
RISK FACTORS

Potential investors should carefully consider all of the information set out in this document and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the [REDACTED]. If any of the possible events as described below materialises, our Group’s business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business of providing manpower outsourcing service is dependent on our ability to source foreign employees and any difficulties in sourcing sufficient foreign labour could materially and adversely affect our operations and financial performance

We provide manpower outsourcing service by deploying our foreign employees to building and construction contractors in Singapore. As at the Latest Practicable Date, we employed 1,310 foreign employees for deployment. During the Track Record Period, we have recruited and employed workers from Bangladesh and India as our employees in Singapore. Our ability to source sufficient foreign labour to support our business operation may be affected by a number of events, mainly including:

- any possible shortage in labour supply from Bangladesh and India;
- any possible increase in the salaries and wages for workers in Bangladesh and India;
- any possible changes in laws and regulations or policies imposed by the MOM regarding employment of foreign workers in Singapore (such as (i) increase in requisite foreign worker levy and security bond; (ii) decrease in dependency ceilings ratio for the construction industry; (iii) decrease in MYE entitlement or allocations for main contractors of construction projects; and/or (iv) a tightening in approval process for work passes to be granted for foreign construction workers); and
- any possible changes in the governmental policies of Bangladesh and India regarding export of manpower to Singapore.

For further details of the laws and regulations in Singapore affecting our employment of foreign workers, please refer to the paragraph headed “Regulatory Overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services”.

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Occurrence of any of the aforesaid events may significantly increase the recruitment and employment cost of our foreign employees and/or hinder our labour recruitment from Bangladesh and India, which in turn will materially and adversely affect our operations and financial performance.

We rely on Overseas Testing Centres in Bangladesh and India for referrals of foreign workers and any disruption in our working relationships with the Overseas Testing Centres may materially and adversely affect our operations and financial performance

We recruited most of our foreign employees through candidate referrals from certain Overseas Testing Centres in Bangladesh and India. As stated in the Ipsos Report, it is an industry practice that the Overseas Testing Centres charge each successful candidate a fixed referral fee, while employers (such as our Group) are not required to pay any referral fee or commission to the Overseas Testing Centres. Our relationships with Overseas Testing Centres in Bangladesh from which we obtained candidates referrals during the Track Record Period have been up to approximately 10 years. Since 2016, we have also obtained candidate referrals from Overseas Testing Centres in India. Our working relationships with the Overseas Testing Centres enable us to secure a stable source of foreign labour supply.

We have not entered into any long-term agreements with the Overseas Testing Centres, nor do the Overseas Testing Centres have any obligations or minimum commitment in providing candidate referrals to us in the future. If the Overseas Testing Centres cease the working relationships with us for any unforeseen reasons, there is no guarantee that we will be able to obtain comparable number of candidate referrals from other Overseas Testing Centres or individual recruitment agents to support our business operation, in which case our operations and financial performance will be materially and adversely affected.

Our revenue is mainly derived from our manpower outsourcing and ancillary services for which our engagements with our customers are not recurrent in nature and there is no guarantee that our customers will provide us with new businesses

Our revenue is mainly derived from providing manpower outsourcing and ancillary services for which our engagements with our customers are non-recurrent in nature. During the Track Record Period, we secured new businesses mainly through (i) incoming enquiries from new and existing customers, (ii) referrals from existing customers, and (iii) active marketing and promotion carried out by our sales managers with potential customers.

We generally do not enter into long-term agreements with our customers and our customers are therefore under no obligation to engage our manpower outsourcing services in their future building and construction projects. As such, there is no guarantee that we will be able to secure businesses from customers in their new construction projects. Accordingly, the number and scale of manpower outsourcing contracts and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

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In the event that our Group fails to secure new manpower outsourcing contracts or there is any significant decrease in the business volume from customers in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

In addition, there is no minimum commitment or obligations as to the amount of job orders to be placed by our customers under our manpower outsourcing contracts. Our customers are not bound by any fixed or committed total contract sum under such contracts. The actual number of service hours rendered by our foreign workers are subject to the customers’ job orders for manpower deployment during the contract period, which are charged according to a pre-agreed schedule of rates as stated in the contracts. Therefore, there is no guarantee that our customers will place job orders with us during the term of the contract and the amount of revenue we are able to derive therefrom depends significantly on the actual number of deployment hours.

