to a related company, bank borrowing and obligation under finance lease are subsequently measured at amortised cost using the effective interest method.

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 Track Record Period. 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 net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The 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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Related parties transactions

A party is considered to be related to the Group if:

- (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 the key management personnel of the Group or of a parent of the Group;
- (b) an entity is related to the Group if any of the following conditions applies:

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- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
- (ii) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group (which the other entity is a member);
- (iii) the entity and the Group 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 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 the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealing with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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For assets and liabilities that are recognised in the Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and at banks that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

Dividends

Dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

Management is of the opinion that there is no significant judgement, apart from those involving estimations, made in applying accounting policies that has a significant effect on the amounts recognised in the Financial Information.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Construction contract revenue recognition

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and provision for claims, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual

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amounts incurred. The provision for claims is determined on the basis of the delay in the number of workdays of the completion of the construction works which is highly subjective and is subject to negotiation with the customers. Management conducts periodic review of the provisioning amount.

Significant judgement is required in estimating the contract revenue, contract costs, variation works and provision for claims which may have an impact in terms of percentage of completion and profit taken. Management based their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any disagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

Impairment of trade and retention sum receivable and other receivables

The Group's management assesses the collectability of trade and retention sum receivable and other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on, where appropriate, the evaluation of collectability and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstanding, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting date. The carrying amounts of trade and retention sum receivable and other receivables are disclosed in Notes 19 and 21, respectively.

Impairment of property, plant and equipment

The Group reviews its property, plant and equipment for indications of impairment at each reporting period. In analyzing potential impairments identified, the Group uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Income tax expense

The Group has exposure to income taxes in Singapore. In determining the income tax liabilities, management is required to estimate the amount of capital allowances, deductibility of certain expenses and applicable tax incentives. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax recognised in the period in which such determination is made. The carrying amounts of the Group's current income tax liabilities as at 31 December 2015 and 2016 were S\$632,000 and S\$414,000 respectively.

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future period is adjusted if there are significant changes from previous estimates.

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6. REVENUE

	Year ended 31 December 2015	Year ended 31 December 2016
	<i>S\$'000</i>	<i>S\$'000</i>
General building projects	28,873	21,859
Civil engineering projects	<u>1,069</u>	<u>8,209</u>
	<u>29,942</u>	<u>30,068</u>

7. SEGMENT INFORMATION

During the Track Record Period, the Group operates in one operating segment which is the provision of structural reinforced and concrete works in general building and civil engineering works. A single management team reports to the directors of the Group (being the chief operating decision-maker) who comprehensively manage the entire business. Accordingly, the Group does not present separately segment information. In addition, all of the Group's revenue is generated in Singapore and all of the Group's assets and liabilities are located in Singapore. Accordingly, no business or geographical segment information is presented.

Revenue from major customers

Revenue from customers during the Track Record Period over 10% of the Group's total revenue is as follows:

	Year ended 31 December 2015	Year ended 31 December 2016
	<i>S\$'000</i>	<i>S\$'000</i>
Customer A	13,302	4,940
Customer B	6,659	3,195
Customer C	5,401	12,716
Customer D (<i>Note 1</i>)	3,233	—
Customer E (<i>Note 2</i>)	<u>—</u>	<u>6,815</u>
	<u>28,595</u>	<u>27,666</u>

Note 1: No information on revenue for the year ended 2016 is disclosed for this customer since it contributed less than 10% to the Group's total revenue.

Note 2: No information on revenue for the year ended 2015 is disclosed for this customer since it contributed less than 10% to the Group's total revenue.

Geographical information

The Group principally operates in Singapore, also the place of domicile. All revenue are derived from Singapore based on the location of services delivered and the Group's property, plant and equipment are all located in Singapore.

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8. OTHER (EXPENSES)/INCOME, NET

	Year ended 31 December 2015 S\$'000	Year ended 31 December 2016 S\$'000
Government grants	87	82
Rental income	3	28
Gain on disposal of property, plant and equipment, net	93	37
Written off property, plant and equipment	(3)	—
Bad debt provision	(525)	—
Sundry income	5	16
	<u>(340)</u>	<u>163</u>

9. FINANCE COSTS

	Year ended 31 December 2015 S\$'000	Year ended 31 December 2016 S\$'000
Interest on:		
Bank borrowing		
— wholly repayable on demand	16	25
Obligations under finance leases	7	12
	<u>23</u>	<u>37</u>

10. PROFIT BEFORE TAXATION

Profit before taxation for the Track Record Period has been arrived at after charging:

	Year ended 31 December 2015 S\$'000	Year ended 31 December 2016 S\$'000
Auditors' remuneration	16	29
Material used	2,310	6,482
Subcontracting charges	5,771	5,533
Bad debt provision	525	—
Employee benefit expenses (including directors' remuneration)		
Salaries and other employee benefits	15,747	12,825
Contributions to CPF	201	225
	<u>15,948</u>	<u>13,050</u>
Depreciation on property, plant and equipment	240	304
Depreciation on investment property	1	5
	<u>1</u>	<u>5</u>

11. DIRECTORS' EMOLUMENTS

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Track Record Period since the Company was only incorporated subsequent to the end of the Track Record Period on 8 March 2017.

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Subsequent to the end of the Track Record Period, Ms. Tan Soh Kuan, Mr. Goh Cheng Seng, and Mr. Ng Sai Cheong were appointed as executive directors of the Company on 8 March 2017 and 5 April 2017, respectively.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December 2015				
	Directors' fees	Salaries and bonuses	CPF contributions	Other short-term benefits	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Executive directors:					
Ms. Tan Soh Kuan	—	480	21	—	501
Mr. Goh Cheng Seng	—	348	18	—	366
Ms. Wu Wei Ling (<i>Note a</i>)	—	17	3	—	20
Mr. Ng Sai Cheong (<i>Note b</i>)	—	—	—	—	—
	—	845	42	—	887

	Year ended 31 December 2016				
	Directors' fees	Salaries and bonuses	CPF contributions	Other short-term benefits	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Executive directors:					
Ms. Tan Soh Kuan	—	610	25	—	635
Mr. Goh Cheng Seng	—	419	23	—	442
Ms. Wu Wei Ling (<i>Note a</i>)	—	21	3	—	24
Mr. Ng Sai Cheong (<i>Note b</i>)	—	—	—	—	—
	—	1,050	51	—	1,101

Notes:

- (a) Ms. Wu Wei Ling was resigned as director of Interno Construction Pte. Ltd. on 9 December 2016.
- (b) Mr. Ng Sai Cheong was appointed as executive director of the Group on 5 April 2017.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Track Record Period.

