

## BUSINESS

### BUSINESS OVERVIEW

We are a Singapore-based service provider and we mainly provide manpower outsourcing and ancillary services to building and construction contractors in Singapore. To a lesser extent, we also provide dormitory services, IT services and construction ancillary services (which comprise warehousing services, cleaning services and building maintenance works) in Singapore.

The following table sets forth a breakdown of our revenue during the Track Record Period by business operations:

	FY2014		FY2015		FY2016	
	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>%</u>
Manpower outsourcing and ancillary services	38,943	86.4	39,770	86.3	37,978	84.3
Dormitory services	4,297	9.5	4,706	10.2	5,464	12.1
IT services	810	1.8	622	1.3	892	2.0
Construction ancillary services	<u>1,044</u>	<u>2.3</u>	<u>993</u>	<u>2.2</u>	<u>716</u>	<u>1.6</u>
Total	<u><u>45,095</u></u>	<u><u>100.0</u></u>	<u><u>46,091</u></u>	<u><u>100.0</u></u>	<u><u>45,051</u></u>	<u><u>100.0</u></u>

Our revenue represents income derived from providing manpower outsourcing and ancillary services, rental income derived from the operation of our Woodlands Dormitory and other service income derived from providing IT services and construction ancillary services. Our cost of services mainly include foreign workers’ wages and salaries, foreign workers levy, rental cost for the land in relation to our Woodlands Dormitory, and staff salaries, bonuses and allowances.

The following is an overview of our business operations:

#### Manpower outsourcing and ancillary services

We provide manpower outsourcing services by (i) recruiting, employing, training and remunerating foreign workers from Bangladesh and India as our employees in Singapore, and (ii) deploying them to perform various construction works of different construction trades at the work sites designated by our customers in Singapore.

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The main types of construction works performed by our deployed employees include scaffolding, welding, hacking, casting, painting, rebarring, lifting supervision, carpentry and plastering etc. As at the Latest Practicable Date, we employed 1,310 foreign employees for deployment. We recruit our foreign employees mainly through candidate referrals from Overseas Testing Centres based in Bangladesh and India. Depending on the availability of candidate referrals from the Overseas Testing Centres, we occasionally engaged individual recruitment agents based in Bangladesh to source appropriate foreign workers from Bangladesh for our selection and employment.

We provide all incoming foreign employees with regular in-house trainings on rebarring and other general construction works. In addition, we arrange some of them to attend external training courses on specialised construction works such as scaffolding and welding.

In the formal contracts of our manpower outsourcing services, we generally stipulate that our customers are responsible for the accommodation of our employees during their deployment. Some of our customers may make accommodation arrangements for the deployed employees on their own during the deployment period. Alternatively, if so requested by our customers, our Group also provides ancillary services to our customers for a fee during the deployment period, which include providing accommodation for the deployed employees at our self-operated dormitories or dormitories operated by third parties, and arranging transportation for the deployed employees to and from their respective work sites using our lorries.

We currently operate two dormitories, namely the Woodlands Dormitory and Sungei Kadut Dormitory, with a capacity of 1,500 and 479 persons, respectively. The Woodlands Dormitory is a licensed foreign employee dormitory licensed by the MOM which is permitted to house foreign workers employed by our Group as well as by third parties, while the Sungei Kadut Dormitory is a temporary ancillary workers’ dormitory approved by the Urban Redevelopment Authority of Singapore to house our foreign employees. For further details of the operation of our self-operated dormitories, please refer to the paragraphs headed “Licences and permits” and “Properties” in this section.

### **Dormitory services**

We provide dormitory services at our Woodlands Dormitory mainly to building and construction contractors in Singapore for foreign workers who are employed by them. Our dormitory services generally consist of the provision of dormitory bed spaces and the duration of each contract typically ranged from six months to one year. The lodgers are also allowed to use various facilities at the dormitory during their stay in general, mainly including gymnasium room, sports fields, cooking facilities and television room. Depending on our customers’ request, we may also charge our customers for providing laundry services to the relevant lodgers. During the Track Record Period, approximately 57.2% to 84.9% of the dormitory bed spaces at the Woodlands Dormitory were occupied by foreign workers who are under the employment of third parties.

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### **IT services**

Our IT services generally comprise the provision of support and maintenance services and software upgrades in relation to the ERP systems of our customer.

### **Construction ancillary services**

We also provide a range of construction ancillary services to our customers, including warehousing services, cleaning services and building maintenance works.

In relation to our warehousing services, we mainly provide leasing of storage spaces at the warehouse of our Sungei Kadut Dormitory for construction-related materials of our customers.

Our cleaning services generally involves the cleaning of interior units of residential buildings by our foreign employees who are not subject to any current deployment for the time being. Our customers in respect of our cleaning services are typically main contractors in relation to newly developed residential properties. These main contractors were normally the customers of our manpower outsourcing and ancillary services and engaged us to perform cleaning on the residential buildings after the construction works had been completed.

Meanwhile, we have also undertaken one project of building maintenance works as subcontractor during the Track Record Period.

## **COMPETITIVE STRENGTHS**

We believe that we have the following competitive strengths:

### **Established relationships with Overseas Testing Centres in Bangladesh**

Our Group has started to source foreign workers from Bangladesh since 2006. We obtain candidate referrals from Overseas Testing Centres in Bangladesh from time to time in order to meet our needs for new labour. According to our requests, these Overseas Testing Centres will provide us with the personal information of potential candidates for our selection and recruitment. The Overseas Testing Centres are also responsible for providing training and assessment (as approved by the BCA) to the foreign workers before they arrive in Singapore.

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. Our Directors believe that our established working relationships with Overseas Testing Centres in Bangladesh have ensured a pool of quality workers for our selection and recruitment and is a key factor leading to our success in the industry.

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### **Cost advantages from our self-operated dormitories and lorry fleet**

As at the Latest Practicable Date, our Group operated two dormitories (namely the Woodlands Dormitory and Sungei Kadut Dormitory) and owned a total number of 20 lorries for workers’ transportation. Our Directors consider that, holding all else the same, housing our foreign employees at our self-operated dormitories (compared to renting bed spaces from dormitories operated by third parties) would generally lead to a higher profit margin of our manpower outsourcing and ancillary services business, as a profit markup is generally factored in the rental fees charged by the dormitories operated by third parties. Further, this could minimise the risk of substantial increase in the rental fees charged by dormitories operated by third parties, and the associated cost of relocating our foreign employees to other dormitories.

Further, our Directors believe that there are other benefits of housing our foreign employees at our self-operated dormitories and providing transportation arrangements using our own lorries because our Group can (i) ascertain the health conditions and whereabouts of our workers efficiently; (ii) promptly divide and assign them into different team batches for deployment to customers within short notice; (iii) give us flexibility in arranging our transportation schedule; and (iv) allow us to ensure our workers would arrive at the work sites on time.

### **Being experienced and knowledgeable in managing foreign workers**

Our experienced and dedicated management team is integral to the success of our Group. Mr. Kuah, the chairman of our Board, an executive Director and our chief executive officer, is responsible for the overall business development as well as financial and strategic planning of our Group. Mr. Kuah has been managing our business for more than 10 years. Ms. Dolly Hwa Ai Kim, an executive Director, is responsible for the overall management of our business operation and supervision. Ms. Hwa has been managing our business for more than nine years. Leveraging on the experience, network and industry knowledge of Mr. Kuah and Ms. Hwa, our Group is able to develop different business strategies to keep pace with the industry trend and market demand.

Mr. Kuah and Ms. Hwa are supported by our senior management team, whose credentials are disclosed in the section headed “Directors and senior management” in this document. Our Directors believe that under the leadership of Mr. Kuah, Ms. Hwa and our senior management team, our Group is able to build up our market presence, expand our business scale and deliver quality and satisfactory services to our customers.

In particular, based on our operations over the years, our management team has accumulated knowledge and experience in the management of foreign workers in order to provide quality and reliable manpower outsourcing services to our customers. To ensure our workers possess adequate knowledge in performing the required construction works, we have equipped them with relevant know-how through (i) providing in-house trainings to our foreign employees on rebarring and other general construction works and arrange some of them to attend external training courses on specialised construction works, and (ii) providing briefings to our deployed employees on their service standard and work safety measures before the

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commencement of works. Further, to maintain our service quality and customers’ satisfaction, we evaluate the performance of our employees during their deployment through (i) routine inspection by our site operations team at the relevant work sites, and (ii) follow-up telephone calls by our sales managers to our customers in order to obtain their feedbacks. In addition, we also strive to increase the morale of our foreign employees by (i) providing meals and general living environments that are suitable and cater for the tastes and cultures of our foreign employees based on our more than 10 years of experience, (ii) organising internal sports events, and (iii) encouraging them to make use of our various recreational facilities at the relevant dormitory during their leisure time. Our Directors believe that our knowledge and experience in managing a sizable pool of foreign employees are crucial in earning customers’ trust and recognition in our services.

### **Being an established service provider of manpower outsourcing services**

We have been engaged in the manpower outsourcing market in Singapore since 2006. During our operating history, we have accumulated practical experiences in sourcing and managing a sizable pool of suitable foreign workers and in providing manpower outsourcing services to building and construction contractors in Singapore. Our senior management team is experienced in labour recruitment and deployment, and strives to provide manpower outsourcing services to meet our customers’ needs.

In relation to our deployed employees, our Group performs recruitment and administration functions in which our Group handles (i) the sourcing, screening and assessment of prospective workers for deployment, (ii) arrangements to train, manage and maintain a pool of suitable workers for deployments on short notice, and (iii) the administrative matters relating to such workers including, among other things, payrolls, employee contractual benefits, CPF and compliance with labour-related laws and regulations in Singapore.

Our Directors believe that our manpower outsourcing services enable our customers to focus on their core business activities and save up their management attention and resources that would otherwise be required for handling the aforesaid recruitment and administration matters.

### **Possession of a sizable pool of suitable and trained workers**

Our Directors consider that building and construction contractors in Singapore prefer manpower outsourcing service providers who are able to provide reliable manpower outsourcing service on short notice. Our Directors believe that the ability to do that requires a relatively sizeable pool of suitable and trained workers who are available for deployment on short notice.

We maintain a pool of foreign employees who are trained and skilled in performing various types of construction works and are available for deployment within short notice by our customers.

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With a sizable pool of skilled workers, our Directors believe that we are well-positioned to cater for the manpower needs from construction projects of varying scales and complexity, which in turn strengthens our industry position. Our Directors also believe that our ability to maintain a sizeable pool of foreign workers from time to time who are available for deployment to our customers on short notice enables our customers to reduce their recurring overhead costs by not having to maintain a full team of direct labours on their own at all times, and to have more flexibility in coping with the fluctuations in their needs for manpower in their construction projects from time to time.

### BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our position as an established service provider of manpower outsourcing services in Singapore as well as expanding our dormitory services.

According to the Ipsos Report, the construction demand by value of contracts in Singapore is forecasted to grow at a CAGR of approximately 3.9% from approximately S\$30.0 billion in 2017 to approximately S\$35.0 billion in 2021, while the number of foreign workers sourced by manpower outsourcing service providers in Singapore is forecasted to increase from an estimate figure of approximately 35,700 persons in 2017 to approximately 47,200 persons in 2021. In view of the abovementioned industry forecast, the demand for dormitory services provided by manpower outsourcing service providers are expected to grow in tandem to meet the increasing number of foreign construction workers in the industry. Having considered (i) our competitive strengths mentioned above, (ii) the number of customers that we served during the Track Record Period, and (iii) the forecasted growth of the construction industry and the manpower outsourcing industry in Singapore as well as the forecasted increase in the demand for dormitory services in respect of foreign workers in Singapore as stated in the Ipsos Report, our Directors believe that our Group can expand our business of providing manpower outsourcing and ancillary services and dormitory services on top of our present scale of operation if we are to continue to increase our available resources mainly including (i) the size of manpower available for deployment, (ii) the scale of our dormitory operation, and (iii) the number of lorries for transporting our employees to and from work sites.

In this connection, our key business strategies are as follows:

#### **Further expanding our manpower available for deployment**

As our manpower outsourcing services are labour-intensive, we consider that maintaining a pool of skilled foreign workers equipped with appropriate trainings and qualifications in performing different types of construction works is crucial to our continuing success. During the Track Record Period, our foreign employees were fully utilised as discussed in the paragraph headed “Utilisation rate” in this section. Currently, we had recruited and obtained the prior approvals from MOM for approximately 200 additional foreign workers. All of these workers are expected to arrive in Singapore and be

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employed by us in FY2017. Going forward, having considered the projected growth of the demand for manpower outsourcing services, our Directors intend to expand our manpower available for deployment by recruiting approximately 200 additional foreign employees in phases by the end of 2018 in order to cope with our business development.

In addition, we intend to provide the newly employed foreign employees with training on different types of construction works. Such training courses include regular in-house trainings on rebarbing and other general construction works as well as external training courses on specialised construction works. Further, in order to match with our expansion in manpower available for deployment, as well as the acquisition of an additional foreign worker dormitory and additional lorries for transporting our foreign workers (as discussed below), we also plan to hire additional local employees mainly including sales managers, site operation staff, drivers, dormitory staff and administrative staff, depending on our business needs from time to time, who will assist in and strengthen our administrative and supporting functions, sales and marketing, foreign workers’ monitoring and management, and general operational supports.

We currently plan to finance the abovementioned expansion in our manpower by using cash flows from our operations and our internal financial resources.