In the event that our Group fails to receive any substantial job orders from our customers under the manpower outsourcing contracts or if there is any significant decrease in the overall number of our deployment hours in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

Sub-standard performance by our deployed workers may adversely affect our service quality and reputation

We provide manpower outsourcing services mainly by deploying foreign workers recruited by us from Bangladesh and India to perform various construction works of different construction trades at the work sites designated by our customers in Singapore.

Although we provide our foreign employees with training on construction works and briefings on service standard and work safety, there is no assurance that our foreign employees will perform up to our customers’ expectations and specifications. Further, as our deployed workers are working under the supervision and control of our customers, we cannot directly monitor the job performance of such deployed workers at the work sites. If the performance of our deployed workers is unsatisfactory to our customers, we will be required, under the relevant contract terms with our customers, to arrange for appropriate replacement in the following work day after receiving our customers’ requests and the deployed hours rendered by such workers will still be charged to our customers. However, if this occurs frequently, it may adversely affect our customers’ perception of our service quality and damage our reputation among our customers, which in turn may result in reduction in future demands for our manpower outsourcing services, thereby adversely affecting our business and financial positions and prospects.

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We are subject to credit risk in respect of our trade receivables

There can be no assurance that our customers will settle our invoices on time and in full. For each of FY2014, FY2015 and FY2016, the allowance for doubtful debts amounted to approximately S\$0.5 million, S\$0.4 million and S\$0.2 million, respectively, of which approximately nil, nil and S\$0.2 million were subsequently written off, respectively. In addition, as at 31 December 2014, 2015 and 2016, we recorded trade receivables (net of allowance for doubtful debts and excluding unbilled revenue) of approximately S\$6.9 million, S\$5.3 million and S\$4.9 million respectively, of which approximately S\$3.6 million, S\$2.0 million and S\$1.7 million respectively have been past due but not impaired. As at the Latest Practicable Date, there was one ongoing claim commenced by us against a customer for payment involving S\$0.2 million. During the Track Record Period, we had commenced 41 cases against our customers in relation to recovery of payment and/or enforcement of related court orders involving claimed amounts ranging from S\$1,300 to S\$0.5 million, which were all concluded as at the Latest Practicable Date. Please refer to the paragraph headed “Business – Litigation” in this document for further details about these claims. For each of FY2014, FY2015 and FY2016, our trade receivables turnover days in respect of manpower outsourcing and ancillary services were approximately 66.3 days, 55.3 days and 47.9 days respectively. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial positions.

We face liquidity risk in relation to working capital requirements associated with our manpower outsourcing and ancillary services and possible failure by customers to make timely or full payments

When we provide manpower outsourcing and ancillary services to customers, there are often time lags between making payments to our deployed workers and receiving payments from our customers, resulting in possible cash flow mismatch. We are normally required to settle our workers’ wages on a bi-weekly basis, while we usually issue invoices to our customers on a bi-weekly basis with a credit term granted ranging from approximately seven to 30 days after the issue of our invoices. Further, there are other costs which are typically incurred before we receive payments from customers which are therefore required to be paid from our available financial resources, such as the requisite foreign work levy and security bond as well as workers’ accommodation expenses. We also have to pay salaries to our administrative staff on a monthly basis. With our workforce of 1,455 employees (including directors and all local and foreign employees as at the Latest Practicable Date) and our annual aggregate staff cost (including Directors’ and chief executive’s remuneration and other staff cost) of approximately S\$28.6 million for FY2016 as well as our current liabilities of approximately S\$16.6 million as at 31 December 2016, this requires careful monitoring of our cash flows and liquidity positions in order to avoid running into any potential liquidity problem.

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We cannot guarantee that we can receive payments from customers in a timely manner or at all. If we fail to properly manage our liquidity position in view of such working capital requirements and the possible cash flow mismatch associated with our business of providing manpower outsourcing and ancillary services, our cash flows and financial position could be materially and adversely affected.