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12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2015 and 2016 included 2 directors, and details of whose remuneration are set out in Note 11 above. Details of the remuneration of the remaining 3 highest paid employees who are not a director during the Track Record Period are as follows:

	Year ended 31 December 2015 S\$'000	Year ended 31 December 2016 S\$'000
Salaries and bonuses	285	295
CPF contributions	<u>11</u>	<u>7</u>
	<u>296</u>	<u>302</u>

The number of non-director highest paid employees whose emoluments fell within the following bands is as follows:

	Year ended 31 December 2015	Year ended 31 December 2016
Nil to HK\$1,000,000 (equivalent to Nil to S\$180,505)	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to the 3 highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the 3 highest paid individuals have waived any remuneration during the Track Record Period.

13. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The Singapore Corporate Income Tax rate was 17% during the Track Record Period. Income tax expense for the Group relates wholly to the profits of the subsidiaries, which were taxed at a statutory tax rate of 17% in Singapore. Major components of income tax expense for the years ended 31 December 2015 and 2016 are:

	Year ended 31 December 2015 S\$'000	Year ended 31 December 2016 S\$'000
Current tax		
— Singapore Corporate Income Tax ("CIT")	374	399
Over provision in respect of prior years	<u>—</u>	<u>(91)</u>
	<u>374</u>	<u>308</u>

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A reconciliation of the tax expense applicable to profit before tax at the statutory rate for country in which the Company’s subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December 2015 S\$’000	Year ended 31 December 2016 S\$’000
Profit before taxation	<u>2,877</u>	<u>3,282</u>
Income tax using the statutory tax rate	489	558
Non-deductible expenses	75	47
Non-taxable incomes	(15)	—
Effect of tax exemption and tax relief	(175)	(206)
Over provision in prior year	<u>—</u>	<u>(91)</u>
	<u><u>374</u></u>	<u><u>308</u></u>

For the years ended 31 December 2015 and 2016 the Group has no tax loss brought forward from prior years to offset against the assessable profit in the future.

14. DIVIDENDS

In 2015, IEPL declared a tax exempt interim dividend amounting to S\$1,060,000 to its shareholder in respect of the financial year ended 31 December 2015.

In 2016, IEPL declared a tax exempt interim dividend amounting to S\$2,500,000 to its shareholder in respect of the financial year ended 31 December 2016.

Subsequent to the end of the Track Record Period, special dividend of approximately S\$4,500,000 has been proposed by the directors of IEPL and subject to approval by the shareholders.

The rate of dividend and number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

No dividend was paid or declared by the Company since its incorporation.

15. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful because the number of shares as at the end of each of the Track Record Period will be different from the number of shares immediately after the completion of the Reorganisation.

16. JOINT OPERATION

The Company has 50% of interest in a joint arrangement, the formwork portion of Tanjong Pagar Mixed Development (the “TPMD”) Project. The Company classified the joint arrangement as a joint operation and recognized profit or loss resulting from the activities of the arrangement jointly, its share of assets held jointly and liabilities incurred jointly.

The details of the joint operation as at 31 December 2015 and 2016 are as follows:

Name	Place of operation	Participating shares		Principal activity
		Year ended 31 December 2015	Year ended 31 December 2016	
Formwork portion of TPMD	Singapore	50%	50%	Formwork Constructions

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17. INVESTMENT PROPERTY

	Total S\$'000
Cost	
As at 1 January 2015	—
Transfer from property, plant and equipment	<u>300</u>
As at 31 December 2015 and 1 January 2016	300
Additions	<u>—</u>
As at 31 December 2016	<u><u>300</u></u>
Accumulated depreciation	
As at 1 January 2015	—
Transfer from property, plant and equipment	31
Provided for the year	<u>1</u>
As at 31 December 2015 and 1 January 2016	32
Provided for the year	<u>5</u>
As at 31 December 2016	<u><u>37</u></u>
Net book values	
As at 31 December 2016	<u><u>263</u></u>
As at 31 December 2015	<u><u>268</u></u>
Fair value	
As at 31 December 2016	<u><u>610</u></u>
As at 31 December 2015	<u><u>570</u></u>

The investment property of the Group consists of an industrial building used for rental income generation purpose. It was located at 50 Serangoon North Avenue 4 #04-21 Singapore 555856 on a leasehold land. The estimated useful life of the investment property is 60 years. The investment property is stated at cost less accumulated depreciation and any impairment loss. Fair value is determined by a market comparison method by taking into account the movement of the industrial property market index in Singapore. The fair value of the investment property has been carried out by an independent valuer, Colliers International (Hong Kong) Limited (located at Suite 5701, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong), who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value disclosed is categorised as Level 3 valuation. Significant increases/decreases in the unobservable input would result in a significant higher/lower fair value measurement. The highest and best use of the investment property of the Group does not differ from its current use.

The investment property was secured for the Group's mortgage loan (Note 29).

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18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property S\$'000	Leasehold improvement S\$'000	Furniture and fixture S\$'000	Machinery and equipment S\$'000	Motor vehicles S\$'000	Total S\$'000
Cost						
As at 1 January 2015	1,860	196	67	167	656	2,946
Additions	—	—	48	726	12	786
Write-off	—	—	(5)	—	—	(5)
Transfer to investment property	(300)	—	—	—	—	(300)
As at 31 December 2015 and 1 January 2016	1,560	196	110	893	668	3,427
Additions	—	—	4	78	127	209
Disposal	—	—	—	—	(13)	(13)
As at 31 December 2016	<u>1,560</u>	<u>196</u>	<u>114</u>	<u>971</u>	<u>782</u>	<u>3,623</u>
Accumulated depreciation						
As at 1 January 2015	54	97	20	167	479	817
Provided for the year	32	49	16	50	93	240
Write-off	—	—	(2)	—	—	(2)
Transfer to investment property	(31)	—	—	—	—	(31)
As at 31 December 2015 and 1 January 2016	55	146	34	217	572	1,024
Provided for the year	27	50	15	152	60	304
Disposal	—	—	—	—	(2)	(2)
As at 31 December 2016	<u>82</u>	<u>196</u>	<u>49</u>	<u>369</u>	<u>630</u>	<u>1,326</u>
Net book values						
As at 31 December 2016	<u>1,478</u>	<u>—</u>	<u>65</u>	<u>602</u>	<u>152</u>	<u>2,297</u>
As at 31 December 2015	<u>1,505</u>	<u>50</u>	<u>76</u>	<u>676</u>	<u>96</u>	<u>2,403</u>

(a) The net book value of property, plant and equipment held under finance lease obligations comprise:

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Cost	1,368	1,482
Less: Accumulated depreciation	(607)	(805)
Net book value	<u>761</u>	<u>677</u>

(b) As at 31 December 2015 and 2016, property, plant and equipment with carrying amount of approximately S\$1,505,000 and S\$1,478,000 respectively were secured for the secured mortgage loan as below mentioned in Note 29.