### **Acquiring an additional foreign worker dormitory**

As at the Latest Practicable Date, we operated two foreign worker dormitories, namely (i) Woodlands Dormitory for housing foreign workers employed by our Group as well as by third parties, and (ii) Sungei Kadut Dormitory for housing our foreign employees. Our two self-operated dormitories were close to being fully occupied during the Track Record Period. For further details, please refer to the paragraph headed “Occupancy rate of our dormitories” in this section. In order to cater to the increase in housing needs associated with the expansion in our manpower as mentioned above, we intend to purchase an additional foreign worker dormitory in Singapore because our Directors consider that holding all else the same, housing our foreign employees at a self-operated dormitory (compared to renting bed spaces from dormitories operated by third parties) would generally lead to a higher profit margin of our manpower outsourcing and ancillary services business, as a profit markup is generally factored in the rental fees charged by the dormitories operated by third parties. Further, this could minimise the risk of substantial increase in the rental fees charged by dormitories operated by third parties and the costs of relocating our foreign employees to other dormitories frequently.



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We have incurred approximately S\$7,000, S\$0.1 million and S\$0.8 million for housing our foreign employees in dormitories operated by third parties in each of FY2014, FY2015 and FY2016, respectively. In view of (i) the average monthly occupancy rate of our two self-operated dormitories; and (ii) the increase in expenses incurred in relation to engaging other dormitory service providers during the Track Record Period, we intend to house part of our existing foreign employees and all additional foreign employees expected to be hired under our business expansion plan in the additional dormitory to be acquired by us. Based on our expansion plan and schedule, our Directors estimate that this could lead to cost savings of approximately S\$0.3 million and S\$1.0 million for each of FY2017 and FY2018 respectively which would otherwise be incurred for engaging other dormitory service providers.

Further, according to the Ipsos Report as mentioned above, the demand for dormitory services is expected to grow in tandem with the increasing number of foreign construction workers in the industry. In light of this expected market trend, our Directors also intend to rent out any vacant dormitory bed spaces in the additional dormitory (i.e. after housing our additional foreign employees expected to be hired under our expansion plan as discussed above) for housing workers employed by third parties. Based on the prevailing market condition and in accordance with our expansion plan and schedule, our Directors estimate that this could result in an increase of up to S\$3.9 million in annual rental income from our dormitory service following the commencement of operation of the additional dormitory to be acquired by us.

Upon [REDACTED], we will search for and identify suitable dormitories in Singapore based on the following criteria: (i) having a capacity to house approximately 1,000 to 1,500 persons; (ii) being located in an area which is convenient or otherwise suitable for our operational needs; (iii) being properly licensed and being capable of housing foreign workers employed by us as well as by third parties; (iv) being in good physical condition; and (v) being within the range of our estimated consideration of between S\$26.0 million and S\$30.0 million, which is determined with reference to the current selling price for similar type of dormitories as informed by property agents in Singapore. Based on the information provided by property agent, our Directors note that there are properties available for sale in the market in Singapore which fulfil the aforesaid criteria.

A final decision as to the exact dormitory to be acquired will be made by our Directors following the [REDACTED] after having regard to, among other things, (i) the dormitories available for sale in the market which fulfil the aforesaid criteria; (ii) the results of the legal due diligence to be performed on the title and license of suitable dormitories; (iii) the results of our assessment of the overall suitability of the dormitories taking into account, among other factors, their size, capacity, physical condition, facilities, location and price; and (iv) the prevailing condition in the property market in Singapore.



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We currently plan to finance our proposed acquisition of additional dormitory (i) [REDACTED]; and (ii) partly by debt financing. For further details, please refer to the sections headed “Future plans and [REDACTED]” and “Financial information – 11. Indebtedness – 11.7 Plan to obtain mortgage loan for intended purchase of additional dormitory” in this document.

### **Acquiring additional lorries**

Ancillary to our manpower outsourcing services, during the Track Record Period, we have arranged transportations for our foreign employees to and from their respective work sites during their deployment with the use of our lorries. In light of the planned expansion in our manpower as mentioned above, our Directors expect that the needs for arranging the work travelling of our foreign employees will increase accordingly. In order to ensure that our workers are transported to their respective work sites on time and to cope with the expected increase in transportation needs from a larger size of manpower, we intend to acquire 10 additional lorries by the end of 2018.

We currently plan to finance the abovementioned acquisition of additional lorries by [REDACTED]. For further details, please refer to the section headed “Future plans and [REDACTED]” in this document.

## DESCRIPTION OF OUR SERVICES

### **(A) Manpower outsourcing and ancillary services**

#### ***Construction works performed by deployed employees***

The types of construction works performed by our deployed employees during the Track Record Period mainly include scaffolding, welding, hacking, casting, painting, rebarring, lifting supervision, carpentry and plastering etc. Our customers may require us to deploy workers who are capable of performing single or multiple type(s) of works depending on the requirements for their building and construction projects.

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Set out below are illustrations of the major types of construction works carried out by our deployed employees:

### Types of construction works

#### **Scaffolding**



#### **Welding**



#### **Hacking**



#### **Casting**



#### **Painting**



### General descriptions

It refers to the process of creating a platform on which workers can work at different heights and materials can be placed during building and construction works.

It refers to the fabrication process that joins materials (usually metals) by causing fusion during building and construction works.

It refers to the process of striking a brick surface with a special tool during building and construction works.

It refers to the process of forming an object in a mold (usually made of iron, steel and concrete) during building and construction works.

It refers to the process of applying paints to a surface during building and construction works.

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### Types of construction works

#### **Rebarring**



#### **Lifting supervision**



#### **Carpentry**



#### **Plastering**



### General descriptions

It refers to the process of installing reinforcing steel bars in relation to a formwork during building and construction works.

It refers to the process of monitoring the lifting operation of building materials and equipment during building and construction works.

It refers to the process of cutting, shaping and installing building materials during building and construction works.

It refers to the process of applying a layer of plaster to a surface for hardening during building and construction works.

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### ***Ancillary accommodation and transportation for deployed employees***

In the formal contracts of our manpower outsourcing services, we generally stipulate that our customers are responsible for the accommodation of our employees during their deployment. Some of our customers may make accommodation arrangements for the deployed employees on their own during the deployment period. Alternatively, if so requested by our customers, we also provide ancillary services to our customers for a fee during the deployment period, which include providing accommodation for the deployed employees at our self-operated dormitories or dormitories operated by third parties, and arranging transportation for the deployed employees to and from their respective work sites designated by our customers using our lorries.

The photographs below are taken from our self-operated dormitories and one of our lorries:

**Sungei Kadut Dormitory**



**Woodlands Dormitory**



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#### ***Our manpower outsourcing and ancillary services contracts***

The following table sets out the number of manpower outsourcing and ancillary services contracts we were awarded during the Track Record Period and up to the Latest Practicable Date:

	<b><u>FY2014</u></b>	<b><u>FY2015</u></b>	<b><u>FY2016</u></b>	<b><u>From 1 January 2017 to the Latest Practicable Date</u></b>
Number of contracts awarded	<u>754</u>	<u>1,006</u>	<u>1,113</u>	<u>420</u>

*Note:* Number of contracts awarded for each financial year includes all contracts with respect to which our engagement was confirmed during the financial year, regardless of whether the quotation had been submitted during the same financial year.

The following table sets out the number of hours of deployment billed by our Group for manpower outsourcing and ancillary services during the Track Record Period:

	<b><u>FY2014</u></b>	<b><u>FY2015</u></b>	<b><u>FY2016</u></b>
	<b><u>'000 hours</u></b>	<b><u>'000 hours</u></b>	<b><u>'000 hours</u></b>
Number of hours of deployment billed by our Group for manpower outsourcing and ancillary services	<u>3,962</u>	<u>3,968</u>	<u>3,875</u>

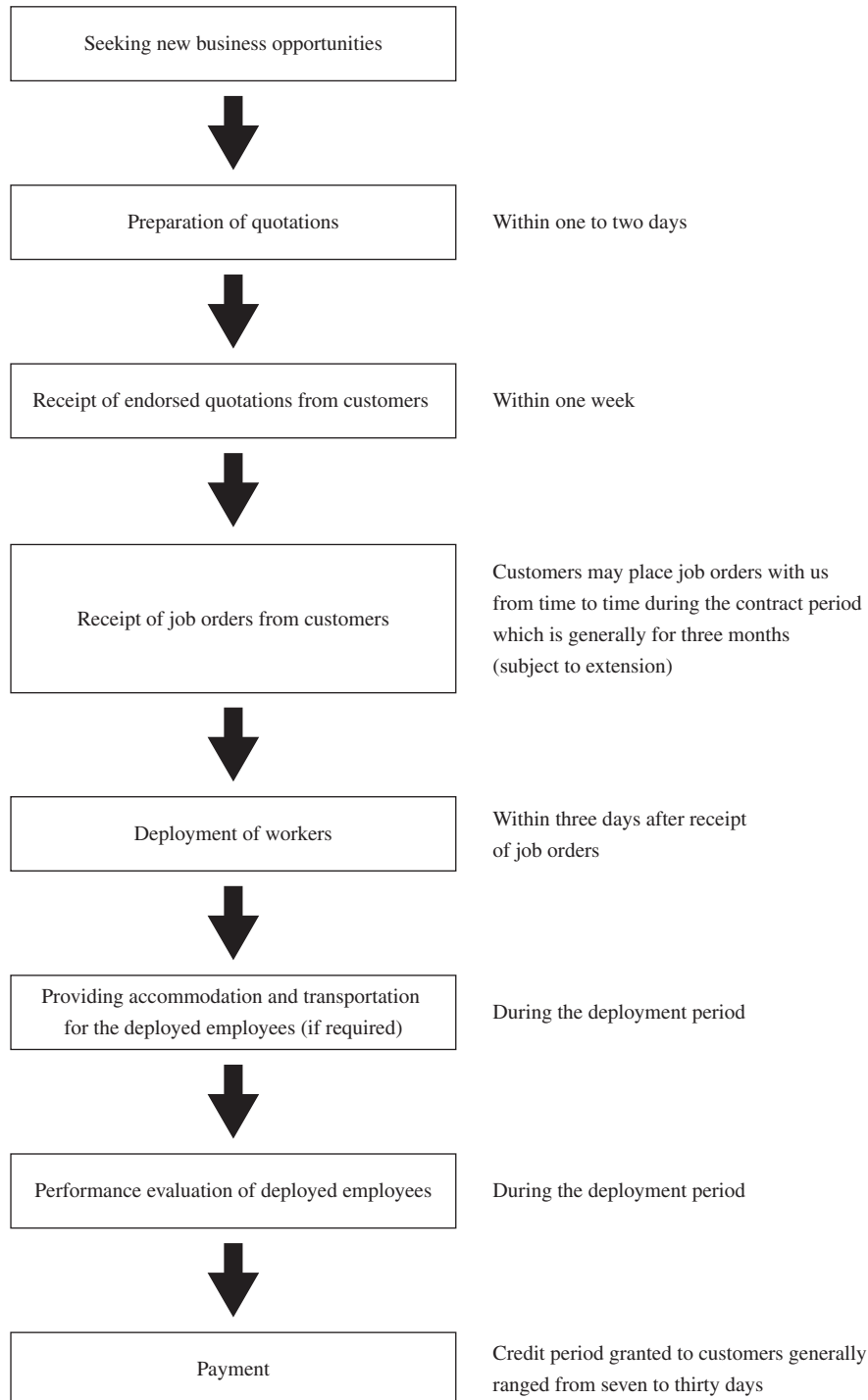
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### *Operation flow*

Set out below is a flowchart summarising the principal steps of our workflow for manpower outsourcing and ancillary services and the typical time frame for such steps:



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### *Seeking new business opportunities*

Our Group seeks new business opportunities 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. For further information, please refer to the paragraph headed “Sales and marketing” in this section.

### *Preparation of quotations*

In general, our sales managers will review and evaluate the customers’ requirements including the number and the skill of workers required, duration of deployment and types of construction works involved. Based on our ability to meet the requirements and the availability of our workers, our sales managers will decide whether to proceed to prepare fee quotation.

If we decide to pursue a potential contract after our assessment, we will commence the preparation of fee proposal which will set out the charge-out rate for each type of workers for deployment. For our pricing strategy, please refer to the paragraph headed “Pricing strategy” below in this section.

### *Receipt of endorsed quotations from customers*

Upon finalising our fee proposal, we will provide our quotation to our potential customer. If our fee quotation is accepted by our customer, our customer will typically confirm our engagement by endorsing our quotation previously submitted.

After we receive the endorsed quotations, we will normally enter into formal contracts with our customers as soon as practicable, which typically contain (i) the pre-agreed main terms in the quotations such as the charge-out rate for each type of our workers, and the contract period, etc., and (ii) other standards terms of services. There is no fixed or committed total contract sum in the formal contracts. Instead, customers may place job orders with us for our manpower deployment during the contract period, and the amount chargeable by us is based on the actual number of service hours rendered by our deployed workers to our customers during the relevant period. Please refer to the paragraph headed “Customers – Principal terms of engagement” below in this section for further details.

### *Receipt of job orders from customers*

Our customers place job orders with us from time to time by way of telephone calls or email. The job orders generally specify the type and number of workers required and the schedule of deployment. We will issue a formal acknowledgement to our customers upon receipt of their job orders.



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In some cases, our customers may provide us with a non-binding estimation in relation to their future labour demand. This allows us to coordinate our human resources in advance for such upcoming job orders.

### *Deployment of workers*

Pursuant to the Workplace Safety and Health Act of Singapore, all our deployed employees will attend the safety induction course conducted by an onsite safety officer appointed by the main contractor of the work site on their first day of deployment. In addition, our site operations team will provide briefings to our deployed employees on their service standard and work safety measures before the commencement of works.

### *Providing accommodation and transportation for the deployed employees (if required)*

In the formal contracts, we generally stipulate that our customers are responsible for the accommodation of our employees during their deployment. Some of our customers may make accommodation arrangements for the deployed employees on their own during the deployment period. Alternatively, if so requested by our customers, our Group may also provide ancillary services to our customers for a fee during the deployment period, which include providing the deployed employees with (i) accommodation at our self-operated dormitories or dormitories operated by third parties, and (ii) transportation for the deployed employees to and from their respective work sites using our lorries. As at the Latest Practicable Date, we own a total of 20 lorries for workers’ transportation. We charge our customer for these accommodation and transportation services based on the daily rates set out in the formal contracts.