We experienced two loss making projects during the Track Record Period and we cannot assure that there will be no other loss making projects in the future

During the Track Record Period, we have recorded two loss making projects, namely the Myanmar Project and the School Dormitory Project, which had resulted in costs of S\$1.0 million and S\$3.5 million respectively incurred by us during the Track Record Period, without deriving any income from, or achieving our planned objective of, the projects eventually. For further details about these two loss making projects, please refer to the paragraph headed “Business – Loss making projects during the Track Record Period” in this document. Our Directors confirmed that as at the Latest Practicable Date, there is no outstanding liability or obligation on our Group in relation to the two aforesaid projects. Nevertheless, we cannot assure that our future projects will not be loss making. If any of our future projects is loss making, our operating results and financial performance will be adversely affected.

We experienced a decline in our gross profit and gross profit margin for manpower outsourcing and ancillary services over the Track Record Period

Our gross profit for manpower outsourcing and ancillary services decreased from approximately S\$14.4 million for FY2014 to approximately S\$13.1 million for FY2015, and further decreased to approximately S\$12.2 million for FY2016, while our gross profit margin for manpower outsourcing and ancillary services decreased from approximately 37.1% for FY2014 to approximately 33.1% for FY2015, and further decreased to approximately 32.2% for FY2016. Please refer to the section headed “Financial information – Period-to-period comparison of results of operations” in this document for a further discussion on the reasons for such decline. There is no assurance that our operating and financial performance in the future will remain at a level comparable to those recorded during the Track Record Period and will not decline further. Our financial condition and prospects may be adversely affected by any future decrease in our gross profit and gross profit margins.

Any non-renewal or revocation of (i) the temporary permission for using our Sungei Kadut Dormitory as temporary ancillary workers’ dormitory, and (ii) the dormitory licence in respect of the operation of the Woodlands Dormitory for the provision of dormitory services, could materially and adversely affect our operations and financial performance

Nichefield was licenced by the MOM to operate the Woodlands Dormitory as a commercial dormitory for the period up to 30 October 2018, while KT&T Engineers has obtained the grant of temporary permission for using Sungei Kadut Dormitory as a temporary ancillary workers’ dormitory for the period up to 25 February 2020.

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We rely on these two self-operated dormitories for housing our foreign employees, and rely on our Woodlands Dormitory for providing dormitory services to workers employed by third parties. Renewal of the aforesaid licence and permission is required approximately every two or three years and is generally subject to certain legal requirements. Further, our aforesaid license and permission may be subject to revocation by the relevant authorities if we fail to comply with the relevant terms and conditions therein. In the event of non-renewal or revocation of such licence and permit, we will have to relocate our foreign employees to dormitories operated by third parties and to cease our business of providing dormitory service to third parties’ workers at the Woodlands Dormitory. These may result in (i) a significant increase in our workers’ accommodation expenses, (ii) a decrease in our revenue derived from our dormitory service segment, and (iii) a decrease in our ability to hire additional foreign workers as employers are responsible for providing acceptable accommodation for foreign workers in Singapore. As a result, our business and financial positions and prospects could be materially and adversely affected.

Any non-renewal of our sub-tenancy for the Woodlands Premises could materially and adversely affect our operations and financial performance

The Woodland Premises are leased by BCA to us by way of sub-tenancy for the period up to 30 October 2018. Under the sub-tenancy, Nichefield has the right to request for renewal of the lease term for a further term of three years subject to, among other things, BCA’s absolute discretion and a renewed tenancy granted by the Singapore Government to BCA. We cannot assure that our sub-tenancy for the Woodland Premises can be renewed at all or substantially on the existing terms and conditions. In the event of non-renewal of our sub-tenancy, we will have to relocate our foreign employees to dormitories operated by third parties and to cease our business of providing dormitory service to third parties’ workers at the Woodlands Dormitory. These may result in (i) a significant increase in our workers’ accommodation expenses, (ii) a decrease in our revenue derived from our dormitory service segment, and (iii) a decrease in our ability to hire additional foreign workers as employers are responsible for providing acceptable accommodation for foreign workers in Singapore. As a result, our business and financial positions and prospects could be materially and adversely affected.