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19. TRADE AND RETENTION SUM RECEIVABLES

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Trade receivables	9,693	1,792
Retention sum receivables	<u>3,765</u>	<u>5,572</u>
	13,458	7,364
Less: Provision for bad debt	<u>(525)</u>	<u>(525)</u>
	<u><u>12,933</u></u>	<u><u>6,839</u></u>

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Current portion	10,156	2,684
Non-current portion	<u>2,777</u>	<u>4,155</u>
	<u><u>12,933</u></u>	<u><u>6,839</u></u>

During the Track Record Period, credit period granted to the Group's customers generally within 35 days from invoice date of the relevant contract revenue. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract.

The non-current portion represented retention sum receivables only.

Based on invoices date, ageing analysis of the Group's trade and retention sum receivables as at the end of each of the Track Record Period is as follows:

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
0 to 30 days	6,592	1,794
31 to 90 days	3,448	308
91 to 180 days	499	438
181 to 365 days	264	920
Over 1 year but less than 2 years	1,830	1,430
Over 2 years	<u>300</u>	<u>1,949</u>
	<u><u>12,933</u></u>	<u><u>6,839</u></u>

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Ageing analysis of the Group's trade and retention sum receivables as at the end of each of the Track Record Period that are past due but not impaired is as follows:

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Neither past due nor impaired	8,694	5,627
1 to 30 days	2	61
31 to 90 days	185	—
91 to 180 days	3,751	164
181 to 365 days	—	21
Over 1 year but less than 2 years	210	754
Over 2 years	<u>91</u>	<u>212</u>
	<u>12,933</u>	<u>6,839</u>

The Group's trade and retention sum receivables as at the reporting dates that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that trade and retention sum receivables that were past due but not impaired under review are of good credit quality. The Group does not hold any collateral in respect of trade and retention sum receivables past due but not impaired.

The carrying amount of trade and retention receivables approximate their fair values.

20. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Contract cost incurred plus recognised profit less recognised loss	43,769	38,081
Less: Progress billings	<u>(49,031)</u>	<u>(38,937)</u>
	<u>(5,262)</u>	<u>(856)</u>

Analyses for reporting purposes as:

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Amounts due from customers for contract works	710	4,426
Amounts due to customers for contract works	<u>(5,972)</u>	<u>(5,282)</u>
	<u>(5,262)</u>	<u>(856)</u>

All amounts due from/(to) customers for contract works are expected to be recovered/settled within one year.

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21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Prepayments	52	15
Deposits (<i>Note</i>)	723	530
Other receivables	<u>61</u>	<u>338</u>
	<u><u>836</u></u>	<u><u>883</u></u>

Note: As at 31 December 2015 and 2016, deposits mainly represented the amount paid for workers accommodation at approximately S\$448,000 and S\$174,000 respectively.

22. AMOUNTS DUE FROM DIRECTORS

	Maximum balance outstanding during the year ended		As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
	31 December 2015 S\$'000	31 December 2016 S\$'000		
Goh Cheng Seng	2,772	4,516	2,281	4,491
Wu Wei Ling (<i>Note</i>)	13	13	<u>13</u>	<u>—</u>
			<u><u>2,294</u></u>	<u><u>4,491</u></u>

The amounts due from directors which were in non-trade nature are unsecured, interest free and recoverable on demand.

Note: Ms. Wu Wei Ling was resigned as director of Interno Construction Pte. Ltd. on 9 December 2016. The balance of amount due from Wu Wei Ling at approximately S\$220,000 was transferred to other receivable.

23. AMOUNTS DUE FROM RELATED COMPANIES

	Maximum balance outstanding during the year ended		As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
	31 December 2015 S\$'000	31 December 2016 S\$'000		
Interno Building Construction Pte Ltd	37	37	37	—
CM Goh Crane Service	93	93	<u>93</u>	<u>93</u>
			<u><u>130</u></u>	<u><u>93</u></u>

The amounts due from related companies which were in trade nature are unsecured, interest free and recoverable on demand.

For the relationship with the Group, please refer to Related Party Transactions at Note 34.

24. CASH AND CASH EQUIVALENTS

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Cash and bank balances	<u>4,252</u>	<u>7,015</u>

At the end of each of the Track Record Period, cash and bank balances were denominated in Singapore dollars.

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25. TRADE AND RETENTION SUM PAYABLES

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Trade payables	1,056	1,335
Retention sum payables	<u>138</u>	<u>164</u>
	<u><u>1,194</u></u>	<u><u>1,499</u></u>

Trade and retention sum payables are non-interest bearing. Trade payables are generally settled on 30-day terms. The terms and conditions in relation to the release of retention vary from contract to contract, which usually within 1 year and subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

As at 31 December 2015 and 2016, trade and retention sum payables were denominated in Singapore dollars.

Ageing analysis of trade and retention sum payables as at the reporting dates is as follows:

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
0 to 30 days	420	694
31 to 90 days	345	445
91 to 180 days	47	44
Over 180 days	<u>382</u>	<u>316</u>
	<u><u>1,194</u></u>	<u><u>1,499</u></u>

26. OTHER PAYABLES AND ACCRUALS

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Accrued operating expenses (<i>Note a</i>)	2,130	5,566
Other payables (<i>Note b</i>)	892	646
GST payable	<u>750</u>	<u>301</u>
	<u><u>3,772</u></u>	<u><u>6,513</u></u>

Note:

- (a) As at 31 December 2015 and 2016, accrued operating expenses mainly represented the accrued salaries of approximately S\$1,324,000 and S\$1,843,000 respectively and materials of approximately S\$93,000 and S\$1,357,000 respectively.
- (b) As at 31 December 2015 and 2016, other payables mainly represented amount due to Octagon Consultancy Service Pte. Limited which related to the joint operation project described at Note 16 of approximately S\$687,000 and S\$637,000 respectively.

27. AMOUNT DUE TO A DIRECTOR

The amount due to a director which was in non-trade nature is unsecured, interest free and repayable on demand.

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28. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies which were in trade nature are unsecured, interest free and repayable on demand.

29. BANK BORROWING

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Secured mortgage loan	<u>860</u>	<u>771</u>

Note: As at 31 December 2015 and 2016, the bank borrowing of approximately S\$860,000 and S\$771,000 respectively was secured by the pledge of certain Group's property plant and equipment (Note 18), investment property (Note 17) which carries variable effective interest rate from approximately 3.05% to 3.42% per annum.