### *Performance evaluation of deployed employees*

We evaluate the performance of our employees during their deployment. Our site operations team conducts routine inspection at the relevant work sites to ascertain our customers’ satisfaction with the service quality of our deployed employees. Further, our sales manager will usually make follow-up telephone calls to our customers shortly after the deployment to obtain their feedbacks, and attend to the complaints received from our customers, if any. If our customers consider the performance of any deployed workers unsatisfactory, we will, pursuant to the relevant contract terms, arrange for appropriate replacement in the following work day after receiving their requests. The deployed hours rendered by such workers will still be charged to our customers.

### *Payment*

We issue a timecard to each deployed worker for recording the number of service hours rendered to our customers. The authorised representatives of our customers are required to endorse and submit the timecards to us on a bi-weekly basis for billing purpose.

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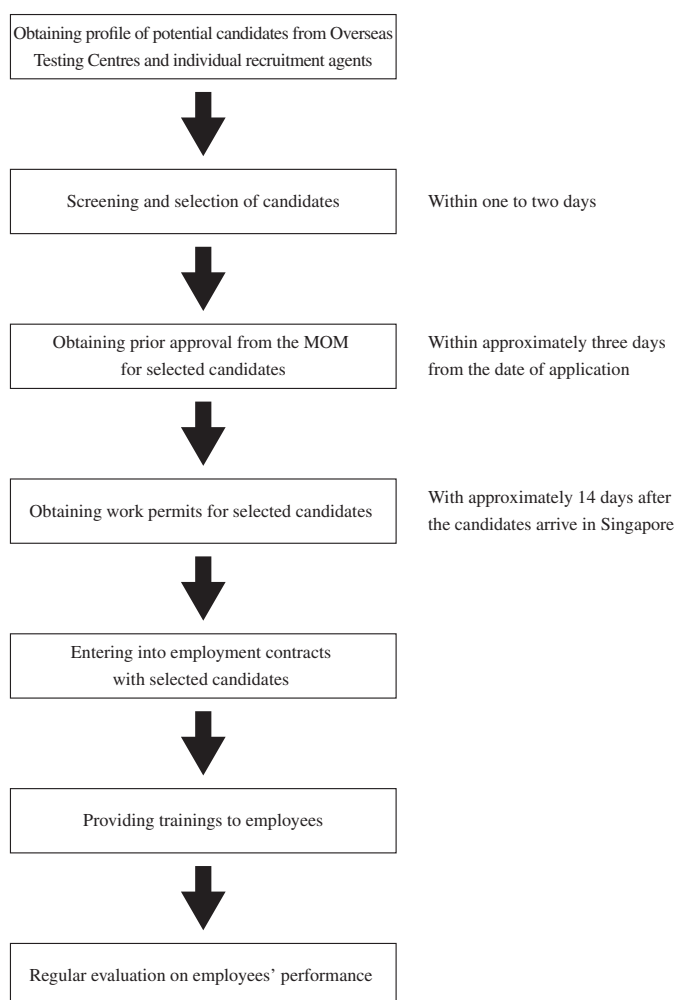
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Based on the timecards submitted to us, we issue invoices to our customers on a bi-weekly basis. Our invoices set out the number and type of employees deployed, the total service hours rendered to the customers, the number of days that we provided ancillary accommodation and transportation services, and the total amount of payment due to our Group. We generally grant a credit term of seven to 30 days to our customers after the issue of our invoices.

### ***Our recruitment and training process***

Set out below is a flowchart summarising the principal steps of our recruitment and training process in relation to our deployed employees:



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### *Obtaining profile of potential candidates from Overseas Testing Centres and recruitment agents*

Our deployed foreign employees in respect of our manpower outsourcing services are sourced from Bangladesh and India. Depending on our needs for new labour, we regularly obtain personal profile of potential candidates from Overseas Testing Centres. Depending on the availability of candidate referrals from the Overseas Testing Centres, we occasionally engaged individual recruitment agents based in Bangladesh to source appropriate foreign workers from Bangladesh for our selection and employment. According to our requests, the Overseas Testing Centres and individual recruitment agents will provide us with the personal information of potential candidates such as their ages and home countries.

### *Screening and selection of candidates*

Our recruitment team will perform screening and selection on the potential candidates based on information obtained from the MOM including previous employment history and involvement in any claims or litigations in Singapore. Upon completion of our selection, we will inform the Overseas Testing Centres and/or individual recruitment agents about the candidates selected by us.

### *Obtaining prior approval from the MOM for selected candidates*

Once we have finalised the selection of candidates, we will apply for prior approval from the MOM for the selected candidate subject to, among other things, the following rules and regulations in Singapore:

(i) Dependency ceiling quota

Under the rules of the MOM, the dependency ceiling quota for companies in the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers.

As advised by the Singapore Legal Adviser, under the relevant rules of the MOM, for a Singapore citizen or permanent resident who is hired under a dual employment of two companies (the “**Dual Employment Arrangement**”), both companies would have the benefit of counting such worker as their employee for the computation of the dependency ceiling quota, subject to certain requirements as set out 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 – Dual employment of local employees” in this document.

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During the Track Record Period and up to the Latest Practicable Date, certain of our local employees were employed by two of our Manpower Services Companies under Dual Employment Arrangement. Therefore, each of such Manpower Services Companies is entitled to count such local employee for their computation of the number of foreign employees that can be hired under the dependency ceiling quota.

Our Group is in compliance with the dependency ceiling quota, as further discussed 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 – Dual employment of local employees” in this document..

(ii) Man-year entitlements (MYE)

MYE is a work permit allocation system for employment of construction workers from NTS countries 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 or contracts awarded by the developers or owners. A main contractor’s MYE will expire on the completion date of the relevant project. All levels of subcontractors are required to obtain their MYE allocation from their main contractors.

As advised by the Singapore Legal Adviser, the maximum number of foreign workers our Group can hire is subject to the ratio of one full-time local worker to seven foreign workers set under the dependency ceiling quota (as mentioned above), no matter how many MYE our Group has obtained. Companies without MYE may still employ NTS or PRC construction work permit holders upon a waiver granted by MOM, subject to the compliance with, *inter alia*, the dependency ceiling ratio and paying a higher foreign worker levy rate.

Our Group companies obtain their MYE allocations from the main contractor(s) of the construction project(s) to which we provide manpower outsourcing services. As advised by the Singapore Legal Adviser, our Manpower Services Companies are, for the purpose of MYE, regarded as a subcontractor.

*Obtaining work permits for selected candidates*

After obtaining the prior approvals from the MOM, we will apply for in-principle approvals from the MOM. Before the selected candidates arrive in Singapore, we will take out insurance in guarantee of our obligations to furnish security bonds for the relevant foreign workers. For further details, please refer to the paragraph headed “Business – Insurance” in this section.

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## BUSINESS

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Upon their arrival in Singapore, the selected candidates are required to undergo a medical examination and attend the Enhanced Construction Safety Orientation Course (“ECSOC”) organised by MOM-accredited safety course training centre within specified period. Subject to completion of the aforesaid requirements and other conditions in the in-principle approvals, the selected candidates will receive the work permit issued by the MOM. For further details, please refer to 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 – I. Employment matter” in this document.

### *Entering into employment contracts with selected candidates*

After confirming that our selected candidates possess valid work passes, we will enter into formal employment contracts with them, which set out the main terms of employment such as their fixed daily salary, official work hours, overtime payment, employee benefits, entitlement to holidays and termination notice, etc.

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 for successful cases of candidate referrals obtained from 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. On the other hand, individual recruitment agents charge us a fixed referral fee for each successful case of referral based on one to two months’ salary of each foreign worker hired by us.

Our foreign employees are housed either in our self-operated dormitories or dormitories operated by third parties unless our customers have arranged accommodation for our employees during their deployment. For our foreign employees staying at the Sungei Kadut Dormitory, they are required to pay for the catering service (which is offset against their wages), while our foreign employees staying at the Woodlands Dormitory have the option to either make use of our cooking facilities free of charge or pay for the catering service.

### *Providing trainings to employees*

We provide all incoming foreign employees with regular in-house trainings on rebarring and other general construction works. In addition, we will arrange some of them to attend external training courses on specialised construction works such as scaffolding and welding. Upon successful completion of these courses, our employees will be awarded with certificates from the relevant course providers.

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The table below sets out the number of certificate holders among our foreign employees in various construction works as at the Latest Practicable Date:

<b>Categories of certificates</b>	<b>Number of certificate holders among our foreign employees<sup>(Note)</sup></b>
Scaffolding	38
Scaffolding supervisor	7
Welding	78
Safety supervisor	72
Lifting supervisor	48
Boom lift operator	13
Work at height assessor	3
Work at height supervisor	29

*Note:* Each employee may hold one or more type(s) of certificates.

### *Regular evaluation on employees’ performance*

We conduct regular evaluation on our foreign employees’ performance. Our site operations team conducts routine inspection at the relevant work sites to ascertain our customers’ satisfaction with the service quality of our deployed employees. Further, our sales manager will usually make follow-up telephone calls to our customers shortly after the deployment to obtain their feedbacks, and attend to the complaints received from our customers, if any. Based on the evaluation results, we will determine whether we will terminate and/or renew the employments of our foreign employees upon their expiry.

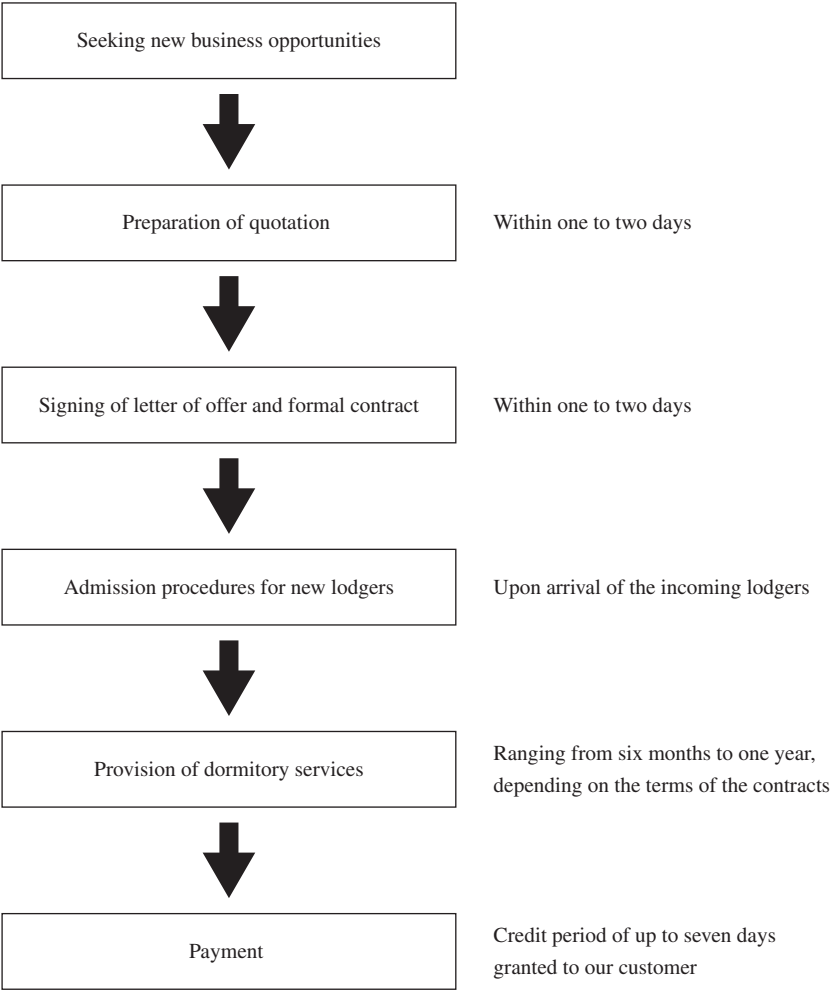
**BUSINESS**

**(B) Dormitory services**

Our Woodlands Dormitory also provides dormitory services mainly to building and construction contractors in Singapore for foreign workers employed by them. During the Track Record Period, approximately 57.2% to 84.9% of the bed spaces at our Woodlands Dormitory were occupied by foreign workers employed by third parties.

***Operation flow***

Set out below is a flowchart summarising the principal steps of our workflow of dormitory services:





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### *Seeking new business opportunities*

The customers of our dormitory services are primarily building and construction contractors which employ foreign workers, for whom accommodation is required.

Our Group seeks new business opportunities for our dormitory service business mainly through (i) incoming enquiries from new and existing customers, and (ii) referrals from existing customers. Further, our sales managers will introduce our dormitory services as they conduct marketing and promotion with potential customers. For further information, please refer to the paragraph headed “Sales and marketing” in this section.

### *Preparation of quotation*

Based on the vacancy at our Woodlands Dormitory, we will provide a fee proposal for our potential customers by telephone or email.

### *Signing of letter of offer and formal contract*

Upon finalising our fee proposal, we will provide a letter of offer to our potential customers. If our fee quotation is accepted by our customer, our customer will typically confirm its acceptance by endorsing our letter of offer. The letter of offer generally sets out, among other things, the number of lodgers, duration of our dormitory services, the one-off administration fees, deposits and the monthly charges for the provision of dormitory space and, if required by customer, laundry services for each lodger. After we receive the endorsed letter of offer, we will normally enter into a formal contract with our customer, which typically contains, among other things, our in-house dormitory rules, the number of lodgers, the duration of our dormitory services, the pre-agreed deposits and the monthly charges for our provision of dormitory spaces and if required, our laundry services, rights and obligations of our customers and standard termination clauses.