The security bonds furnished by us may be forfeited if our foreign employees are missing or in breach of any conditions of their work permits

For each of our foreign employees 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. The security bond must be furnished prior to the foreign worker’s arrival in Singapore, failing which entry into Singapore will not be allowed. The security bonds furnished by us may be forfeited if, among other things, our foreign employees go missing or violate any of the conditions of the work permits.

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We have implemented internal control measures to manage our foreign employees. Please refer to the section headed “Business – Risk management and internal control systems” in this document for details. However, we cannot assure that our foreign employees will not go missing or violate the conditions in their work permits. Occurrence of any of the aforesaid events may result in forfeiture of security bonds furnished by us in respect of the relevant workers, which in turn may adversely affect our business and financial performance.

Our accident records may adversely affect our attractiveness to potential foreign workers

Our Group has recorded certain accidents (including one fatal accident) involving our employees during the Track Record Period and up to the Latest Practicable Date. Although all of these accidents have taken place while our employees were in the course of deployment to our customers, the occurrence of accidents may nevertheless adversely affect our attractiveness to potential foreign workers, and hence may hinder our ability to recruit and employ foreign workers in the future.

We have implemented safety measures and management system in relation to occupational health and safety. Please refer to the section headed “Business – Occupational health and work safety” in this document for details. However, we cannot assure that our accident records will not worsen in the future as we do not have direct control of the safety management of the work sites to which our workers are deployed. If we record any significant increase in the number of accidents involving our employees, our reputation and attractiveness to potential foreign workers may be adversely affected and we may experience difficulties in recruiting and retaining foreign workers in the future.

We may face difficulties in managing our sizeable pool of foreign workers

We have maintained a sizeable pool of foreign labour. In light of the difference in work culture and lifestyle between Singapore on the one hand and Bangladesh and India on the other, we cannot assure that all of our foreign employees could merge into our work culture, comply fully with our instructions and guidelines, and perform up to our requirements. If we fail to properly manage our pool of foreign workers, it may result in disobedience and substandard performance at work and/or affect our attractiveness and reputation among our customers and potential foreign workers and hence may adversely affect our service quality, business operations and financial performance.

We may be involved in contractual claims and/or work injury claims, legal and other proceedings arising from our operations from time to time and may face significant legal liabilities as a result

We may be involved in disputes with our customers, suppliers and employees from time to time in respect of various matters, including delay or failure in making payments, personal injury claims, possible complaints about the quality of our services and other matters arising from daily operation. During the Track Record Period, we were involved in a number of concluded legal

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cases, including (i) seven common law claims filed by injured workers against us (as their employer), and (ii) 41 cases commenced by us against our customers in relation to recovery of payments and/or enforcement of related court orders. As at the Latest Practicable Date, we were involved in four ongoing claims, including (i) one claim commenced by us against our customer for payments involving S\$0.2 million; and (ii) three common law claims filed by injured workers against us (as their employer). For further details, please refer to the paragraph headed “Business – Litigation” in this document.

There is no assurance that we will be able to resolve every instance of disputes by way of negotiation and/or mediation with relevant parties. If we fail to do so, it may lead to legal and other proceedings initiated by or against us, and consequently we may have to incur substantial costs in such actions. In addition, legal proceedings can be time-consuming, expensive and may divert our management’s attention away from the operation of our business. If any litigation or claims are made against us successfully, we may be liable to pay significant amount of legal costs and liabilities, which may adversely affect our operations and financial results.

Any non-renewal or revocation of our registrations under the Contractors Registration System could adversely affect our operations and financial performance

Our Group provides construction ancillary services and our Manpower Services Companies (save as Tenshi Resources) and Tenshi Resources are registered under the workheads of CR01 (Minor Construction Works) and ME11 (Mechanical Engineering) respectively under the Contractors Registration System maintained by the BCA as at the Latest Practicable Date.

There are certain financial, personnel, track record, certification and other requirements that we have to comply with in order to maintain such registrations. If we fail to comply with the applicable requirements or conditions to maintain our registrations, our registrations may be subject to revocation or non-renewal, which would in turn hinder our inability to provide certain construction ancillary services and may hence adversely affect our business and results of operations.

