

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Xu and Mr. Sun each held approximately 33.7% of the issued Shares of our Company and each of them is the Controlling Shareholder of our Company.

Immediately following the completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED]), each of Mr. Xu and Mr. Sun will hold approximately [REDACTED]% of the total issued share capital of the Company. Therefore, each of Mr. Xu and Mr. Sun will remain as the Controlling Shareholder upon [REDACTED].

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

See “Directors and Senior Management” for further information on Mr. Xu and Mr. Sun. Save as disclosed below, as at the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any business which competes or is likely to compete, either directly or indirectly with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

Mr. Xu does not have any other business interests outside our Group.

Mr. Sun has interests in other companies outside our Group, including CRF, which is principally engaged in main contractor business in Singapore and other companies are principally engaged in investment in property development, where none of those companies is engaged in any business which competes with the business of our Group. Each of Mr. Sun and his spouse is a director of CRF.

DELINEATION OF BUSINESS

Overview

Our Group is an integrated M&E engineering services provider, encompassing ELECT, ACMV, FP and PSG services in Singapore.

CRF is held 50% and 50% by Mr. Sun and his spouse, respectively, and incorporated in 2000. It is a BCA A1 certified construction and development company principally engaged in general building construction works as a main contractor in Singapore. Although both our Group and CRF operate within the construction industry, our Directors are of the view that there is a clear delineation between the two businesses based on (i) different roles in the construction value chain; (ii) different business model and scope of services; and (iii) their distinct licensing and qualification requirements.

Different Roles in the Construction Value Chain

Our Group typically acts as a subcontractor providing M&E engineering services to main contractors in construction projects or as the M&E engineering main contractor directly engaged by the end customers, whereas CRF acts as a main contractor responsible for the overall execution and management of construction projects. As a subcontractor, our Group focuses on delivering specialised

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M&E engineering components of a project tasked by the main contractor, while CRF, as a main contractor, is responsible for project planning and management, coordination with the end customers and supervision of various subcontractors.

As the services provided by our Group are different from those of CRF, the target customers of our Group are also distinct. Our Group’s customers are primarily contractors who typically engage us as the M&E engineering subcontractor in a construction project. In contrast, the primary customers of CRF, a main contractor, are project employers such as property developers. Accordingly, our Group and CRF operate at different levels of the construction industry value chain and target different customer bases. As a result, our Directors believe that it is unlikely that there will be overlaps between the target customers of our Group and those of CRF.

Different Business Model and Scope of Services

The core businesses of the Group and CRF are differentiated by their contractual positioning within the industry. In terms of services, our Group focuses on ELECT, ACMV, FP and PSG services as well as the provision of ancillary components. Conversely, CRF’s project scope as a general building main contractor mainly provides project coordination and managing different overall specialist workstream.

Furthermore, CRF’s core competencies reflect this difference in scope of services. Unlike our Group, which possesses the technical expertise and in-house engineers to design, source, and directly execute M&E engineering installations, CRF’s core competency lies in project management and administrative coordination with project employers. In the Singapore construction industry, as confirmed by CIC, it is a standard and commercial reality for main contractors to outsource specialised M&E engineering works due to the complexity and technical expertise required. If CRF executes a project that includes M&E engineering works, such works must be sub-contracted out to specialised and qualified sub-contractors, which may include our Group or other independent M&E engineering contractors. Therefore, our directors believe that CRF’s business operations do not compete with ours.

Delineation in Licences and Qualifications

Our Group and CRF are subject to different licensing and qualification requirements under the regulatory framework of the Singapore construction industry. Our Group, as a provider of specialised M&E engineering services, is required to be registered under the CRS. These include, among others, workheads such as ME01, ME05, ME06 and ME15. Each workhead is graded based on the contractor’s financial strength, technical capabilities, project track record and safety standards, with BCA Grade L6 being the highest grade allowing contractors to tender for public sector projects of unlimited value. In contrast, CRF, as a main contractor, is required to be registered under the CRS construction workheads, such as CW01 (General Building) or CW02 (Civil Engineering), which are applicable to contractors responsible for the overall execution of construction projects. Guthrie Engineering holds lowest CW01 & CW02 workheads for the purpose of certain M&E engineering main contract works which includes minor building works. These M&E workheads involve different qualification criteria, including higher financial requirements, stronger track record and different types of personnel required.

As at the Latest Practicable Date, CRF has attained a CW01 A1 grade, being the highest grade under the CRS for general building works, whereas our Group has attained a CW01 C3 grade. In addition, CRF is also a licensed builder with General Builder Class in Singapore.

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Furthermore, the qualification requirements for M&E engineering contractors differ materially from those applicable to main contractors. Our Group is required to employ personnel with specialised technical qualifications in M&E engineering, including engineers with recognised professional or technical qualifications, to meet the requirements of the relevant M&E engineering workheads.

Given that our Group and CRF are registered under different categories and/or grading of Workheads and are subject to distinct qualification criteria tailored to their respective roles in the construction industry, our Directors are of the view that such differences demonstrates a clear delineation between the business of our Group and that of CRF.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates after the [REDACTED]:

Management Independence

The day-to-day management of the business of our Group rests primarily with our Board and our senior management. Our Board comprises five Directors, comprising one non-independent non-executive chairman, one executive Director and three independent non-executive Directors. Although Mr. Xu, our executive Director and chief executive officer, and Mr. Sun, our non-independent non-executive chairman, are our Controlling Shareholders, our management and operational decisions are made by all our Directors and senior management members, all of whom have experience in the industries in which we are engaged and/or in their respective fields. See “Directors and Senior Management”.