### *Admission procedures for new lodgers*

All new lodgers are required to undergo certain admission procedures before they are allowed entry into the Woodlands Dormitory. Our staff will check with the incoming lodgers if they possess valid work passes in Singapore and confirm their basic personal information. The new lodgers will also be provided with a set of our in-house dormitory rules that they are required to strictly comply with.

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### *Provision of dormitory services*

Our dormitory services comprise the provision of dormitory bed spaces to the lodgers. Upon their admission to our Woodlands Dormitory, lodgers will be assigned with a designated bed space. The lodgers are also allowed to use various facilities at the dormitory, mainly including gymnasium room, sports fields, cooking facilities and television room during their stay in general. Depending on our customers’ request, we may also charge our customers for providing laundry services to the relevant lodgers.

### *Payment*

In general, we require our customer to pay us a deposit of two-month service charges and the first monthly service charge in advance upon signing of the formal contract. We typically issue invoices to our customers on a monthly basis, and grant a credit term of up to seven days to them after the issue of our invoices.

## **(C) IT services**

### ***Scope of IT services***

Our IT services generally comprise the provision of support and maintenance services and software upgrade services for the ERP systems of our customer. Our IT service team (serving our IT customer as well as providing in-house IT support in our Group) currently consists of five consultants who possess university degrees or certificates in programming and IT-related subjects.

During the Track Record Period and up to the Latest Practicable Date, we have provided IT services to one customer (being a a group member of a Japanese conglomerate engaged in production of products ranging from petrochemicals & plastics, IT-related chemicals, energy and functional materials and health and crop science). The ERP systems of such customer are mainly related to logistics execution and supply chain management in its business operations.

Our IT services can be broadly classified as follows:

- Support and maintenance services: standard services involving the provision of onsite and offsite support for problem identification, diagnosis and resolutions, and regular check-up to the ERP systems.
- Software upgrade services: supplementary services involving system installation, configuration, data migration, system integration testing and user acceptance testing.

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### *Operation flow*

#### *Preliminary consultations*

Our IT consultants will from time to time conduct consultations with our customer to identify its latest needs and requirements in relation to the ERP system. Based on the information available to us, we will discuss with the customer on (i) the model and specifications of its existing ERP system(s); (ii) the natures and objectives of our proposed solutions; (iii) the expected implementation schedule; and (iv) the estimated budget.

#### *Preparation of service proposals*

Based on discussion at the preliminary consultation, our IT consultants will proceed to prepare service proposals which generally contain (i) our proposed scope of works; (ii) project schedule; (iii) project team structure; and (iv) implementation plan of our proposed solutions. We will then submit the service proposal to our customer for its feedback.

#### *Entering into formal contracts*

Upon finalising our service proposals, we will enter into formal contract with our customer, which typically contain the estimated units of man-days required, fee schedule of man-days, expected duration of the project, the scope of works, the composition of our project team, and our standard terms of services. Please refer to the paragraph headed “Our customers – Principal terms of engagement” below in this section for further details.

#### *Formation of project team*

After entering into formal contract with our customer, we will form a project team which is normally headed by a project manager. The structure of the project team varies according to the scale and complexity of the projects.

#### *Project implementation*

The major steps in our project implementation are summarised below by service type:

(i) Support and maintenance services

Based on support request received from users by telephone or email, our project team will obtain information about the problems encountered by the users, and will then start to solve the reported problem.

After the problem is resolved, our project team will submit an incident report to our customer which will summarise the causes of the incident, corrective actions taken, time spent on repair, and solutions to prevent recurring incidents.

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Our project team is required to submit a monthly report to our customer which sets out the services rendered and units of man-days utilised during a particular month. Our project team will also provide regular check-up on our customer’s systems.

(ii) Software upgrade services

Our project team will develop a schedule plan for implementing the software upgrade or enhancement to minimise disruption to our customer’s business operations. After the implementation of the software upgrade, our project team will check the functionality and compatibility of the upgraded systems. In addition, we will carry out tests to ensure the upgraded systems fulfil the criteria set out by our customer. Our customer is generally required to sign an acceptance form to confirm the completion of our upgrade service.

*Payment*

In respect of our support and maintenance services, we usually require our customers to pay us on a quarterly basis. For software upgrade and enhancement services, we will require our customers to pay us based on the progress of implementation in accordance with the schedule set out in the formal contracts. In general, we grant the customer of our IT services a credit term of 30 days.

**(D) Construction ancillary services**

The construction ancillary services rendered by our Group are summarised as follows:

***Warehousing services***

Our warehousing services refer to leasing of warehouse spaces at our Sungei Kadut Dormitory for storage of construction-related materials such as steel bars, wooden boards and marble stones. Based on the nature and specifications of the incoming goods and materials, we will prepare a letter of offer and/or formal contract which sets out, among other things, the storage area/volume, monthly storage fees, initial deposits and our in-house regulations. Our customers will confirm our engagement by endorsing the letter of offer and return it to us.

We will inspect the incoming goods and materials before allowing them to be admitted to our warehouse. Goods and materials which are not permitted under our in-house regulations (e.g. dangerous goods or explosives) will be denied entry. Our customers are generally required to pay a storage fee on a monthly basis. For leasing of fixed storage area, our customers are typically required to provide a one-month deposit upon signing of the letters of offer/formal contracts. We generally grant our customers of warehousing services a credit term of three days after the issue of our invoices.

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### ***Cleaning services***

Our cleaning services refer to the cleaning of interior units of residential buildings by our foreign employees who are not subject to any current deployment for the time being. In general, our customers will confirm our engagement by entering into formal contracts which sets out, among other things, the location of the residential buildings, the number of interior units to be cleaned, the duration and work schedule of the projects, and our fee schedules. Our customers in respect of our cleaning services are typically main contractors in relation to newly developed residential properties. These main contractors were normally the customers of our manpower outsourcing and ancillary services and engaged us to perform cleaning on the residential buildings after the construction works had been completed.

Typically, our customers will release the units to us based on the pre-agreed work schedule. After the cleaning is completed, the responsible person of our customers will inspect the condition of the units. Upon completion of the inspection, we will hand over the relevant units to our customer, and will not be responsible for any subsequent damage or loss. We generally submit invoices to our customers on a bi-weekly basis which shall be paid within 30 days upon receipt by our customers.

### ***Building maintenance works***

During the Track Record Period, we have undertaken one project of building maintenance works as a subcontractor. Our customer in respect of such project was a building and construction contractor in Singapore. The building maintenance works involved were general regular maintenance works for a school campus, which were performed by our foreign employees who were not subject to any current deployment for the time being. We generally submit invoices to our customer on a monthly basis which shall be settled once our customers receive our invoices.

## **LICENCES AND PERMITS**

As confirmed by our Directors, our Group has obtained all material licences and permits which are material to our business and operations in Singapore as at the Latest Practicable Date.

Set out below is a summary of our material licences, permits and certificates that we have obtained in relation to our business operations:

### **Registration under the Contractors Registration System of BCA**

As at the Latest Practicable Date, our Manpower Services Companies (save for Tenshi Resources) are registered under the workhead of CR01 (Minor Construction Works) and Tenshi Resources is registered under the workhead of ME11 (Mechanical Engineering) under the Contractors Registration System maintained by the BCA. For further details,

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please refer to 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 – II. Licence regime for contractors in Singapore” in this document.

Our Group’s renewal of our registrations under the Contractors Registration System is subject to, *inter alia*, the meeting of the renewal requirements (as further elaborated under 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”).

As advised by the Singapore Legal Adviser, subject to our Group continuing to meet the relevant renewal requirements and complying with the applicable laws and regulations under which the abovementioned registrations by our Group were obtained as confirmed by our Directors, it does not foresee, as at the Latest Practicable Date, any material legal impediment in the renewal of such registrations by our Group, although there is no guarantee that such registrations will be renewed or be renewed on the same terms and conditions, and may be revoked if the Manpower Services Companies are found to be in contravention of the terms, conditions and/or regulations under which the registrations were obtained.

### **Dormitory License of Woodlands Dormitory**

The operation of foreign workers’ dormitories has to comply with applicable laws and regulations, including but not limited to the Building Control Act, Chapter 29 of Singapore, the Control of Vectors and Pesticides Act, Chapter 59 of Singapore, the Environmental Public Health Act, Chapter 95 of Singapore, the Fire Safety Act, Chapter 109A of Singapore, the Planning Act, Chapter 232 of Singapore, and the Foreign Employee Dormitories Act 2015 (No. 3 of 2015) (the “Foreign Employee Dormitories Act”) (in the case of dormitories housing 1,000 or more foreign workers).

From 1 January 2016, under the Foreign Employee Dormitories Act, operators of dormitories with a capacity to house 1,000 or more foreign workers are required to obtain a dormitory licence from the MOM (“Dormitory Licence”). Under the Dormitory Licence, the dormitory operators are required to comply with matters of various aspects including physical and structural safety, land use, hygiene and cleanliness. For further details, please refer to the section headed “Regulatory overview – B. Laws and regulations in Singapore in relation to the provision of dormitory services” in this document.

As the Woodlands Dormitory (with a capacity to house up to 1,500 persons) falls under the ambit of the Foreign Dormitories Act (including the Dormitory Licence requirement effective from January 2016), Nichefield (being our subsidiary operating the Woodlands Dormitory) is required to obtain a Dormitory Licence from the MOM regarding the operations of the Woodlands Dormitory upon expiry of its previous written permission

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in respect of the operation of the Woodlands Dormitory in September 2016. The current term of the Dormitory Licence is from 5 September 2016 to 30 October 2018. In consideration for applications for issuance or renewal of the Dormitory Licence, the Commissioner of Foreign Employees shall have regard to, among others, the suitability of operator and its board of directors in the management or operation of the dormitory, the financial capacity of operator and the appropriateness of the premises to be used as a foreign employee dormitory. For further details, please refer to the section headed “Regulatory Overview – B. Laws and regulations in Singapore in relation to the provision of dormitory services” in this document.

As advised by the Singapore Legal Adviser, subject to Nichefield continuing to meet the conditions under the current Dormitory Licence and complying with the applicable laws and regulations under which the Dormitory Licence was obtained, as confirmed by our Directors, it does not foresee, as at the Latest Practicable Date, any material legal impediment in the renewal of the current Dormitory Licence by Nichefield upon its expiry, although there is no guarantee that such Dormitory Licence will be renewed or be renewed on the same terms and conditions, and may be revoked if Nichefield is found to be in contravention of the terms, conditions and/or regulations under which the Dormitory Licence was obtained.

### **Approvals for the Sungei Kadut Dormitory**

Our rights to use the Sungei Kadut Dormitory as a temporary ancillary workers’ dormitory for housing our foreign employees are subject to, among other things the approvals granted by the Jurong Town Corporation (“**JTC**”) and Urban Redevelopment Authority (URA) as described below.

Pursuant to a letter dated 10 September 2012 from JTC to KT&T Engineers, JTC (being the landlord of the Sungei Kadut Premises) had approved the increase of the number of workers to be housed at the Sungei Kadut Dormitory from 380 workers to 479 workers.

Pursuant to the grant of written permission (temporary) (“**Temporary Permission**”) issued by the URA dated 8 April 2014, the Sungei Kadut Premises has been approved for use as a temporary ancillary workers’ dormitory for 479 foreign workers for a term of three years from 25 February 2014 to 25 February 2017.

We have submitted an application for the renewal of the Temporary Permission on 13 February 2017 and had received on 28 February 2017 the grant of renewed Temporary Permission issued by the URA which will expire on 25 February 2020.

The approved use of the Sungei Kadut Dormitory as an ancillary workers’ dormitory is temporary in nature mainly because the Sungei Kadut Dormitory shall be used for industrial or warehouse purposes unless the Temporary Permission is renewed upon expiry of its current term.



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Although the approved use of the Sungei Kadut Dormitory is temporary in nature, our Directors consider that we have a sustainable business operation in providing accommodation to our own foreign employees for the following reasons:

- (i) KT&T Engineers had successfully renewed the Temporary Permission in relation to the Sungei Kadut Premises upon the expiry of the first term. KT&T Engineers had not experienced any impediments or difficulties in applying for such renewal. Hence, assuming the conditions and requirements for renewal of the Temporary Permission remain the same, our Directors believe that KT&T Engineers will be eligible for renewing the Temporary Permission again in the future.
- (ii) As confirmed by our Directors, based on the latest information publicly available and to the best of our Directors belief and knowledge, there is no indication that the URA currently intends the Sungei Kadut Dormitory to be used only for industrial or warehouse purposes in the future.
- (iii) During the Track Record Period, our Group has housed some of our foreign employees with other dormitory service providers. Our Directors are of the view that even if the Temporary Permission is not renewed upon expiry of current term, we may engage other dormitory service providers to house our then existing workers staying at the Sungei Kadut Dormitory, and that the estimated annual increase in our workers accommodation expenses will be approximately S\$1.7 million. Alternatively, our Group may also temporarily relocate part of those workers at the Sungei Kadut Dormitory to the Woodlands Dormitory. If necessary, Nichefield may spare some of the dormitory bed spaces which could have been otherwise rented out to third parties for housing our own employees.
- (iv) If the Temporary Permission is not renewed upon expiry of the current term, our Group will designate the entire premises of the Sungei Dakut Dormitory as warehouse and expand the scale of our warehousing service business. By doing so, our Directors believe that the additional income generated from our warehousing service may partly offset the extra workers accommodation expenses which we would have to incur for engaging other dormitory services providers for housing our foreign employees.

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- (v) Pursuant to the Temporary Permission, the Sungei Kadut Dormitory is currently used by our Group for housing our foreign employees only and our dormitory service business is operated at our Woodlands Dormitory. As such, in case of non-renewal of the Temporary Permission upon expiry of the current term, our Group can continue to provide dormitory service for housing foreign workers employed by third parties at our Woodlands Dormitory.