30. OBLIGATIONS UNDER FINANCE LEASES

The total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payment		Present value of minimum lease payment	
	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Amount payable under finance leases:				
Within one year	209	199	197	188
In the second to fifth year, inclusive	<u>322</u>	<u>193</u>	<u>306</u>	<u>183</u>
Less: Finance charges	531 <u>(28)</u>	392 <u>(21)</u>	503 <u>N/A</u>	371 <u>N/A</u>
	<u>503</u>	<u>371</u>	<u>503</u>	<u>371</u>

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Current portion	197	188
Non-current portion	<u>306</u>	<u>183</u>
	<u>503</u>	<u>371</u>

As at 31 December 2015 and 2016, the Group has leased the motor vehicles and a heavy machinery under finance leases. The lease term is 3 years. Effective interest rate underlying all obligations under finance leases are fixed at respective contract dates ranged from approximately 3.65% to 6.00% per annum. Obligations under finance leases are denominated in Singapore dollars.

The obligations under finance leases are secured by the lessor's charge over the leased assets and pledged by fixed deposits and the relevant heavy machinery.

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31. SHARE CAPITAL

The Company was incorporated on 8 March 2017 and the Reorganisation was only completed on [●], hence, the paid-in capital in the combined statements of financial position as at 31 December 2015 and 2016 was Nil.

32. RESERVES

The amounts of the Group's reserves and the movements therein for each reporting period during the Track Record Period are presented in the combined statements of changes in equity.

Merger reserve represents the aggregate issued paid-up capital of the subsidiaries now comprising the Group.

33. OPERATING LEASE COMMITMENTS

(a) As lessor

Future minimum lease rental receivables under non-cancellable operating leases of the Group as at the reporting dates are as follows:

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Within one year	32	34
Within two to five years	<u>27</u>	<u>46</u>
	<u><u>59</u></u>	<u><u>80</u></u>

The Group leases its investment property under operating leases. The leases run for an initial period of 1 to 2 years. None of these leases includes any contingent rentals.

(b) As lessee

Future minimum rental payables under non-cancellable operating lease of the Group in respect of as at the reporting dates are as follows:

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Within one year	1,047	1,212
Within two to five years	<u>—</u>	<u>—</u>
	<u><u>1,047</u></u>	<u><u>1,212</u></u>

The Group leases dormitories and site equipments under non-cancellable operating leases. The leases run for an initial period of 6 months to 2.5 years, with options to renew the lease terms upon expiry when all terms are re-negotiated. None of these leases includes any contingent rentals.

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34. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial information, the following transactions took place between the Group and related parties at terms agreed between the parties:

- (a) Compensation paid to key management personnel of the Group represented are disclosed in Note 11.
- (b) During the Track Record Period, Mr Goh has entered into personal guarantee agreements with United Oversea Bank Limited to secure performance bonds and bank loan on behalf of the Group amounted to S\$2,130,000 and S\$300,000 respectively.

During the Track Record Period, Ms. Tan has executed Letter of Charge and Set-off in respect of Fixed Deposits of not less than S\$300,000 to be placed with United Oversea Bank Limited for securing performance bond on behalf of the Group.

- (c) During the Track Record Period, the Group had the following transactions with related parties:

Name of the related party	Nature of transactions	Year ended	Year ended
		31 December 2015 S\$'000	31 December 2016 S\$'000
Prowess General Service Contractor ("Prowess") (Note 1)	Subcontracting charges	686	986
Interno Building Construction Pte. Ltd. ("IBCPL") (Note 1)	Subcontracting charges	820	61
	Accommodation	25	—
CM Goh Crane Service (Note 2)	Sell of written-off machine	93	—

Notes:

- 1. Prowess and IBCPL are held by Mr. Goh, who is the common director of the Group.
- 2. CM Goh Crane Service is held by Mr. Goh Chin Min, who is the brother of the Group executive director, Mr. Goh Cheng Seng.

35. NON-CASH TRANSACTION

During the year ended 31 December 2015 and 2016, the additions of property, plant and equipment was partly settled by the agreement of Hire Purchase Facility of S\$500,000 and S\$65,000 respectively.

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36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Period are as follows:

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Financial assets		
<i>Loans and receivables:</i>		
— Trade and retention sum receivables	12,933	6,839
— Financial assets included in deposits and other receivables	631	832
— Amounts due from directors	2,294	4,491
— Amounts due from related companies	130	93
— Cash and cash equivalents	<u>4,252</u>	<u>7,015</u>
	<u>20,240</u>	<u>19,270</u>

	As at 31 December 2015 S\$'000	As at 31 December 2016 S\$'000
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
— Trade and retention sum payables	1,194	1,499
— Other payables and accruals	3,772	6,513
— Amount due to a director	966	954
— Amounts due to related companies	604	706
— Bank borrowing	860	771
— Obligations under finance leases	<u>503</u>	<u>371</u>
	<u>7,899</u>	<u>10,814</u>

37. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of the Group's financial assets, including cash and cash equivalents, trade and retention sum receivables, other receivables, amounts due from directors, amount due from related companies, and deposit paid and the Group's financial liabilities, including trade and retention sum payables, other payables and accruals, bank borrowing, amount due to a director, amount due to related companies, and finance leases payable, approximate their fair values due to their short maturities. The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group and the Company for similar financial instruments.

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the Track Record Period. There were no transfers between levels 1 and 2 during the Track Record Period.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk concentration profile

(a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and cash equivalents, trade and retention sum receivables, amounts due from directors, amount due from related companies and other receivables. For trade and retention sum receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

The Group assesses concentration of credit risk by monitoring the individual profile of its trade and retention sum receivables on an ongoing basis.

At 31 December 2015 and 2016, approximately 98.0% and 97.3% respectively of the Group's trade and retention sum receivables were due from the top five customers.

(i) Financial assets that are neither past due nor impaired

Cash at bank that are neither past due nor impaired are placed with reputable financial institutions with high credit-ratings. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due but not impaired

Trade and retention sum receivables that are past due but not impaired are substantially due from companies with recognised and creditworthy counterparties. The balances are monitored on an ongoing basis to ensure the exposure to credit risk is minimal. Information regarding financial assets that are past due but not impaired is disclosed in Note 19 to the Financial Information.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, such as maintaining sufficient cash and cash equivalents as disclosed in Note 24 to the Financial Information.

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The table below summaries the maturity profile of the Group’s financial liabilities at the end of each of the Track Record Period based on contractual undiscounted repayment obligations.