We believe that our Board as a whole, together with our senior management, is able to perform the managerial role in our Group independently from our Controlling Shareholders for the following considerations:

- (a) each of our Directors is aware of his fiduciary duties as a Director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests;
- (b) our management and operation decisions rest primarily with our executive Director and senior management members, all of whom have experience in the industry in which we are engaged in and will be able to make business decisions that are in the best interest of our Group. See “Directors and Senior Management”;
- (c) we had appointed three independent non-executive Directors, comprising more than one-third of the total number of Directors on our Board, who have sufficient knowledge, experience and competence with a view to bring independent judgment to the decision-making process of our Board and provide independent advice to our Board committees;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his associate, he shall abstain from voting and shall not be counted towards the quorum for the voting; and

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- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “Directors and Senior Management — Corporate Governance”.

Based on the above, our Directors are satisfied that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational Independence

Our Company makes business decisions independently of our Controlling Shareholders. Our Directors consider that our Group will continue to be operationally independent from our Controlling Shareholders and their respective close associates, given:

- (i) our Group has established its own organisational structure with administrative and corporate governance infrastructure;
- (ii) our Group is the holder of all relevant licences and trademarks material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently; and
- (iii) all of our major customers were Independent Third Parties. Our Directors confirm that none of our Controlling Shareholders has any interest in any of our top five suppliers and customers; we do not rely on our Controlling Shareholders or their close associates, and have independent access to suppliers and customers, except for CRF (which is not our major customer) where our Group acted as its sub-contractor for provision of M&E engineering services during the Track Record Period. See “Connected Transactions”; and our Group has established a set of internal control procedures independent from our Controlling Shareholders to facilitate the effective operation of our business.

As such, our Directors are of the view that our Group is capable of carrying on our business independently of the Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. Our Group has sufficient capital to operate our Group’s business independently and has adequate internal resources and a strong credit profile to support its daily operations. Our Company utilises temporary bridging loans to fund our projects. Such temporary bridging loans are secured by joint and several personal guarantees from the Controlling Shareholders, and will be fully repaid prior to [REDACTED]. See “Financial Information — Indebtedness — Bank Borrowings”.

As at the Latest Practicable Date, save as disclosed in this document, there was no outstanding loan or guarantee provided by our Controlling Shareholders and their respective close associates. During the Track Record Period, our Group relies principally on cash generated from operations to carry on its business and it is expected to continue after the [REDACTED]. Therefore, our Group has no financial dependence on our Controlling Shareholders and their respective close associates.

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DEED OF NON-COMPETITION

For the purpose of the [REDACTED], each of Mr. Xu and Mr. Sun (the “**Covenantors**”, each a “**Covenantor**”) has entered into a deed of non-competition (the “**Deed of Non-Competition**”) in favour of our Group, pursuant to which each of them had irrevocably undertaken with our Company on a joint and several basis (for itself and as trustee for each of our subsidiaries) that he would not, and would procure his associates would not, during the restricted period set out below, directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) (other than through the Group) any business which is or may be in competition with the business of any member of our Group from time to time (the “**Restricted Business**”).

Such non-competition undertaking does not apply where:

- (a) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business has first been offered or made available by the Covenantors and/or their respective close associates to us, and after decision by our independent non-executive Directors and approval by our Board and/or Shareholders as required under the relevant laws and regulations (including but not limited to the Listing Rules and the SGX-ST Listing Manual) and in accordance with our Constitution, we have declined in writing such opportunity to invest, participate, be engaged in or operate the Restricted Business or do not give any written notice of our desire to invest in such opportunity within 30 Business Days of receipt of notice from the Covenantors, and that the principal terms by which the Covenantors (or their respective close associates) subsequently invests, participates, engages in or operates the Restricted Business are no more favourable than those offered to the member of our Group; or
- (b) a Covenantor has interests in the shares of a company which shares are listed on a recognised stock exchange provided that the total number of the shares held by him/her/its and/or his/her/its associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and he/she/it and/or his/her/its associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by him/her/it and his/her/its associates in aggregate.

The “restricted period” stated in the Deed of Non-Competition refers to the period during which (i) our Shares remain [REDACTED] on the Stock Exchange; (ii) in relation to each Covenantor, the Covenantor or his associates continue to hold equity interest in our Company; and (iii) in relation to each Covenantor, the Covenantor, taken into account the interests of his associates, is considered a substantial shareholder of the Company.

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CORPORATE GOVERNANCE

In order to further safeguard the interests of the Shareholders, the Company will adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

- (a) the Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if the Company enters into connected transactions with the Controlling Shareholders or any of their respective associates, the Company will comply with the applicable requirements under the Listing Rules;
- (b) the Company is committed that the Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). The Company has appointed three independent non-executive Directors, and believes that the independent non-executive Directors (a) possess sufficient experiences, (b) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (c) will be able to provide an impartial and external opinion to protect the interests of the Shareholders as a whole. See “Directors and Senior Management”;
- (c) each of our Controlling Shareholders undertakes to provide all information requested by our Company which is necessary for the Annual Review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (d) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and the Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of the minority Shareholders. The Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review. The Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements; and
- (e) the Company has appointed Halcyon Capital Limited as its compliance adviser, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

Based on the above, the Directors consider that the above corporate governance measures are sufficient to manage potential conflict of interests between the Controlling Shareholders and their respective close associates and the Group and to protect the interests of the Shareholders, and, in particular, the minority Shareholders.