### OUR CUSTOMERS

#### Characteristics of our customers

In respect of our manpower outsourcing services, dormitory services and construction ancillary services, our customers are mainly building and construction contractors in Singapore during the Track Record Period. The projects to which our deployed workers are designated to work on include building and construction contracts from both public and private sectors. Our customers were involved in projects mainly including private residential development, public housing development, civil engineering construction works, industrial and commercial buildings development, and fitting works of school campuses. Our customer in the IT services segment is a group member of a Japanese conglomerate engaged in production of products ranging from petrochemicals & plastics, IT-related chemicals, energy and functional materials and health and crop science.

The percentage of our total revenue attributable to our five largest customers combined is less than 30% for each of FY2014, FY2015 and FY2016 respectively. For each of FY2014, FY2015 and FY2016, we have a total number of 406, 466 and 607 customers.

As our customers place job orders for our manpower deployment of considerably different scale, the revenue contribution from each customer to us varies significantly among our customers. Set out below are breakdown of the number of our customers by revenue contribution:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>
	<i>Number of</i>	<i>Number of</i>	<i>Number of</i>
	<i>customers</i>	<i>customers</i>	<i>customers</i>
<b>Range of revenue contribution to us during the year</b>			
Below S\$100,000	315	380	516
S\$100,000 to below S\$1,000,000	85	79	84
S\$1,000,000 or above	<u>6</u>	<u>7</u>	<u>7</u>
 Total number of customers with revenue contribution to us during the year	 <u>406</u>	 <u>466</u>	 <u>607</u>

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### ***Our competitive edges over recruitment agencies***

Our Directors believe that we possess the following competitive edges over recruitment agencies in sourcing labour for building and construction contractors in Singapore:

- We handle the recruitment and administrative matters in respect of our deployed workers. When building and construction contractors recruit foreign workers referred to them by recruitment agencies, they will have to divert resources and attention in selecting the candidates and dealing with the administration matters relating to the employment of foreign workers, including but not limited to, payrolls, employee contractual benefits, CPF and compliance with labour-related laws and regulations in Singapore. Our manpower outsourcing services allow our customers to have the required labour for performing construction works without having to handle the recruitment and administrative matters relating to the employment of foreign workers.
- Given that we constantly maintain a pool of foreign workers available for deployment, we can deploy a sizeable team of skilled workers to building and construction contractors within short notice from them. When building and construction contractors hire foreign workers referred to them by recruitment agencies, there will normally be a lengthy and time-consuming process for the contractors to obtain the requisite prior approval and work permits for the relevant workers and for such workers to attend the ECSOC and other additional trainings. Therefore, we believe our manpower outsourcing services allow our customers to meet their needs for skilled labour from time to time.
- Our manpower outsourcing services give our customers greater flexibility in cost control. The labour demand of building and construction contractors is highly dependent on the progress of their ongoing projects and may vary from time to time. Our sizeable pool of deployable workers can allow these building and construction contractors to minimise the size of their own workforce and lower the associated overhead costs, while ensuring a stable source of labour supply when their needs for additional labour arise.

### **Principal terms of engagement**

#### ***In relation to our manpower outsourcing and ancillary services***

In respect of our manpower outsourcing and ancillary services, the formal contract between us and our customers typically contain terms and conditions relating to our pricing, the maximum number of workers available for deployment upon receipt of customers’ job orders, the nationality of deployed workers, accommodation arrangements for the deployed workers, contract period and payment terms. The salient terms of our formal contracts are as follows:

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### *Pricing*

The formal contracts set out the charge-out rate of our foreign employees based on their skill types in respect of deployment during (i) weekday/weekend, and (ii) normal/overtime periods respectively.

Customers are not bound by any fixed or committed total contract sum under the formal contracts. The actual number of service hours rendered by our foreign workers are subject to the customers’ job orders for our manpower deployment during the contract period, which are charged according to a pre-agreed schedule of rates as stated in the contracts. Although our customers have no obligations to place any job orders with us for manpower deployment during the contract period, once we have accepted job orders from our customers and deployed our workers to them, a minimum charge would apply for each deployed worker which is generally equivalent to the applicable charge-out rate for a prescribed number of days (typically 25 days) of work plus a prescribed number of hours of overtime work per day.

### *Ancillary accommodation and transportation for deployed workers*

In the formal contracts, we generally stipulate that our customers are responsible for the accommodation of our employees during their deployment. Some of our customers may make accommodation arrangements for the deployed employees on their own during the deployment period. Alternatively, if so requested by our customers, our Group also provides ancillary services to our customers for a fee during the deployment period, which include providing accommodation for the deployed employees at our self-operated dormitories or dormitories operated by third parties, and arranging transportation for the deployed employees to and from their respective work sites by using our lorries. We charge our customer for these ancillary accommodation and transportation services based on the daily rates set out in the formal contracts.

### *Contract duration and extension*

The contract period is generally three months. During the contract period, our customers are entitled to place job orders with us for deployment of workers. The contract generally stipulates that if the parties intend to extend the deployment period of our employees beyond the specified contract period, they shall continue to be bound by the terms of the contract until variation or extension is made by the parties in writing.

### *Payment terms*

We usually issue invoices to our customers on a bi-weekly basis. The credit term granted by us to our customers generally ranged from approximately seven to thirty days after the issue of our invoices.

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### *Rights and obligations of our Group*

If our customers fail to settle payment in full on time, we reserve our rights to remove all workers from our customers’ work sites immediately without further notice and shall thereafter claim all amount due through legal means.

Any workers who are found to be insubordinate or unsuitable shall be replaced in the following day after we receive customer’s request, subject to the availability of our manpower. The deployed hours rendered by such workers will still be charged to our customers.

Our Group will not be responsible for any losses incurred, accidents, thefts or damages to persons and properties where our workers are assigned to perform their services under our customers’ supervision and direction.

Our Group shall ensure that all our workers on site are holders of valid work passes. All work passes are held by our workers and other essential original documents are held by our work pass department for safekeeping purposes. The original documents will be made available to our customers upon their requests. Our Group is also responsible for the welfare of workers, including payment of wages, individual taxation and payment of levies.

### *Undertakings by our customers*

We generally require our customers to undertake to us that they will perform the following obligations:

- ensure that our workers are not sent to work for any other person or business;
- supervise and ensure our workers perform only construction related activities approved by the MOM;
- notify and update our Group of the worksite address;
- return our workers to us once their services are no longer required and the contract shall be deemed terminated;
- inform us if our worker is missing; and
- not to retain the original work passes of our workers.

### *Grounds for termination*

Either party can terminate the contract with written notice with a specified period. Any breach of the undertakings given by our customers shall be deemed a material breach of contract, and in such case we reserve our right to terminate the contract and charge our customers for all costs and any outstanding work done to date.

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### *Insurance*

In general, we require our customers to take out work injury compensation insurance for our deployed employees to the customers’ sites. In some cases, our customers may instead require us to take out the work injury compensation insurance, for which we will charge the relevant customers separately.

### ***In relation to our dormitory services***

In respect of our dormitory services, the formal contracts between us and our customers typically contain terms and conditions relating to the number of lodgers, duration of our dormitory services, the one-off administration fees, deposits and the monthly charges for the provision of dormitory space and, if required, our laundry services, rights and obligations of our customers and standard termination clauses. The salient terms of the formal contracts are as follows:

#### *Scope of dormitory service*

The formal contracts set out (i) the monthly rate of our dormitory space and, if required, our laundry services, and (ii) additional one-off service fees in the case of request for transfer of designated room or bed space etc.

#### *Duration of the dormitory service*

The duration of our dormitory service generally ranges from six months to one year. The contract generally stipulates that if the lodgers continue to make use of our dormitory services beyond the specified duration, our customers shall be deemed to be utilizing the designated dormitory spaces on a monthly basis, commencing on the day after the expiry of the specified duration at a revised service fees to be agreed between us and our customers.

#### *Payment terms*

We usually issue invoices to our customers on a monthly basis in advance. The credit term granted by us to our customers is generally seven days. Our customers are required to pay a two-month deposit of the service fees in respect of each lodger upon signing of the contracts.

If our customers commit a breach of the contracts, or if they terminate the contracts before the expiry of the specified duration, the deposit paid by such customers shall be forfeited.

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### *Obligations of our customers*

We generally require our customers to undertake to us that they will perform the following obligations:

- use the dormitory spaces solely for residential purposes;
- ensure that all the lodgers are at all times holders of valid work passes in Singapore and shall be responsible for the infringement of any statute, regulation, policy or other legal requirements attributable to their lodgers;
- notify us if any lodger is legally not permitted to enter or remain in Singapore for any reason whatsoever; and
- pay us for any loss or damage to our property caused by the customers or their lodgers committing an offence under our in-house dormitory rules.

### *Rights of our Group*

We shall not be held responsible or be liable for any damage, loss, injury or death whatsoever caused by our customers, their employees or agents, or the lodgers within the dormitory premises. We also reserve the right to evict or deny entry to our customers or their lodgers into the building if any amount due under the contracts is not received from the customers on the due date.

### *Grounds for termination*

We can terminate the contracts in respect of the dormitory services (i) by immediate written notice in the event of non-performance of our customers’ obligations under the contract, which, if applicable, is not remedied within a specified period, (ii) by immediate written notice if the customers are sued at court in Singapore, enter into arrangement with creditors, or enter into liquidation or commit an act of bankruptcy, and (iii) by serving a 30 days’ written notice.



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### ***In relation to our IT services***

In respect of our IT services, the formal contracts entered into between us and our customer contain terms and conditions relating to the estimated unit of man-days required, fee schedule of man-days, expected duration of the project, the scope of works, the composition of our project team, and our standard terms of services. The salient terms of the formal contracts are as follows:

#### *Scope and duration of services*

We charge our customer based on the units of man-day utilised over a specified period. Man-day refer to the number of day in which services are rendered by each of our staff. The formal contracts set out the total man-day required for the services and the man-day rate of each role performed by our IT consultant. If we require to incur any additional man-day above the agreed total man-days in providing our services, we are generally required to seek prior written consent from our customer. Depending on the type of services provided, the duration of our services generally ranges from approximately six months to one year.

#### *Payment of service fees*

In respect of our support and maintenance services, we usually require our customers to pay us on a quarterly basis in advance during the term of service. For software upgrade, we will require our customers to pay us based on the progress of implementation in accordance with the schedule set out in the formal contracts. In general, we grant the customer of our IT services a credit term of 30 days after issue of our invoices.

### ***In relation to our construction ancillary services***

#### *Warehousing services*

In respect of our warehousing services, the letters of offer endorsed by our customers or the formal contracts between us and our customers typically set out the leased storage area/volume, monthly storage fees and initial deposits. Our warehousing services mainly include the leasing of warehouse spaces at our Sungei Kadut Dormitory for storage of construction-related materials such as steel bars, wooden boards and marble stones. The salient terms of the letters of offer or the formal contracts are as follows:

#### *Payment terms*

We charge our customers based on the weight or area taken up by the stored goods and materials on a monthly basis. For leasing of fixed storage area, our customers are typically required to provide a one-month deposit upon signing of the letters of offer/formal contracts. We generally grant our customers a credit term of three days after the issue of our invoices.

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## BUSINESS

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### Our in-house regulations

We impose a set of in-house regulations mainly regarding (i) the content of storage goods, (ii) prohibition of sub-leasing to third parties without our permission, and (iii) the responsibility of our customers in procuring necessary insurance for the stored goods. Under the letters of offer or formal contracts, we shall not be responsible for any theft and any damage to the goods and materials stored in our warehouse.

### *Cleaning services*

The formal contracts for our cleaning services generally set out the location of the residential buildings, the number of interior units to be cleaned, the duration and work schedule of the projects, and our fee schedules. The salient terms of our formal contracts are as follows:

#### Basis of service fees

We usually charge our customers a fixed fee with reference to the number of interior units to be cleaned and our fee schedules.

#### Work schedule

The period of our cleaning services generally ranges from two weeks to three months. Our customers usually require us to perform two rounds of cleaning on the interior units.

#### Release and handover of interior units

The formal contracts will specify the minimum number of interior units required to be released to us by our customers for cleaning per day. The interior units are usually handed over to us based on a pre-agreed schedule between the customers and us.

Before we hand over the cleaned interior units to our customers, the responsible person of our customers will conduct inspection on the conditions of the interior units. In some cases, we may be required to hand over a minimum number of cleaned interior units to our customers per day.

#### Payment term

We usually issue invoices to our customers on a bi-weekly basis. The credit term granted by us to our customers generally ranged from approximately 15 to 30 days.

#### Obligations of our customers

Under the formal contracts, our customers are generally responsible for taking out work injury compensation insurance for our workers.

## BUSINESS

### OUR SUPPLIERS

#### Characteristics of our suppliers

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 in Singapore, and (v) suppliers of miscellaneous services including overseas manpower consultants and individual recruitment agents in Bangladesh. The following table sets out a breakdown of our total purchases by type during the Track Record Period:

	FY2014		FY2015		FY2016	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Fees for catering service	1,079	30.6	1,363	29.9	1,302	43.9
Fees for dormitory service	7	0.2	140	3.1	829	27.9
Training course fees for workers	148	4.2	210	4.6	270	9.1
Fees to providers of construction manpower in Singapore	977	27.7	793	17.4	132	4.4
Other miscellaneous goods and services <i>(Note)</i>	1,316	37.3	2,056	45.1	435	14.7
Total	<u>3,527</u>	<u>100.0</u>	<u>4,562</u>	<u>100.0</u>	<u>2,968</u>	<u>100.0</u>

*Note:* These mainly include referral fees to individual recruitment agents in Bangladesh and general consultancy fees in relation to the India Project and the Myanmar Project.