	Weighted average effective interest rate %	On demand or within 1 year S\$’000	More than 1 year but less than 2 years S\$’000	More than 2 year but less than 5 years S\$’000	Over 5 years S\$’000	Total undiscounted cash flows S\$’000	Carrying amount S\$’000
As at 31 December 2015							
Financial liabilities:							
Trade and retention sum payables	—	1,194	—	—	—	1,194	1,194
Other payable and accruals	—	3,772	—	—	—	3,772	3,772
Amount due to a director	—	966	—	—	—	966	966
Amount due to a related company	—	604	—	—	—	604	604
Bank borrowing	3.05	860	—	—	—	860	860
Obligations under finance leases	4.07	209	176	146	—	531	503
		<u>7,605</u>	<u>176</u>	<u>146</u>	<u>—</u>	<u>7,927</u>	<u>7,899</u>

	Weighted average effective interest rate %	On demand or within 1 year S\$’000	More than 1 year but less than 2 years S\$’000	More than 2 year but less than 5 years S\$’000	Over 5 years S\$’000	Total undiscounted cash flows S\$’000	Carrying amount S\$’000
As at 31 December 2016							
Financial liabilities:							
Trade and retention sum payables	—	1,499	—	—	—	1,499	1,499
Other payable and accruals	—	6,513	—	—	—	6,513	6,513
Amount due to a director	—	954	—	—	—	954	954
Amounts due to related companies	—	706	—	—	—	706	706
Bank borrowing	3.42	771	—	—	—	771	771
Obligations under finance leases	3.78	199	170	23	—	392	371
		<u>10,642</u>	<u>170</u>	<u>23</u>	<u>—</u>	<u>10,835</u>	<u>10,814</u>

The following table summarises the maturity analysis of bank borrowings with repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group’s financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis — bank borrowings subject to a repayment on demand clause based on scheduled repayments

	Within one year S\$’000	More than one year but less than two years S\$’000	More than two years but less than five years S\$’000	Over five years S\$’000
At 31 December 2015	115	121	386	451
At 31 December 2016	<u>121</u>	<u>129</u>	<u>386</u>	<u>322</u>

39. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it 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 Group’s overall strategy remains unchanged throughout the Track Record Period. The capital structure of the Group consists of debt, which includes obligations under finance leases and borrowings, as disclosed in Notes 29 and 30, respectively, net of bank balances and cash and equity attributable to owners of the

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Group, comprising share capital and retain earning. The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

40. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid share capital registered capital at the date of this report	Attributable equity interest and voting power held by the Company		At the date of this report	Principal activities
			as at 31 December 2015	2016		
			%	%	%	
Directly held:						
Indigo Link Holdings Limited ("Indigo Link")	The British Virgin Islands ("BVI"), 10 March 2017	Ordinary shares US\$0.01	-	-	100	Investment holding
Indirectly held:						
Interno Engineering (1996) Pte. Ltd. ("IEPL")	Singapore, 17 December 1996	Ordinary shares S\$3,000,000	-	-	100	Building Construction
Interno Construction Pte. Ltd. ("ICPL")	Singapore, 3 September 2013	Ordinary shares S\$100,000	-	-	100	Building Construction

All companies now comprising the Group have adopted 31 December as their financial year end date.

As at the date of this report, no audited financial statements have been prepared for Indigo Link and ICPL as there is no statutory requirement for Indigo Link and ICPL to prepare audited financial statements.

The audited statutory financial statements of IEPL for the year ended 31 December 2015 was prepared in accordance with the Singapore Financial Reporting Standards ("SFRS") issued by Accounting Standards Council in Singapore and were audited by CA TRUST PAC, a Singapore certified public accountants registered in Singapore.

41. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Document, the Group's major subsequent events included the following:

No material events were undertaken by the Group subsequent to 31 December 2016.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2016.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the accountants’ report on the financial information of the Group for each of the two years ended 31 December 2016 (the “Track Record Period”) (the “Accountants’ Report”) prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this document, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountants’ Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the proposed [REDACTED] and [REDACTED] of the Company’s shares (“[REDACTED]”) on the audited combined net tangible assets of the Group as at 31 December 2016, as if it had taken place on such date.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 December 2016 or any future date following the [REDACTED].

The following unaudited pro forma adjusted combined net tangible assets of the Group is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 as shown in the Accountants’ Report of the Group as set out in Appendix I to this document, and adjusted as described below.

	Audited combined net tangible assets of the Group as at 31 December 2016 S\$’000 (Note 1)	Estimated [REDACTED] from the proposed [REDACTED] S\$’000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group S\$’000 (Note 3)	Unaudited pro forma adjusted combined net tangible assets per Shares S\$ (Note 4)	Unaudited pro forma adjusted combined net tangible assets per Shares HK\$
Based on [REDACTED] of [REDACTED] per Share	<u>9,797</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on [REDACTED] of [REDACTED] per Share	<u>9,797</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company is extracted from the Accountants’ Report set out in Appendix I to this document.
- (2) The estimated [REDACTED] from the issue of the [new Shares] pursuant to the proposed [REDACTED] are based on [REDACTED] new Shares at the [REDACTED] of lower limit and upper limit of [REDACTED] and [REDACTED] per New Share, respectively, after deduction of the [REDACTED] commissions and fees and other related expenses, other than those expenses which had been recognised in profit or loss on or prior to 31 December 2016.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group does not take into account the effect of any trading result and other transactions of the Group entered into subsequent to [31 December 2016].
- (4) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme or any shares which may be allotted, issued or repurchase by the Company pursuant to the general mandates for the allotment and issue or repurchase of shares.
- (5) The unaudited pro forma adjusted combined net tangible assets of the Group in the table above has not been adjusted to show the effect of the special dividend of approximately S\$4,500,000 proposed by Interno Engineering (1996) Pte Ltd on 19 April 2017 (the “Dividend”) and declared on [●] to its shareholder. The unaudited pro forma adjusted combined net tangible assets of the Group after taking into account of the Dividend is set out below. The per share effect is based on [REDACTED] shares as set out in Note 4 above.

	Unaudited pro forma adjusted combined net tangible assets of the Group after taking into account of the Dividend S\$’000	Unaudited pro forma adjusted combined net tangible assets of the Group per Share after taking into account of the Dividend S\$	Unaudited pro forma adjusted combined net tangible assets of the Group per Share after taking into account of the Dividend HK\$
Based on the [REDACTED] of HK\$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of HK\$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPLIATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

[REDACTED]

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[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2017 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] with effect from the [REDACTED]. 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) Variation of rights of existing shares or classes of shares

Subject to the 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 the shares or any class of shares may (unless otherwise provided for by the terms of issue 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 will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

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two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled 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.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed 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 transferee. 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 in respect of that share.