Our planned acquisition of an additional foreign worker dormitory will result in increase in finance cost from mortgage loan, and may adversely affect our operating results and financial position

As part of our business strategies, we currently plan to acquire an additional foreign worker dormitory in Singapore for a consideration of approximately S\$[28.0] million (equivalent to approximately HK\$[154.8] million), and we intend to finance such acquisition by [REDACTED], and (ii) obtaining mortgage loan of approximately S\$[15.7] million (equivalent to approximately HK\$[87.0] million) from financial institution. For further details about our planned acquisition of dormitory, please refer to the paragraph headed “Business – Business strategies” and the section headed “Future plans and [REDACTED]” in this document.

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Based on the intended timing of deployment of the proceeds for purchasing the dormitory, it is expected that the use of mortgage loan to be obtained from financial institution for financing such acquisition will increase our indebtedness, and is expected to result in additional finance cost of approximately S\$0.1 million and S\$0.3 million for FY2017 and FY2018 respectively.

Our planned investments in dormitory will increase our recurring costs (including finance costs) but there is no assurance that there will be a satisfactory increase in our operational and financial performance as a result. Should we be unable to obtain more job orders for labour deployment and/or customers’ demands for our dormitory service and to increase our profitability after such planned investment, our business and financial positions and prospects may be adversely affected.

Our manpower outsourcing services are labour intensive. If we experience any shortage of labour, industrial actions, strikes or material increase in wage level, our operations and financial results would be adversely affected

We rely on a stable workforce to provide manpower outsourcing services to our customers. In particular, we require a large number of foreign workers with various skills in construction works. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of labour, industrial actions, strikes or material increase in wage level. However, we cannot assure you that we will not experience these problems in the future which may result in us having to offer better remuneration packages and other benefits to attract and retain foreign workers. If we cannot retain or recruit sufficient number of skilled workers for deployment to our customers in a timely manner, our ability to provide manpower outsourcing services would in turn be significantly reduced and our business operation, financial position and prospects may be adversely and materially affected.

Our Group is dependent on key personnel and there is no assurance that our Group can retain them

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of Mr. Kuah and Ms. Dolly Hwa Ai Kim, each being our executive Director. Details of their background and experience are set out in the section headed “Directors and senior management” in this document.

Our key personnel as well as their management experience in the management of foreign workers and the manpower outsourcing service industry are crucial to our operation and financial performance. Although we have entered into a service agreement with each of our executive Directors, there could be an adverse impact on our operation should any of our executive Directors terminate his/her service agreement with us or otherwise cease to serve our Group and appropriate persons could not be found to replace them. There is no assurance that we will be able to attract and retain capable staff in the future.

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In addition, one of the requirements for our Manpower Services Companies to maintain their registrations under the Contractors Registration System is that each of them must have a “technician” with relevant qualifications. Further details of such requirement are disclosed in the section headed “Regulatory Overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services” in this document. There is no assurance that the existing technicians of our Manpower Services Companies will not resign or otherwise cease to serve our Group in the future. In such event, if we are unable to locate suitable replacement of qualified personnel in a timely manner, our ability to maintain our registrations under the Contractors Registration System may be adversely affected, which may in turn have an adverse impact on our business, financial positions and prospects.

Our top five suppliers accounted for a substantial portion of our purchases

During the Track Record Period, suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) catering service providers, (ii) dormitory service providers, (iii) training course providers, (iv) providers of construction manpower, and (v) suppliers of miscellaneous services. For each of FY2014, FY2015 and FY2016, the percentage of our total purchases from our largest supplier amounted to approximately 20.4%, 29.9% and 40.9% of our total purchases respectively, while the percentage of our total purchases from our five largest suppliers combined amounted to approximately 73.9%, 61.0% and 73.0% of our total purchases respectively. If any of our top suppliers were to substantially reduce the amount of goods or services provided to us or to terminate the business relationship with us entirely, there can be no assurance that the provision of goods and/or services from new suppliers in replacement, if any, would be on commercially comparable terms. As such, our operation and financial performances may be adversely affected.