Please refer to the section headed “Financial information” in this document for a discussion of the fluctuation in our purchases from our suppliers during the Track Record Period as shown in the above table as well as the relevant sensitivity analyses in this connection.

During the Track Record Period, we did not experience any material shortage or delay in the supply of goods and services that we required. Our Directors consider that we are generally able to pass on any substantial increase in purchase costs to our customers as we generally take into account our overall costs of providing our services to customers when determining our pricing.

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## BUSINESS

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### **Principal terms of engagement**

#### ***Catering service providers***

For our foreign employees staying at the Sungei Kadut Dormitory, they are required to pay for the catering service (which is offset against their wages), while our foreign employees staying at the Woodlands Dormitory have the option to either make use of our cooking facilities free of charge or pay for the catering service.

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.

We have not entered into any long-term agreement or committed to any minimum purchase amount with catering service providers. We placed orders for meals with the catering service providers on a daily basis. In general, our catering service providers issue invoices to us on a bi-weekly basis and grant us a credit term ranging from seven to 15 days.

#### ***Dormitory service providers***

During the Track Record Period, we have engaged certain Singapore-based dormitory service providers to house some of our foreign employees. Our Group generally houses our foreign employees in our two self-operated dormitories and also rents out part of the dormitory space at our Woodlands Dormitory to third parties for housing their foreign workers. Depending on the vacancies of our self-operated dormitories, we have engaged certain dormitory service providers for housing our foreign employees during the Track Record Period, due to the following reasons:

- (i) With an aim of diversifying our revenue streams, we have from time to time set aside a portion of our dormitory spaces at our Woodlands Dormitory for renting out to potential customers. In 2012, we obtained the tender for contract from BCA in relation the construction, management and operation of the Woodlands Dormitory as a commercial dormitory which can house up to 1,500 foreign workers employed by our Group as well as by third parties. As our workforce back then and during the Track Record Period did not fully occupy the dormitory space at our Woodlands Dormitory, our Directors intended to fully utilise its capacity by renting out the remaining dormitory space to third parties. During the Track Record Period, due to the new condition of our Woodlands Dormitory and depending on the level of demands for dormitory services from time to time, we were able to charge our customers a rental rate that was higher than the rental rate chargeable to us by other dormitory services providers. As such, we would rent out a greater portion of the dormitory space at our Woodlands Dormitory and house some of our foreign employees at dormitories operated by third parties instead. Our Directors believe that this enabled us to maximise our Group’s benefits.

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- (ii) For certain periods while our two self-operated dormitories were close to being fully occupied, we had received requests from some customers for extension of our dormitory services to their workers at the Woodlands Dormitory. With a view to maintaining our relationship with such customers, instead of turning down their requests, we usually accepted such extension for our dormitory spaces. However, as some of the dormitory bed spaces occupied by our customers’ workers were originally scheduled for housing the foreign employees of our own, we would therefore have to house some of our foreign employees at dormitories operated by third parties, due to the limited number of vacant bed spaces available at our self-operated dormitories.
- (iii) There were sometimes mismatch in the timing for arranging accommodation at our self-operated dormitories for our foreign employees after their deployment to our customers. Some of our customers have made accommodation arrangements for the deployed employees on their own during the deployment period. We would then usually rent out the dormitory space previously occupied by such deployed employees to third parties. In some cases, the deployment period of these employees may end earlier than expected due to changes in our customers’ work schedule, and hence we would have to provide accommodation for them once their deployment was completed. As the dormitory space previously occupied by such deployed employees had already been rented out, if our two self-operated dormitories were close to being fully occupied, our Group would have to engage dormitory service providers for housing them until there is vacant dormitory space available in our self-operated dormitories.

We generally entered into lease agreements with the dormitory service providers, which generally include, among other things, (i) the unit of dormitory spaces rented, (ii) deposit and monthly rentals, (iii) term of the lease, and (iv) rules and regulations regarding the use of the dormitory by our employees. In general, our dormitory service providers issue invoices to us on a monthly basis and grant us a credit term for approximately seven to 30 days.

### ***Training course providers***

As discussed in the paragraph headed “Description of our services – (A) Manpower outsourcing and ancillary services” in this section, we have arranged some of our foreign employees to attend external training courses on specialised construction works such as scaffolding and welding. Upon successful completion of such courses by our foreign employees, these institutions will award them with relevant certificates. We generally enrolled in selected courses for our employees at a fixed fee per person on a case-by-case basis.

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### ***Providers of construction manpower in Singapore***

During the Track Record Period, we had, on occasions where our foreign employees were being fully utilised, sourced additional foreign workers from providers of construction manpower in Singapore (which included companies engaged in various segments of the construction industry) to enable us to fulfil our contracts from customers.

We have not entered into any long-term agreement or committed to any minimum purchase amount with our providers of construction manpower. They generally charged us based on the number of workers and the period of engagements required for fulfilling our contracts from customers. In general, our providers of construction manpower issue invoices to us on a monthly basis and grant us a credit term ranging from 30 to 60 days.

### ***Overseas manpower consultant in India***

During the Track Record Period, we have engaged an overseas manpower consultant based in India (being Supplier F as referred to in the paragraph headed “Our suppliers – Top suppliers” in this section) to provide general advices (including those on the relevant legal requirements and procedures) in relation to sourcing foreign workers from India (the India Project). During the Track Record Period, we have incurred a total of approximately S\$0.6 million to Supplier F in relation to the India Project. Based on the results of the advice, we have started recruiting foreign workers from India since early 2016.

### ***Overseas manpower consultant in Myanmar***

During the Track Record Period, we have engaged an overseas manpower consultant based in Myanmar (being Supplier C as referred to in the paragraph headed “Our Suppliers – Top suppliers” in this section) (i) to provide general advices (including those on the relevant requirements and procedures) in relation to sourcing foreign workers from Myanmar, and (ii) to undertake certain preliminary steps in relation to the set-up of training facilities in Myanmar for providing training for potential candidate workers (the Myanmar Project). After obtaining the advices, our Directors had decided not to proceed with the plan to recruit foreign workers from Myanmar due to the complexity in the relevant legal requirements and procedures in Myanmar and the Myanmar Project was ended in FY2015 and no further investment was made for the Myanmar Project. For further details, please refer to the paragraph headed “Loss making projects during the Track Record Period” in this section.

### **Top suppliers**

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.

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The following tables set out information of our five largest suppliers for each of FY2014, FY2015 and FY2016:

### ***FY2014***

Rank	Suppliers	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						US\$'000	%
1	Supplier A	A private company in Singapore, the principal activities of which mainly include building and construction and provision of construction manpower	Construction manpower	Since 2008	60 days; by cheque	721	20.4
2	Supplier B	A private company in Singapore, the principal activities of which mainly include manufacturing of food products and provision of catering services	Catering services	Since 2013	15 days; by cheque	614	17.4
3	Supplier C	A private company in Myanmar, the principal activities of which mainly include provision of general advices in relation to sourcing foreign workers from Myanmar	General advices in relation to the Myanmar Project	Since 2012	30 days; by cheque	600	17.0
4	Supplier D	A private company in Singapore, the principal activities of which mainly include manufacturing of food products and provision of catering services	Catering services	Since 2014	7 days; by cheque	456	12.9
5	Supplier E	A private company in Singapore, the principal activities of which mainly include renting of civil engineering equipment and machinery and provision of construction manpower	Construction manpower	Since 2014	30 to 45 days; by cheque	217	6.2
Five largest suppliers combined						2,608	73.9
All other suppliers						919	26.1
Total purchases						3,527	100.0

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### FY2015

Rank	Suppliers	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						<u>S\$'000</u>	<u>%</u>
1	Supplier D	A private company in Singapore, the principal activities of which mainly include manufacturing of food products and provision of catering services	Catering services	Since 2014	7 days; by cheque	1,363	29.9
2	Supplier F	A private company in India, the principal activities of which mainly include provision of general advices in relation to sourcing foreign workers from India	General advices in relation to the India Project	Since 2015	30 days; by cheque	574	12.6
3	Supplier C	A private company in Myanmar, the principal activities of which mainly include provision of general advices in relation to sourcing foreign workers from Myanmar	General advices in relation to the Myanmar Project	Since 2012	30 days; by cheque	381	8.3
4	Supplier E	A private company in Singapore, the principal activities of which mainly include renting of civil engineering equipment and machinery and provision of construction manpower	Construction manpower	Since 2014	30 to 45 days; by cheque	235	5.1
5	Supplier A	A private company in Singapore, the principal activities of which mainly include building and construction and provision of construction manpower	Construction manpower	Since 2008	60 days; by cheque	234	5.1
Five largest suppliers combined						2,787	61.0
All other suppliers						<u>1,775</u>	<u>39.0</u>
Total purchases						<u><u>4,562</u></u>	<u><u>100.0</u></u>



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### ***FY2016***

Rank	Suppliers	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						<u>S\$'000</u>	<u>%</u>
1	Supplier D	A private company in Singapore, the principal activities of which mainly include manufacturing of food products and provision of catering services	Catering services	Since 2014	7 days; by cheque	1,214	40.9
2	Supplier G	A private company in Singapore, the principal activities of which mainly include real estate services and provision of dormitory services	Dormitory services	Since 2016	30 days; by cheque	539	18.2
3	Supplier H	A private company in Singapore, the principal activities of which mainly include acting as general contractor and provision of dormitory services	Dormitory services	Since 2015	7 days; by cheque	184	6.2
4	Supplier I	A Singapore company being a wholly-owned subsidiary of a company listed in the Singapore Stock Exchange, the principal activities of which include building construction and provision of construction training courses	Construction training courses	Since 2016	Payment upon enrollment; by cheque	121	4.1
5	Supplier J	A private company in Singapore, the principal activities of which mainly include commercial and industrial real estate management and provision of dormitory services	Dormitory services	Since 2015	7 days; by cheque	107	3.6
Five largest suppliers combined						2,165	73.0
All other suppliers						<u>803</u>	<u>27.0</u>
Total purchases						<u><u>2,968</u></u>	<u><u>100.0</u></u>

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None of our Directors, their close associates, or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

### **Supplier concentration**

Our top five suppliers accounted for approximately 73.9%, 61.0% and 73.0% of our total purchases for each of FY2014, FY2015 and FY2016 respectively. Despite such supplier concentration, our Directors consider that we are not overly reliant on any single supplier because:

- (i) Except for Supplier D (which remained as our top supplier for FY2015 and FY2016 and one of our top five suppliers for FY2014), the ranking and combination of our top five suppliers for each of the three financial years during the Track Record Period were substantially different. In respect of the purchase of catering service from Supplier D, our Directors believe that there may be a higher reliance by Supplier D on us than the other way round because there are a number of catering service providers providing similar services in the market, while there are, in the opinion of our Directors, fewer foreign worker dormitories operated by manpower outsourcing service provider with a sizable pool of foreign workers. In order to diversify the source of supplies for catering service, our Group has sourced catering service from two additional catering service providers in FY2016. Further, according to the Ipsos Report, it is not difficult to source catering services for foreign employees in view of the number of market players in the this segment of the catering industry. This suggest that we did not place undue reliance on any particular one of them throughout the Track Record Period for our purchase.
- (ii) Our Group has demonstrated over the Track Record Period that we have the ability to source dormitory service and construction manpower from different suppliers. We have sourced dormitory service from over three different dormitories operated by third parties, while we have five different suppliers for providing construction manpower to us during the Track Record Period.
- (iii) Our Directors consider that we have generally established good working relationships with our suppliers. Throughout the Track Record Period and up to the Latest Practicable Date, our Directors are not aware of any material shortage of goods or services required by us in our ordinary course of business in the market nor any indication from our suppliers that they will not be able to continue to cater for our purchases of their goods and/or services.

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### LOSS MAKING PROJECTS DURING THE TRACK RECORD PERIOD

#### (1) Myanmar Project

During the Track Record Period, we have engaged an overseas manpower consultant based in Myanmar (being Supplier C as referred to in the paragraph headed “Our Suppliers – Top suppliers” in this section) (i) to provide general advices (including those on the relevant requirements and procedures) in relation to sourcing foreign workers from Myanmar, and (ii) to undertake certain preliminary steps in relation to the set-up of training facilities in Myanmar for providing training for potential candidate workers (the Myanmar Project). After obtaining the advices, our Directors had decided not to proceed with the plan to recruit foreign workers from Myanmar due to the complexity in the relevant legal requirements and procedures in Myanmar and the Myanmar Project was ended in FY2015 and no further investment was made for the Myanmar Project.

During the Track Record Period, we have incurred costs of approximately S\$1.0 million in relation to the Myanmar Project without achieving our planned objective thereof.

Our Directors consider that our withdrawal from the recruitment plan in Myanmar does not have any material impact on our business operations because (i) our Group has started to recruit workers from India since 2016 as an alternative source of manpower supply; (ii) during the Track Record Period and up to the Latest Practicable Date, our foreign employees were predominantly workers recruited from Bangladesh and we have been able to operate profitably without sourcing workers from Myanmar; (iii) we did not receive any material complaint from our customers in relation to the performance of our foreign workers recruited from Bangladesh and India during the Track Record Period; and (iv) the amount incurred in the Myanmar Project is not recurring in nature and is not material as compared to our overall financial performance.

#### (2) School Dormitory Project undertaken in 2014

In June 2014, Kanon Global (as tenant), an indirect wholly-owned subsidiary of our Company, entered into a tenancy agreement with the Singapore Government (the “Tenancy Agreement”) for renting a building situated on Short Street, Singapore (the “Building”). It was the then intention of our Directors to transform the Building into a school dormitory so as to further diversify our Group’s businesses into the provision of dormitory services for students. However, the Tenancy Agreement was subsequently terminated on 31 December 2014 upon mutual agreement between Kanon Global and the Singapore Government as we came to a view that it was not in the interest of our Group to continue with the refurbishment of the Building, because certain facilities embedded in the Building were found to be insufficient during the refurbishment, and additional costs would be required to be incurred to install such facilities in order to obtain the approval from the relevant Singapore Government authorities in relation to the transformation of the Building into a school dormitory. Under the settlement letter mutually agreed between Kanon Global and the Singapore Government, no penalty and no further potential liability arose as a result of the termination of the Tenancy Agreement.