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The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the 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 requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
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due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating 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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall 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. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

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The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed 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.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) 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) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with

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regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are 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 is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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 Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in

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proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration 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 and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any 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 ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

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(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

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- (bb) any contract or arrangement for 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 close associate(s) has 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 contract or arrangement 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 close associate(s) is/are or is/are to be interested as a participant in the [REDACTED] or [REDACTED] of the offer;
- (dd) any contract or arrangement in which the Director or his close 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; or
- (ee) 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 close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

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, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

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Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes 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 uses 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 authorized 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.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, 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 shareholder in contravention of such requirement or restriction shall not be counted.

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(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange or placing it on the Company's website or the website of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an 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 and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

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(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *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, but the absence of a quorum shall not preclude the appointment of a chairman.

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.

(vi) *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 is 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 is 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts 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 property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic

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form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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 but 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 according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

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Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest 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, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

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(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) 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 is 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, 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 is 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the 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. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company 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's operations must be conducted mainly outside the Cayman Islands. 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

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The 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 (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), 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, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

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directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and 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.

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(e) Dividends and distributions

The 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. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

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duties must do so honestly and in good faith with a view to the best interests 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

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of 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.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from [●].

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

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(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. 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 sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the

APPENDIX III	SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must 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.

As soon as the affairs of the 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 how 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. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

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(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this document. 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.

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A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 March 2017. Our Company has established a principal place of business in Hong Kong at 4/F, 5/F and 1602, Central Tower, 28 Queen’s Road Central, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 April 2017. In connection with such registration, Mr. Ng Sai Cheong has been appointed as an authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Islands companies law and its constitution, which comprises of a memorandum of association and an articles of association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in authorised and issued share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

On [●] 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$[10,000,000] divided into [1,000,000,000] Shares of HK\$0.01 each by the creation of an additional [962,000,000] Shares of HK\$0.01 each which rank *pari passu* in all respects with the existing Shares.

Save for the aforesaid and as mentioned in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this document, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this document.

3. Changes in authorised and issued capital of our subsidiaries

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this document.

Save for the subsidiaries mentioned in Appendix I to this document, our Company has no other subsidiaries.

For the changes to the share capital of the major operating subsidiaries of our Group, please refer to the section headed “History, Reorganisation and Corporate Structure” in this document.

4. Resolutions in writing of our sole Shareholder passed on [●] 2017

Pursuant to the resolutions in writing of our sole Shareholder passed on [●] 2017:

- (a) our Company adopted the Memorandum with immediate effect and adopted the new Articles with effect from the [REDACTED];

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- (b) conditional on the [REDACTED] granting the [REDACTED] of, and permission to deal in the Shares in issue and to be issued as mentioned in this document and on the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before the day falling 30 days after the date of this document:
- (i) the [REDACTED] and the grant of the [REDACTED] to the [REDACTED] was approved and our Directors were authorised to allot and issue the [REDACTED] under the [REDACTED];
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorised to capitalise approximately [REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] for the allotment and issue to the Shareholders whose names appear on the register of members of our Company on the business day immediately before the [REDACTED] in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company so that the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;
 - (iv) a general unconditional mandate to allot, issue and deal with such number of Shares (otherwise than by way of rights issue or an issue of shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries of Shares or rights to acquire Shares or any scrip dividend, schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting) with a total number not exceeding the aggregate of (aa) 20% of the total number of Shares in issue immediately following the completion of the [REDACTED] and [REDACTED] (without taking into account of any Shares falling to be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme); and (bb) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to in paragraph (v) below, until whichever is the earliest of the conclusion of the next annual general meeting

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of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate;

- (v) a general unconditional mandate to exercise all the powers of our Company to repurchase such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account of any Shares falling to be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme), until whichever is the earliest of the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate; and
- (vi) the general mandate mentioned in paragraph (iv) above be extended by the addition of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred in to paragraph (v) above provided such extended amount shall not exceed 10% of the number of the Shares in issue immediately following completion of the [REDACTED] and the [REDACTED].

5. Group reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the [REDACTED]. For information relating to the Reorganisation, please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this document.

6. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of our own securities.

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(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary [REDACTED] on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholder's approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on [●] 2017, a general mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate number of our Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme or the [REDACTED]). The general mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first (the "**Buyback Mandate**").

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the memorandum and articles of association of our Company, the GEM Listing Rules and any applicable laws and regulations from time to time in force of the Cayman Islands.

(iii) Connected parties

Under the GEM Listing Rules, our Company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his shares to our Company, on the Stock Exchange.

(b) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Our Directors believe that such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share or both.

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(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our memorandum and articles of association, the GEM Listing Rules and the applicable laws and regulations from time to time in force of the Cayman Islands. A listed company is prohibited from repurchasing 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 from time to time.

Under Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or from sums standing to the credit of the share premium account of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the articles of association of our Company and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company, or if authorised by our Articles of Association and subject to the Companies Law, out of capital.

(d) Exercise of Buyback Mandate

Exercise in full of the Buyback Mandate, on the basis of [REDACTED] in issue immediately after the [REDACTED], could accordingly result in up to [REDACTED] being repurchased by our Company during the period in which the Buyback Mandate remains in force. On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Buyback Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing position of our Group (as compared with the position disclosed in this document). However, our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or its subsidiaries if the Buyback Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Buyback Mandate is exercised.

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If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Buyback Mandate.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) a share transfer form dated 9 December 2016 executed by Ms. Tan as purchaser and Ms. Wu as vendor in respect of the transfer of 10 ordinary shares in ICPL from Ms. Wu to Ms. Tan in consideration of S\$10;
- (b) a sale and purchase agreement dated [●] 2017 entered into between Indigo Link as purchaser and Mr. Goh as vendor in respect of the transfer of 3,000,000 ordinary shares in IEPL from Mr. Goh to Indigo Link in consideration of (i) the crediting of one nil-paid Share held by Amber Capital as fully paid; and (ii) the allotment and issue of one ordinary share in Indigo link to our Company;
- (c) a sale and purchase agreement dated [●] 2017 entered into between Indigo Link as purchaser and Ms. Tan as vendor in respect of the transfer of 100,000 ordinary shares in ICPL from Ms. Tan to Indigo Link in consideration of (i) the allotment and issue of [nine] Shares to Amber Capital; and (ii) the allotment and issue of one ordinary share in Indigo link to our Company;
- (d) the Deed of Non-competition;
- (e) the Deed of Indemnity; and
- (f) the [REDACTED].


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2. Our intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group applied for registration of the following trademark:

Trademark	Application No.	Name of applicant	Place of application	Class	Date of application
	40201706007S	IEPL	Singapore	37	7 April 2017

(b) Domain Names

As at the Latest Practicable Date, the following domain names were used by our Group:

Domain Name	Registrant	Expiry Date
interno.com.sg	IMBA Solutions Pte. Ltd.	15 December 2017
indigostar.sg	IMBA Solutions Pte. Ltd.	19 April 2018

Information contained in the above websites does not form part of this document.