Our business plans and strategies may not be successful or be achieved within the expected time frame or within the estimated budget

We intend to further expand our manpower available for deployment, acquire an additional foreign worker dormitory and acquire additional lorries for our business expansion. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

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Our business of providing IT services is reliant on a single customer

For each of FY2014, FY2015 and FY2016, revenue derived from providing IT services accounted for approximately 1.8%, 1.3% and 2.0% of our total revenue respectively. During the Track Record Period and up to the Latest Practicable Date, we have provided IT services to only one customer (being a group member of a Japanese conglomerate engaged in the production of products ranging from petrochemicals & plastics, IT-related chemicals, energy and functional materials and health and crop science). If such customer terminates our IT support and maintenance services, or reduces its request for our software upgrade services, our revenue derived from IT services will decrease significantly and our financial performance will be adversely affected.

If the daily meals supplied by our catering service providers are unhygienic or of substandard quality, our foreign employees may suffer from food poisoning or illness

Where catering services are required by our foreign employees, we will provide them with daily meals prepared by catering service providers. During the Track Record Period, we have procured ready-made meals from Singapore-based catering service providers which serve Bangladesh and Indian food.

If the daily meals supplied by our catering service providers are unhygienic or of substandard quality, our foreign employees may suffer from food poisoning or illness, which will adversely affect their health conditions and render them undeployable by our Group. Further, our Group may be subject to potential legal claims from our foreign employees for the personal harm they have suffered. In such event, our business operation and financial performance may be materially and adversely affected.

Any physical damage or disruption in operation to our self-operated dormitories may adversely affect our operations and financial performance

We rely on our two self-operated dormitories for housing our foreign employees, and rely on our Woodlands Dormitory for providing dormitory services to workers employed by third parties. There is no assurance that our self-operated dormitories will not suffer from physical damage or disruption in operation as a result of, among others, accidents, natural disasters, fire or flooding. Any such disruption may result in (i) significant increase in our workers' accommodation expenses incurred for housing our foreign employees at dormitories operated by third parties, (ii) decrease in our revenue derived from our dormitory service segment, and (iii) decrease in our ability to hire additional foreign workers as employers are responsible for providing acceptable accommodation for foreign workers in Singapore. As a result, our operations and financial performance could be materially and adversely affected.

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Our insurance coverage may not be sufficient to cover all losses or potential claims and insurance premiums may increase

Certain risks disclosed elsewhere in this section headed “Risk factors” such as risks in relation to our ability to obtain new contracts, our ability to retain and attract personnel, performance of our deployed employees, credit risk and liquidity risk, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Insurance policies covering losses from acts of war, terrorism, or natural catastrophes are also either unavailable or cost prohibitive.

We have taken out public liability insurance which covers bodily injury or damage to property in connection with our business. We have also maintained public liability insurance policies which cover the legal liability in respect of, among other things, death, bodily injury or loss of or damage to property on the Woodlands Dormitory and Sungei Kadut Dormitory. We have purchased required policies for our staff, such as workmen compensation and medical policies. However, we may become subject to liabilities against which we are not insured adequately or at all or liabilities against which cannot be insured. Should any significant liabilities arise due to accidents, natural disasters, or other events which are not covered or are inadequately covered by our insurance, our business may be adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

Although we believe our insurance coverage is sufficient for the needs of our operations and appropriate for our current risk profile, we cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. In addition, we cannot guarantee that we can renew our policies or can renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, results of operations and prospects.

We are subject to currency risk

We have certain bank balances denominated in US\$ and HK\$ and certain trade payables denominated in US\$, which expose us to foreign currency risk. For each of FY2014, FY2015 and FY2016, our monetary assets denominated in US\$ amounted to nil, S\$2,823 and S\$2,823, while our monetary assets denominated in HK\$ amounted to nil, nil and approximately S\$0.4 million, respectively. For the same periods, our monetary liabilities denominated in US\$ amounted to approximately S\$0.9 million, S\$1.4 million and S\$0.5 million, respectively.