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A total of approximately S\$3.1 million and S\$0.4 million of expenses including refurbishment of the Building, rental expenses and professional fees in relation to the School Dormitory Project were incurred for each of FY2014 and FY2015 respectively, without any income eventually derived from the School Dormitory Project.

Our Directors consider that our withdrawal from the School Dormitory Project does not have any material impact on our business operations because (i) the operation of school dormitory has historically not been one of our major business segments and the business performance of our major business segments (including manpower outsourcing and ancillary service and dormitory services in respect of foreign workers) are and will continue to be distinct from the School Dormitory Project; and therefore, the withdrawal from the School Dormitory Project will not have any impact on our major business segments; (ii) as the School Dormitory Project has not come into operation or provided any services by the time of its termination, our Directors believe that it will not have any adverse impact on our reputation for being a manpower outsourcing service provider in relation to the construction industry in Singapore; and (iii) there is no penalty or outstanding liabilities on our Group in relation to the School Dormitory Project.

### UTILISATION RATE

#### Utilisation rate of our foreign employees

The table below sets out the historical utilisation rate of our foreign employees during the Track Record Period:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>
Utilisation rate <sup>(note)</sup>	>100%	>100%	>100%

*Note:* During the Track Record Period, the utilisation rate of our foreign employees was over 100%, which was mainly attributable to the overtime works performed by our foreign employees on top of their official working hours.

Our workers who work more than their official working hours are compensated with overtime payments in accordance with their employment contracts under relevant employment laws and regulations in Singapore.

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### OCCUPANCY RATE OF OUR DORMITORIES

<u>Average monthly occupancy rate <sup>(Note)</sup></u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>
Woodlands Dormitory	98.3%	98.2%	99.2%
Sungei Kadut Dormitory	100%	100%	100%

*Note:* The monthly occupancy rate is calculated by dividing the number of beds occupied as at the month end by the number of beds available at our dormitories as at the relevant month end. The average monthly occupancy rate for the year is calculated by dividing the sum of the monthly occupancy rates by the total number of months in that year.

Based on the above table of historical occupancy rate, our self-operated dormitories were close to being fully occupied during the Track Record Period.

### OCCUPATIONAL HEALTH AND WORK SAFETY

#### Our safety measures and management system

We place emphasis on occupational health and work safety and provide safety training to our staff covering topics such as our safety measures. Due to the nature of works in construction sites, risks of accidents or injuries to our deployed workers are inherent. As such, we have established a safety management system which follows the OHSAS 18001 standards in order to provide our employees with a safe and healthy working environment. Since 2009, the occupational health and safety management systems of KT&T Engineers and Tenshi Resources have been certified to be in accordance with the requirements of the OHSAS 18001:2007 standards.

#### Reporting of work accidents

We maintain an internal record of accidents. Pursuant to the Workplace Safety and Health (Incident Reporting) Regulations, a company is required to lodge the relevant incident report for any accident suffered by a workman within the period required by law. For further details, please refer to the section headed “Regulatory Overview” in this document. Under the Workplace Safety and Health Act, a worker who is placed at the disposal and supervision of a third party to perform work is generally regarded as if he/she were an employee of that third party instead of his/her original employer, while the third party shall be regarded as if it were the employer of the deployed employee during the period that the deployed employee is at work for the third party.

Having considered that our deployed employees should be regarded as the employees of our customers during the period of deployment for reasons as further elaborated under the section headed “Regulatory Overview”, the Singapore Legal Adviser has advised that our Group should not be held legally liable or accountable by the relevant authorities for any delay in reporting work accidents which occurred when our employees were deployed to our customers.

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### **Work injuries during the Track Record Period**

We maintain an internal record of all accidents involving our employees during the course of employment. During the Track Record and up to the Latest Practicable Date, we recorded certain work accidents involving our employees, all of which have taken place while such employees were in the course of deployment to our customers, and hence they were under the direct supervision and control of our customers at the relevant time of the accidents.

Further details of the aforesaid accidents that led to or may give rise to claims against us under the Work Injury Compensation Act and/or common law during the Track Record Period and up to the Latest Practicable Date are disclosed in the paragraph headed “Litigations” in this section.

### **Fatal accident during the Track Record Period**

We recorded a fatal accident concerning one of our foreign employees during the Track Record Period. On 31 December 2015, a worker under the employment of KT&T Engineers (the “**Deceased Worker**”) was fatally injured during his deployment to our customer. At the relevant time of the accident, the Deceased Worker was tasked by our customer to install temporary plywood at a designated area in the work site. Our Group was later informed that the Deceased Worker had fallen from height outside the designated area and had been fatally injured.

#### *Potential financial and legal impact on our Group*

The aforesaid fatal accident was reported to the MOM in January 2016 and is currently being processed under the adjudication process of the Work Injury Compensation Act, although a personal injury claim may potentially be commenced under common law if the discretion to do so is so exercised by the relevant representative of the Deceased Worker.

As at the Latest Practicable Date, we have designated the insurance policy of the main contractor of the project where the fatal accident occurred for this claim. The Singapore Legal Adviser has also advised that based on the terms of the relevant insurance policy maintained by KT&T Engineers, we can seek full coverage of the claim if it is a claim under the WICA, or up to the maximum limit of S\$10 million per claim if the claim is commenced as a claim under common law.

As advised by the Singapore Legal Adviser, as the Deceased Worker should fall under the ambit of “loaned employees” as provided under section 6(4) of the WSHA for reasons as set out under the “Regulatory overview” section of this document, it would be the relevant customer to whom the said Deceased Worker was deployed that would be deemed as the employer of the Deceased Worker on the occurrence of the accident and hence if the MOM alleges any breach of the WSHA in relation to such accident, the defendant likely to be sued would be such customer, and not KT&T Engineers.

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Pursuant to the demerit point system implemented by the MOM for the construction industry, main contractors and subcontractors in the construction sector will be issued with demerit points for breaches or infringements under the WSHA and relevant subsidiary legislation in relation to accidents and injuries to workers occurring at work places. Depending on the number of demerit points, the relevant contractor will be imposed with fines or penalties and other sanctions.

As the fatal accident took place while the Deceased Worker was under deployment, and hence was under the supervision and control of our customer, our Directors consider that the accident does not have any negative indication on the adequacy and effectiveness of our safety management system. In addition, having considered that the fatal accident took place in our customer’s work site, our Directors are of the view that MOM will not issue demerit points to, or impose fines or penalties or sanctions on, KT&T Engineers in relation to the aforesaid accident.

As at the Latest Practicable Date, KT&T Engineers has not been imposed with any fines or other sanctions or accumulated any demerit points in respect of the aforesaid accident. Further, KT&T Engineers has not been notified of, and our Directors are not aware of the MOM taking or intending to take, any legal action against KT&T Engineers in relation to the aforesaid accident.

Having considered all of the above as well as the advice of the Singapore Legal Adviser, our Directors consider that the fatal accident will not potentially have any material financial and legal impact on our Group, and/or adversely impact the renewal of KT&T Engineers’s registration under the Contractors Registration System of BCA.

### *Internal control in relation to our workers safety during their deployment period*

In order to minimise the risk of occurrence of material incident in the future, we have implemented an internal demerit point system, where our customers will be issued with demerit point by us if our deployed worker was injured while working for them. If our customer accumulated demerit points above certain level based on our internal records, we would cease all manpower deployment to such customer and will not accept any new engagement from it.

Further, in our briefings and in-house trainings, we have regularly reminded our workers of the safety measures to be taken when performing construction works at our customers’ work sites. We also encourage our foreign employees to report to us if they discover any potential safety hazards during their deployment to our customers.

In addition, before submitting quotation to a building and construction contractor, we perform a background check on the demerit points accumulated by such contractor based on the information published by MOM. In relation to contractor which has accumulated demerit points above certain level, we will refuse to provide any manpower outsourcing service to it in order to avoid exposing our workers to potential work accidents.

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## **BUSINESS**

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### **PRICING STRATEGY**

Our pricing is generally determined based on certain markups over our estimated costs, as further discussed below.

In respect of our manpower outsourcing services and ancillary services and other construction ancillary services such as cleaning services and building maintenance works, pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the salaries and recruitment costs of our foreign employees, (ii) the prevailing foreign worker levy, (iii) the estimated number and type of workers required, (iv) the availability of our manpower, (v) prices offered to the customer in the past, (vi) the overhead costs in relation to the operation of our dormitories and lorries for ancillary services, if applicable, and (vii) the prevailing market condition.

In respect of our dormitory services, pricing of our services is determined on a case-by-case basis based on various factors, which generally include (i) the estimated number of incoming lodgers, (ii) the estimated service periods, and (iii) the overhead costs in relation to the operation of our dormitories.

In respect of our IT services, pricing of our services is determined with reference to (i) the estimated number of IT consultants required, (ii) the salaries of our IT personnel, (iii) duration of the services, and (iv) complexity of the service types required.

In respect of our warehousing services, the storage fees are determined with reference to the weight or storage area of the goods and materials, depending on the nature of the relevant items.

### **SALES AND MARKETING**

Our sales and marketing team is primarily responsible for the promotion of our business to building and construction contractors in Singapore. Our sales managers from time to time approach new potential customers by visiting building and construction work sites, and conducting marketing presentations at the offices of construction contractors. In order to identify potential customers, we regularly access certain online industry database for information regarding new major construction projects and the relevant responsible contractors. We also distribute brochures and other promotion materials to introduce our services and corporate profile to potential customers. We adopted a sales incentive scheme pursuant to which our sales managers will be entitled to sales commission based on the number of hours of deployment in respect of any manpower outsourcing contracts obtained by them from customers.

In addition, we display our Group’s logo on our lorries for general promotional purpose.



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### SEASONALITY

Demand for our manpower outsourcing services is affected by seasonality. We typically record a relatively lower number of hours of deployment billed by us in the month of February. Our Directors believe this seasonal pattern is largely due to the decrease in construction activities during Chinese New Year, during which some of the building and construction projects of our customers are halted for the holidays.

### EMPLOYEE

#### Number of employees

As at the Latest Practicable Date, we had a total of 1,455 staff (including our two executive Directors but excluding our three independent non-executive Directors), all of whom were stationed in Singapore. The following table sets out a breakdown of our employees by function<sup>(Note 1)</sup>:

	<b>As at the Latest Practicable Date</b>
Management	6
Operation and administration staff	
– Accounts and finance	17
– Human resources	11
– IT	6
– Logistics	41
– Sales and marketing	21
– Operations	29
– Legal	1
– General administration	13
Foreign employees <sup>(Note 2)</sup>	<u>1,310</u>
Total	<u><u>1,455</u></u>

*Notes:*

- The number of local employees was based on the exact number of individuals employed by our Group and did not take into account the Dual Employment Arrangement (as defined and further discussed 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 – Dual employment of local employees” in this document) for some of our local employees.

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2. The number of foreign employees was based on exact number of foreign employees who had entered into formal employment contracts with us and did not take into account those foreign workers who had been granted prior approvals from the MOM but had not yet arrived in Singapore to formally commence employment.

### **Principal employment terms with our foreign employees**

The salient terms of our employment contracts with foreign employees are as follows:

#### ***Payment terms***

We shall pay our foreign employee’s wages and salaries on a bi-weekly basis, which include basic daily salary, site allowance and overtime payment (if any).

#### ***Employment period***

The employment shall be for a period of one year commencing from the arrival date of the foreign employee, provided his work pass has been subsequently approved by the MOM.

We reserve the right to extend or terminate the services of the foreign employee based on our job availability and his job performance and individual discipline.

#### ***Working period***

Our foreign employee is generally required to work for 5.5 days per week. The normal work hours will be eight hours for weekdays and four hours for weekend. Our foreign employee is entitled to annual leave, public holidays and sick leave.

Our foreign employee will be entitled to overtime pay if he work more than eight hours per day or 44 hours per week. In any event, the total overtime work hours should not exceed 72 hours a month.

#### ***Catering arrangements***

If our foreign employee requires us to provide daily meals to him, we will charge him to pay for our catering services (which is offset against their wages). Alternatively, the foreign employee may make use of our cooking facilities free of charge to prepare his own meal.

#### ***Rules and discipline***

Our foreign employee who refuses or fail to perform his official arrangement of job or duties will be referred to our management for appropriate disciplinary actions. Disobedient employees will be suspended from work and repatriated to their countries of origin.

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### ***Grounds for termination***

Either the foreign employee or our Group can terminate the contract with two weeks’ prior written notice or by paying salary in lieu of notice for the relevant period.

The employment of foreign employee will be terminated when any of the following events occurs:

- the foreign employee has committed gross misconduct or breached any of the rules and regulations regarding discipline and work ethics;
- the foreign employee has been convicted of a crime under the Singapore laws;
- during the employment period, the foreign employee is caught working for any other person without our consent;
- the work pass of the foreign employee has been cancelled or not renewed for any reasons by the MOM or any other authorities of the Singapore Government; and
- the foreign employee is deemed unfit to carry out his official assignment or duties on the recommendation or instructions of our medical consultant or the Ministry of Health of the Singapore Government.

### **Training and recruitment policies**

We generally recruit our operation and administration staff from the open market. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and determines whether additional personnel are required to cope with the business development of our Group from time to time. We provide on-the-job trainings to our administrative and executive staff tailored to their respective roles and specific needs.