Save as disclosed above, there are no other intellectual property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the [REDACTED] and the [REDACTED] and taking no account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] and upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to our 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, pursuant to section 352 of the SFO, to be entered in the register as

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referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Our Company*

Name of Director/chief executive	Capacity/nature of interest	Number and class of Shares^(Note 1)	Percentage of interest in our Company
Mr. Goh	Interest in controlled corporation ^(Note 2) Interest of spouse ^(Note 3)	[REDACTED] (L)	[REDACTED]%
Ms. Tan	Interest in controlled corporation ^(Note 2) Interest of spouse ^(Note 3)	[REDACTED] (L)	[REDACTED]%

Notes:

1. The letter “L” denotes the entity/person’s long position in the Shares.
2. Amber Capital is owned as to 96.77% by Mr. Goh and 3.23% by Ms. Tan. Therefore, each of Mr. Goh and Ms. Tan is deemed to be interested in the Shares held by Amber Capital pursuant to the SFO.
3. Mr. Goh and Ms. Tan are spouses. Therefore, Mr. Goh is deemed to be interested in the Shares held by Ms. Tan, and vice versa, pursuant to the SFO.

(ii) *Amber Capital^(Note 1)*

Name of Director/chief executive	Capacity/nature of interest	Number and class of shares^(Note 2)	Percentage of interest
Mr. Goh	Interest in controlled corporation	9,677 shares (L)	96.77%

Notes:

1. Amber Capital holds more than 50% of our Shares. Therefore, Amber Capital is the holding company and an associated corporation of our Company.
2. The letter “L” denotes the entity/person’s long position in the shares.

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2. Interests and short positions of substantial shareholders in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the [REDACTED] and the [REDACTED] and taking no account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] and the exercise of any options which may be granted under the Share Option Scheme, so far as it is known to our Directors, the following persons, not being a Director or chief executive of our Company, will have an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested, directly or indirectly, in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Capacity/nature of interest	Number and class of Shares held upon completion of the [REDACTED] and the [REDACTED] ^(Note)	Percentage of interest in our Company held upon completion of the [REDACTED] and the [REDACTED]
Amber Capital	Beneficial owner	[REDACTED] (L)	[REDACTED]%

Note: The letter "L" denotes the entity/person's long position in the Shares.

3. Particulars of Directors' service contracts

(a) Executive Directors' service contracts

Each of our executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material aspects. Each service contract is for an initial term of three years with effect from the [REDACTED] and shall continue thereafter unless and until it is terminated by our Company or our Director giving to the other not less than three months' prior notice in writing. Under the service contracts, the initial annual salary payable to our executive Directors is as follows:

Name	Amount
Mr. Goh	S\$650,000
Ms. Tan	S\$325,000
Mr. Ng Sai Cheong	HK\$1,500,000

Each of our executive Directors is entitled to a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of that executive Director. Each of our executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and discretionary bonus payable to himself/herself.

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(b) Independent non-executive Directors' letters of appointment

Each of Mr. Ma Yiu Ho Peter, Mr. Tan Kee Cheo and Mr. Yip Ki Chi Luke, being all our independent non-executive Directors, has entered into a letter of appointment with our Company on [●] 2017. Each letter of appointment is for an initial term of one year commencing from the [REDACTED] and shall continue thereafter unless terminated by either party giving at least one month's notice in writing. Under the letters of appointment, the annual director's fees payable to our independent non-executive Directors are as follows:

Name	HK\$
Mr. Ma Yiu Ho Peter	240,000
Mr. Tan Kee Cheo	240,000
Mr. Yip Ki Chi Luke	240,000

Save for the annual director's fees mentioned above, none of our independent non-executive Directors is entitled to receive any other remuneration for holding his office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

The aggregate of the remuneration (including salaries and allowance, if any) paid and benefits in kind granted by our Group to our Directors in respect of the two years ended 31 December 2016 was approximately S\$0.9 million and S\$1.1 million, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to our Directors) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 December 2017 is estimated to be approximately S\$1.1 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the two years ended 31 December 2016 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the two years ended 31 December 2016.

After [REDACTED], our Company's remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

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4. Remuneration of Directors

Our Company's policies concerning remuneration of our Directors are as follows:

- (a) the amount of remuneration is determined by the remuneration committee and on the basis of the relevant Director's experience, responsibility, workload and the time devoted to our Group;
- (b) non-cash benefits may be provided to our executive Directors under their remuneration package; and
- (c) our Directors may be granted, at the discretion of our Board, share options pursuant to the Share Option Scheme, as part of this remuneration package.

Save as disclosed in Appendix I to this document, none of our Directors received any remuneration or benefits in kind from our Group during the Track Record Period.

5. Agency fees or commissions received

Information on the agency fees or commissions payable to the [REDACTED] is set out in the section headed "[REDACTED] — [REDACTED] Arrangements and Expenses — Total commission, fee and expenses" in this document.

Save as disclosed herein and in the section headed "Directors and Senior Management" and Appendix I to this document, none of our Directors or experts (as named in the paragraph headed "Consents of experts" in this Appendix) received or will be entitled to receive any commissions, discounts, brokerages or other special terms in connection with the issue of any Share within two years immediately preceding the date of this document.

6. Related party transactions

During the two years preceding the date of this document, our Group was engaged in related party transactions as described in note 34 of Appendix I to the section headed "Accountants' Report" in this document.

7. Disclaimers

Save as disclosed in this document:

- (a) and taking no account of any Shares which may be taken up or acquired under the [REDACTED] or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or [REDACTED], our Directors are not aware of any person who immediately following completion of the [REDACTED] and the [REDACTED] will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;

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- (b) none of our Directors nor chief executive of our Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in the paragraph headed “Qualifications of experts” and “Consents of experts” in this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this document, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for the [REDACTED] either in his/her/its own name or in the name of a nominee;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole; and
- (e) none of the experts named in the paragraph headed “Consents of experts” in this Appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

D. SHARE OPTION SCHEME

(a) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the resolutions in writing of the sole Shareholder passed on [●] 2017:

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of our Group and to promote the success of the business of our Group.

(ii) *Who may join and basis of eligibility*

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant’s contribution or potential contribution to the development and growth of our Group.

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(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent; and for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(v) Maximum number of Shares

- (aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the date the Share Option Scheme is adopted (the "**Adoption Date**") (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the [REDACTED]. Therefore, it is expected that our Company may grant options in respect of up to [REDACTED] (or such numbers of Shares as shall result from a subdivision or a consolidation of such [REDACTED] Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.