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We cannot assure that there will not be any substantial fluctuation in the exchange rate of Singapore dollars against HK\$ or US\$. If the US\$ strengthens/weakens by 10% against Singapore dollars, our Group’s profit for FY2014, FY2015 and FY2016 would decrease/increase by S\$72,700, S\$115,500 and S\$41,100 respectively. If the HK\$ strengthens/weakens by 10% against Singapore dollars, our Group’s profit for FY2014, FY2015 and FY2016 would increase/decrease by nil, nil and S\$34,200 respectively. As we did not engage in any hedging activity, any substantial fluctuation in the currency rate of Singapore dollars against HK\$ or US\$ may adversely affect our financial performance and profitability.

We have held-for-trading investments, being equity securities listed in Singapore, which may be subject to market volatility and may decrease in value

As at 31 December 2014, 2015 and 2016, we had held-for-trading investments which amounted to approximately S\$70,000, S\$70,000 and S\$70,000 respectively. Such held-for-trading investments are equity securities listed on the Singapore Exchange Securities Trading Limited, which were purchased with our idle funds prior to the Track Record Period and held for trading purposes.

The value of held-for-trading investments are subject to a variety of risks including but not limited to market risk, liquidity risk, company-specific risks, etc. The value may increase or decrease or even become valueless. In the event that the value of held-for-trading investments significantly decreases or becomes valueless, our financial condition and results may be adversely affected.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

There has been a slowdown in the construction industry in Singapore in 2015 and 2016

Our Group is a Singapore-based service provider and we mainly provide manpower outsourcing and ancillary services to building and construction contractors in Singapore. There is no assurance that the demand for our services from the construction industry will be maintained or continue to grow. Any economic downturn in Singapore may affect such sector and may reduce the demand of labour force and possibly cause downward pressure on the pricing of our services. According to the Ipsos Report, the total value of construction contracts awarded from both public and private sectors in Singapore (including building construction and civil engineering works) decreased from approximately S\$38.8 billion in 2014 to approximately S\$27.0 billion in 2015 and further decreased to approximately S\$26.1 billion in 2016. If such slowdown persists, the availability of new building and construction works contracts in the market may decrease, which may adversely affect construction and building contractors’ demands for our manpower outsourcing services. Any fall in demands of our customers may affect our Group’s business, financial condition and results of our operations.

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Any changes in existing laws, regulations and Singapore Government policies in relation to employment of foreign workers, such as any further increases in foreign workers levy, may cause us to incur additional expenditure

Many aspects of our business operation are governed by various laws and regulations and Singapore Government policies. For instance, under the Singapore laws, employers are required to pay the requisite foreign worker levy according to the qualification of the foreign workers employed. The monthly rate of foreign worker levy for basic skilled workers under the construction sector in Singapore has increased to S\$650 effective from 1 July 2016 and will further increase to S\$700 effective from 1 July 2017. There is no guarantee that the Singapore Government will not further raise the foreign worker levy in the future, in which case our operating results and financial position will be adversely affected. The requirements in respect of the granting and/or renewal of various permits, quota and other legal requirements in relation to the employment of foreign workers may change from time to time, and there is no assurance that we will be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operation. For example, if the Singapore Government reduces the quota or tighten the approval process for hiring of foreign workers in Singapore, and we fail to meet the new requirements in a timely manner or at all, our business operation will be materially and adversely affected.

The presence of illegal foreign workers may affect the demand for our manpower outsourcing services

According to the Ipsos Report, some companies in the construction industry in Singapore have been found guilty of illegally hiring and housing foreign workers. Further, in 2016, several construction companies and recruiters were reported to have been reprimanded over illegally sourcing foreign workers from the PRC, Bangladesh and India for the construction, food and beverage and other services sectors. We cannot assure that construction and building contractors will not engage illegal foreign workers in their projects, in which case the demand for our manpower outsourcing services may decrease and our business and financial positions and prospects may be adversely affected.

Growing usage of building automation in construction industry may reduce the demand for our manpower outsourcing services

Singapore Government’s initiatives to increase construction site productivity through building automation may reduce reliance on human labour, and therefore the demand for our manpower outsourcing services. According to the Ipsos Report, in 2012, the Minister of National Development of the Singapore Government highlighted that Singapore’s reliance on foreign workers can be reduced by the increase in the efficiency of construction works by the use of prefabrication or precast which can be done in factories, thereby reducing the amount of labour required for carrying out carpentry or formworks at construction sites. In addition, any

RISK FACTORS

significant technological advancement or industry development leading to mass automation of building and construction processes could be a potential threat to the demand for manpower outsourcing service providers in Singapore.

With the implementation of prefabricated/precast products (which includes mandatory precast or prefabricated products such as standard precast bathroom units, standard prefabricated staircase and prefabricated prefinished volumetric construction (PPVC) products across residential, office or selected developments), installations can be reduced and thereby reducing the use of labour at construction sites. There is no guarantee that the Singapore Government will not introduce further requirements for the adoption of a wider range of mandatory prefabricated/precast components in different construction projects, in which case the demand for our manpower deployment may be adversely affected.

Foreign workers may launch industrial actions or strikes to demand for higher wages and/or shorter working hours

Foreign construction workers are usually divided into various different trades. Industrial action of any trade may disrupt our operation and/or the operation of our customers and thus the work progress of projects undertaken by our customers. Although we have not experienced any industrial action or strikes among our foreign employees during the Track Record Period, there is no assurance that the foreign workers in Singapore will not launch any industrial actions or strikes to demand for higher wages and/or shorter working hours in the future. If their demands are to be met, we may incur additional remuneration costs or may fail to provide manpower outsourcing service to our customers within schedule. In either case, any industrial actions or strikes may have adverse impact on our profitability and results of operation.

RISKS RELATING TO THE [REDACTED]

Investors will experience immediate dilution

Because the [REDACTED] of our Shares is higher than the combined net tangible assets per Share immediately prior to the [REDACTED], investors of our Shares in the [REDACTED] will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible assets value to approximately HK\$[REDACTED] per Share, based on the [REDACTED] of HK\$[REDACTED] per Share.

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There has been no prior public market for the Share and the liquidity, market price and trading volume of the Share may be volatile

Prior to the [REDACTED], there is no public market for the Shares. The [REDACTED] of, and the [REDACTED] in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group’s revenues, earnings and cash flows, acquisitions made by our Group or our competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuations in the market prices for the services provided or supplies required by our Group, the liquidity of the market for the Shares, and the general market sentiment regarding the construction industry in Singapore could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group’s control and unrelated to the performance of our Group’s business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the [REDACTED] or at all.

Investors may experience dilution if we issue additional Shares in the future

Our Company may issue additional Shares upon exercise of options to be granted under a share option scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, we may need to raise additional funds in the future to finance our operation or business expansion or new development. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the [REDACTED]. Our Group cannot predict the effect, if any, of any future sales of the Shares by any Controlling Shareholders, or that the availability of the Shares for sale by any Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

RISK FACTORS

The [REDACTED] is entitled to terminate the Underwriting Agreements

Prospective investors 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 set out in the section headed “[REDACTED] – Grounds for termination” in this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Such event may include, without limitation, any acts of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out.

Investors may experience difficulties in enforcing their shareholders’ rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraph headed “Cayman Islands Company Law – Protection of minorities and shareholders’ suits” in Appendix III to this document.

Future issues, offers or sales of Shares may adversely affect the prevailing market price of the Shares

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issue or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

There can be no assurance that we will declare or distribute any dividend in the future

Any decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant by our Board. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

RISK FACTORS

RISKS RELATING TO THIS [REDACTED]

Statistics and industry information contained in this document may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section headed “Industry overview” and elsewhere in this document relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by Singapore Government departments or independent third parties. In addition, certain information and statistics set forth in that section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources were prepared on a comparable basis or that such information and statistics were stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications.

Our Group’s future results could differ materially from those expressed or implied by the forward-looking statements

Included in this document are various forward-looking statements that are based on various assumptions. Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” in this document.

Investors should read this entire [REDACTED] carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the [REDACTED] including, in particular, any financial projections, valuations or other forward-looking statements

Prior to the publication of this document, there may be press or other media which contains information referring to us and the [REDACTED] that is not set out in this document. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED], or the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the [REDACTED] has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this document or is inconsistent or conflicts with the information contained in this document, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the [REDACTED]. You should rely only on the information contained in this document.