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- (cc) Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the 10% limit under sub-paragraphs (aa) and (bb) above provided the options in excess of the 10% limit are granted only to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in the limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of our Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12 months period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, must be separately approved by Shareholders in general meeting with such participant and his/her/its close associates abstaining from voting, and the number and terms (including the subscription price) of the options to be granted to such participant must be fixed before the Shareholder's approval. In such event, our Company must send a circular to our Shareholders containing the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), and all other information required under the GEM Listing Rules. The date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme

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(including options exercised, cancelled and outstanding) and any other share option schemes of our Company to such person in any 12-month period up to and including the date of grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5.0 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his/her/its associate and all core connected persons of our Company shall abstain from voting (except where any of such person intends to vote against the proposed grant and his/her/its intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) No offer for the grant of options may be made after any inside information has come to the knowledge of our Group until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. No option may be granted during the period commencing one month immediately preceding the earlier of:
 - (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

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(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(x) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xi) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option (where the grantee is a company, any change of its major shareholder(s) or any substantial change in its management as determined by the Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid, if so determined by the Board at its sole discretion). Any breach of these restrictions will automatically render the options lapsed.

(xii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiii) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (xvi), (xvii) and (xviii) occurs prior to his/her death or within such period of 12 months following his/her death, then his/her legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiii) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group by reason of a termination of his/her employment on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on

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any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

(xiv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xiii) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xv) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised, and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a [REDACTED]), provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he/she/it was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvi) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

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(xvii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her/its options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xviii) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors of our Company to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such a compromise or arrangement (the "**Suspension Date**"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such a compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such a compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such a compromise or arrangement. If for any reason such a compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such a compromise or arrangement had not been proposed by our Company and no claim shall lie

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against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such a proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

(xix) Lapse of options

Subject to paragraph (xiii) above, an option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (viii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xii), (xiv), (xvi), (xvii) or (xviii) above;
- (dd) subject to paragraph (xvii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) becoming effective, the date on which such a compromise or arrangement becomes effective.

(xx) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in such manner that complies with all applicable legal requirements for such cancellation.

(xxi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting or by our Board.

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(xxii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options and the prospective grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any changes to the terms of options granted, or any changes to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by our Shareholders in a general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

(xxiii) Termination of the Share Option Scheme

Our Company by resolution in a general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxiv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Division granting the [REDACTED] of and permission to deal in the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

(b) Present status of the Share Option Scheme

Application has been made to the Listing Division for the [REDACTED] of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

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E. OTHER INFORMATION

1. Estate duty/other indemnity

Our Controlling Shareholders entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our Subsidiaries) (as referred to in the paragraph headed “B. Further Information about the Business of Our Group — 1. Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether criminal, administrative, contractual, tortious or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise, taxation resulting from income, profits or gains earned, accrued or received as well as any other claim to which any member of our Group may be subject and payable on or before the date when the [REDACTED] becomes unconditional and all liabilities incurred by it in connection with the material non-compliance matters. For further details, please refer to the section headed “Business — Litigation and Claims” in this document.

2. Litigation

Save as disclosed herein, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

3. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document, including, inter alia, the [REDACTED] and any Shares which may fall to be allotted and issued pursuant to (a) the [REDACTED]; (b) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the [REDACTED]; and (c) the exercise of the [REDACTED]. The Sole Sponsor’s fees are HK\$4.5 million and are payable by the Company. The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

4. Compliance adviser

Our Company has appointed Guotai Junan Capital Limited as our compliance adviser upon [REDACTED] in compliance with Rule 6A.19 of the GEM Listing Rules.

5. Preliminary expenses

The preliminary expenses of our Company are approximately US\$2,000 and had been paid by our Company.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

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7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this document:

Name	Qualification
Guotai Junan Capital Limited	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO
Rajah & Tann Singapore LLP	Legal advisers to our Company as to Singaporean laws
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands laws
HLB Hodgson Impey Cheng Limited	Certified public accountants
Euromonitor International Limited	Industry consultant

8. Consents of experts

Each of Guotai Junan Capital Limited, Rajah & Tann Singapore LLP, Conyers Dill & Pearman and Euromonitor International Limited has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their letters, reports, opinions and/or references to their names (as the case may be) in the form and context in which they respectively appear, and none of them has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

9. Binding effect

This document shall have the effect, if application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Taxation of holders of Shares

(a) *Hong Kong*

(i) *Profits*

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be

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considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(b) Cayman Islands

Under the Cayman Islands law currently in force, there is no stamp duty payable in the Cayman Islands on transfers of shares, other than in respect of transfers of shares of companies that own land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the [REDACTED] will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

11. Miscellaneous

- (a) Save as disclosed herein:
 - (i) within the two years immediately preceding the date of this document:
 - (aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (bb) no commissions, discounts, brokerages (other than under the [REDACTED]) or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) our Directors confirm there has been no material adverse change in the financial position or trading position or prospects of our Group since 31 December 2016;
 - (iv) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this document;
 - (v) our Company has no founders shares, management shares or deferred shares;
 - (vi) none of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any [REDACTED] or submission to deal being or proposed to be sought;
 - (vii) none of our Directors nor any of the persons whose names are listed in paragraph headed "E. Other Information — 7. Qualifications of experts" in this Appendix has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;
 - (viii) all necessary arrangements have been made to enable the Shares to be admitted into CCASS; and
 - (ix) there is no arrangement under which future dividends have been waived.
- (b) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless our Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

12. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were (i) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 8. Consents of experts” in Appendix IV to this document; and (ii) copies of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business of Our Group — 1. Summary of material contracts” in Appendix IV to this document.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Stevenson, Wong & Co. in association with AllBright Law Offices, at 4th Floor, Central Tower, 28 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

1. the Memorandum and Articles of Association;
2. the accountants’ report of our Group dated prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this document;
3. the audited financial statements of our Group for the two years ended 31 December 2015 and 2016;
4. the report on the unaudited pro forma financial information of our Group prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this document;
5. the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this document;
6. the legal opinions issued by Rajah & Tann Singapore LLP, the legal advisers to our Company as to Singaporean laws, in respect of certain aspects of Singaporean laws and regulations applicable to our Group;
7. the Companies Law;
8. the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business of Our Group — 1. Summary of material contracts” in Appendix IV to this document;
9. the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 8. Consents of experts” in Appendix IV to this document;
10. the service contracts and letters of appointment referred to in the section headed “Statutory and General Information — C. Further Information about Directors, Management and Substantial Shareholders — 3. Particulars of Directors’ service contracts” in Appendix IV to this document; and
11. the rules of the Share Option Scheme.