In relation to the training and recruitment of our foreign employees for deployment, please refer to the paragraph headed “Description of our services – (A) Manpower outsourcing and ancillary employees – Our recruitment and training process”.

### **Staff costs and remuneration policy**

In general, our Group determines employee salaries based on employee’s qualifications, position and seniority. In order to attract and retain valuable employees, our Group reviews the performance of our employees annually which will be taken into account in annual salary review and promotion appraisal. We have also adopted a sales incentive scheme, details of which are set out in the paragraph headed “Sales and marketing” above in this section.

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Our Group incurred staff costs (including directors, and chief executive’s remuneration, and salaries, wages and other benefits) of approximately S\$16.2 million, S\$16.3 million and S\$17.8 million for FY2014, FY2015 and FY2016 respectively.

### **Employee relationship**

Our Directors believe that we have maintained a good relationship with our employees. We have not experienced any significant problems with our employees or any disruption to our operations due to labour disputes nor have we experienced any material difficulties in the recruitment and retention of experienced core staff or skilled personnel during the Track Record Period. There has not been any trade union set up for our employees.

### **Central Provident Fund**

Our Group has participated in the Central Provident Fund for all of our local employees in accordance with the Central Provident Fund Act under the laws of Singapore. Our Group has paid the relevant contributions in accordance with the aforesaid laws and regulations. Our Group’s contribution to the Central Provident Scheme for FY2014, FY2015 and FY2016 were approximately S\$1.0 million, S\$0.8 million and S\$0.9 million, respectively.

## **INSURANCE**

During the Track Record Period, we have taken out the insurance policies as set out in the following paragraphs. Our Directors consider that our insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice. For each of FY2014, FY2015 and FY2016, our total insurance premiums incurred were approximately S\$0.3 million, S\$0.3 million and S\$0.3 million, respectively.

### **Work injury compensation insurance**

Pursuant to section 23 of the Work Injury Compensation Act (“WICA”), every employer is required to insure and maintain insurance under one or more approved policies with an insurer against all liabilities which he may incur under the provisions of the WICA in respect of all employees employed by him, unless specifically exempted.

Our Group maintains work injury compensation policy for all of our employees pursuant to WICA. The insurance policy, which is renewed on annual basis, provides for a coverage of up to S\$10 million per claim.

Pursuant to our contracts in respect of our manpower outsourcing services, our customers are responsible for taking out work injury compensation insurance for our deployed employees deployed to our customers’ sites. Therefore, in practice, the work injury claims against us from our deployed employees will be covered under the insurance policies taken out by the main contractors or subcontractors of the relevant job sites or the contractors to whom such employees were deployed.

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### **Foreign worker medical insurance**

Since 1 January 2010, employers are required to purchase and maintain a minimum medical insurance coverage of S\$15,000 for inpatient care and day surgery for each of their employees who is a work permit holder during their stay in Singapore.

Our Group maintains a foreign worker medical policy in respect of any illness or injury suffered by our foreign employees with a coverage of up to S\$17,500 per worker.

### **Insurance for security bonds**

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. For further details, 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 – Security bonds and foreign worker levy” in this document.

Under the aforesaid requirement under the Employment of Foreign Manpower Act, we have taken out insurance in guarantee of our obligations to furnish security bonds for our foreign employees, pursuant to which insurance companies would issue guarantees to MOM in security for our payment obligations for the security bonds in respect of the relevant workers. The insurance companies typically charge us an insurance premium of S\$80 for each security bond of S\$5,000 to be furnished to the Controller of Work Passes.

### **Public liability insurance**

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 of our Group in respect of, among other things, death, bodily injury or loss of or damage to property on the Woodlands Dormitory and Sungei Kadut Dormitory.

### **Other insurance coverage**

We have secured insurance coverage against general office risks including loss of or damage to office contents occurring on our office premises. We have also maintained third party liability insurance on our lorries.

### **Uninsured risks**

Certain risks disclosed in the “Risk factors” section of this document, 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

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by insurance because they are either uninsurable or it is not cost justifiable to insure against sure risks. Please refer to the paragraph headed “Risk management and internal control systems” below in this section for further details regarding how our Group manages certain uninsured risks.

## PROPERTIES

In addition to certain dormitory space we may rent from dormitory service providers from time to time for housing our foreign employees, our Group had the following property interests as at the Latest Practicable Date:

Address	Lessor	Lessee	Approximate gross floor area (sq. m.)	Usage	Current term of tenancy	Rights of renewal
1. The Sungei Kadut Premises (31 Sungei Kadut Avenue, Singapore 729660) (Note 1)	JTC	KT&T Engineers	8,361.3	Ancillary workers' dormitory and warehouse	A period of 30 years commencing from 1 January 1993 (Note 2)	N/A
2. The Woodlands Premises (Woodlands Industrial Park E4 on State Land Lot 5817N PT MK 13 Singapore)	The BCA	Nichefield	10,950	Foreign employee dormitory	Monthly rental of S\$242,250 with tenancy period of three years from 1 November 2015 up to 30 October 2018	The BCA may at its absolute discretion, subject to the (i) granting of a renewed tenancy by the Singapore Government, and (ii) on the written request of Nichefield made at least six months but not more than eight months before the expiry of the sub-tenancy contract with Nichefield, grant a renewed sub-tenancy for a further term of three years subject to such new terms and conditions and revision of the rent to be agreed upon
3. 750 Chai Chee Road, #03-10/14, Viva Business Park, Singapore 469000 (“Office Headquarters”)	An independent third party	Accenovate Consulting	1,019	Office headquarters	A tenancy period of three years from 1 October 2016 up to 30 September 2019 with monthly rental of: (i) S\$25,281 during the first year, (ii) S\$21,633 during the second year, and (iii) S\$27,472 during the third year	The parties may renew the tenancy for a term of three years commencing on the day after the expiry of the current term, at a revised rent based on the then prevailing market rent and on such other terms as may be determined by the lessor.

### Notes:

- Private Lot A 1618100 being part of the Government Resurvey Lot 1597W of Mukim 11.
- Pursuant to a deed of assignment entered into with an independent third party on 1 December 2010 wherein such independent third party had assigned its interests in relation to the Sungei Kadut Premises to KT&T Engineers for a consideration of S\$4,100,000, KT&T Engineers was granted the relevant leasehold interest by JTC pursuant to the instrument (ID/31060D) dated 24 September 2012 which was lodged with the Singapore Land Authority on 14 November 2012 and registered on 8 January 2013.

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As advised by the Singapore Legal Adviser, we have legal and valid rights to (i) the lease of the Sungei Kadut Premises pursuant to and in accordance with the terms of the relevant lease, (ii) the lease of the Woodland Premises pursuant to and in accordance with the terms of the relevant sub-tenancy agreement, and (iii) the lease of the Office Headquarters pursuant to and in accordance with the terms of the Office Headquarters tenancy agreement respectively.

In relation to the Woodlands Premises, in October 2012, Nichefield was first awarded the tender for the contract in relation to the construction, management and operation of the Woodlands Dormitory by the BCA for a term of three years up to October 2015. In February 2013, we obtained the written permission from the Urban Redevelopment Authority to erect the Woodlands Dormitory as a foreign worker dormitory. Subsequently, Nichefield had entered into an agreement with the BCA to sub-lease the Woodlands Premises for another term of three years from 1 November 2015 up to 30 October 2018.

As at 31 December 2016, our Group had no single property with a carrying amount of 15% or more of our Group’s total assets. On this basis, our Group is not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance in respect of the requirements for a valuation report with respect to all interests in land or buildings.

## **RESEARCH AND DEVELOPMENT**

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity.

## **INTELLECTUAL PROPERTY**

As at the Latest Practicable Date, our Group is the registered owner of a domain name. For further information, please refer to the section headed “Statutory and General Information – B. Further information about the business – 2. Intellectual property rights”.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of an intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or against any members of our Group in relation to any material infringement of intellectual property rights of third parties.

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### LITIGATION

During the Track Record Period and as at the Latest Practicable Date, our Group has been involved in a number of claims and litigations. Saved as disclosed below, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

#### Ongoing claims

As at the Latest Practicable Date, we were involved in four ongoing claims, including:

- (a) one claim commenced by us against our customer for payments involving S\$0.2 million. A pre-trial conference on the claim is set on 24 May 2017; and
- (b) three common law claims filed by injured workers against us (as their employer) in relation to workplace accidents that took place while they were deployed to our customers during the Track Record Period. The three aforesaid claims involved an aggregate sum of approximately S\$0.4 million, and the conduct of the matters are being taken over by the relevant insurers of the main contractors as at the Latest Practicable Date.

#### Potential claims

As at the Latest Practicable Date, there were 30 incidents involving the injury of workmen that may give rise to potential claim against our Group. The injured workers have the option of making a claim either under the WICA or common law. As advised by the Singapore Legal Adviser, said injured workmen have 1 year from the date of the accident or diagnosis of illness to decide whether to file a WICA claim or a common law claim. They may also withdraw their claim under the WICA at any time before MOM issues a notice of assessment (“NOA”) to commence a claim under common law or within 14 days from the date of service of the NOA, if there are no disputes relating to the claim, or within 28 days from the date of service of the NOA, if there are disputes relating to the claim.

Of the aforesaid incidents, 27 are currently being processed under the adjudication process of the WICA, and the injured workers of these 27 incidents may withdraw from the adjudication process and file a common law claims against our Group. The remaining 3 were recently withdrawn from the adjudication process of the WICA, and as at the Latest Practicable Date, it is not known if the injured workers may proceed to commence a claim under common law in relation thereto.



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As advised by the Singapore Legal Advisers, based on the terms of the relevant insurance policy maintained by KT&T Engineers, we can seek full coverage of the claim if it is a claim under the WICA, or up to the maximum limit of S\$10 million per claim if the claim is commenced as a claim under common law.

### **Concluded cases**

During the Track Record Period and up to the Latest Practicable Date, we were involved in a number of concluded legal cases, including:

- (a) seven common law claims filed by injured workers against us in relation to workplace accidents; and
- (b) 41 cases commenced by us against our customers in relation to recovery of payments and/or enforcement of related court orders involving claimed amounts ranging from approximately S\$1,300 to S\$0.5 million, among which (i) we had obtained judgement in our favour for 23 cases, (ii) 14 cases were concluded by settlement or discontinuance, and (iii) the remaining cases were concluded mainly because the defendants were either wound up or closed down. As at the Latest Practicable Date, we have recovered payment of approximately S\$1.0 million in relation to the aforesaid cases.

### **No provision for ongoing and potential litigation claims in relation to work-related injuries**

Insurance policies have been taken out in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, the work accidents concerning our employees did not and are not expected to have a material impact on our Group’s operations. For further details of our insurance policies, please refer to the paragraph headed “Insurance” in this section.

Regarding the potential claims under the Work Injury Compensation Act and common law, no provision was made in the financial statements of our Group having considered (i) the uncertainties as to whether such claims will be commenced, (ii) the coverage of insurance policy, (iii) the uncertainties in the total amount that will be involved for such claims, if any, and (iv) the indemnity given by our Controlling Shareholders as mentioned below.

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### **Indemnity given by our Controlling Shareholders**

Our Controlling Shareholders have entered into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any ongoing outstanding and potential claims, claims of our Group on or before the date on which the [REDACTED] becomes unconditional. Further details of the Deed of Indemnity are set out in the section headed “E. Other information – Tax and other indemnities” in Appendix IV to this document.

### **NON-COMPLIANCE**

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance that is material or systemic in nature.

### **RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS**

Key risks relating to our business are set out in the section headed “Risk factors” in this document. The following sets out the key measures adopted by our Group under our risk management and internal control system for managing the more particular operational and financial risks relating to our business operation:

**(i) Risks relating to our ability to maintain a sufficient pool of deployable foreign workers**

During the Track Record Period, we have diversified the sources of our foreign employees as we started to source foreign workers from India since early 2016 in addition to Bangladesh. For details, please refer to the paragraph headed “Our suppliers – Principal terms of engagement – Overseas manpower consultant in India”.

Further, our Group keeps abreast of any changes in Singapore Government policies, regulations and other regulatory requirements in relation to recruitment of foreign employees in Singapore and we are aware that any material change of the above may have an adverse impact on our operation and business. We will ensure that all such change in Singapore Government policies, regulations and other regulatory requirements are closely monitored and communicated to our senior management team for proper implementation and response.

**(ii) Credit risk relating to the collection trade receivables**

We face risks in relation to the collectability of our trade receivables. For details of our credit risk in this connection, please refer to the section “Risk factors – We are subject to credit risk in respect of our trade receivables”.

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In order to mitigate our exposure to credit risk, our accounting staff are responsible for conducting individual credit evaluations on our customers. Before accepting any new customer, we have assessed the potential customer’s credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year. In addition, we also (i) review the payment history and years of business relationship with us of our recurring customers according to our internal record; (ii) conduct background search on new customers in respect of their corporate history, reputation in the industry, winding-up and litigation records and job references; and (iii) take into account the current economic environment.

We generally grant our customers a credit term of seven to 30 days from the invoice date. 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. For each of FY2014, FY2015 and FY2016, our trade receivables turnover days in respect of our manpower outsourcing and ancillary services were approximately 66.3 days, 55.3 days and 47.9 days, respectively.

To ensure timely identification of doubtful or irrecoverable debts, our financial staff would report to our chief financial officer on the collection status and ageing analysis of outstanding payments. Our accounts and finance department would conduct follow up calls with our customers for any overdue payment. Trade receivables overdue for 90 days are identified as doubtful which will have to be reviewed by our chief financial officer and, if appropriate, provisions for impairment of trade receivables will be made accordingly.

As at the Latest Practicable Date, there is one ongoing claim initiated by us against our 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 “Litigations” in this section for further details.

### **(iii) Liquidity risk management**

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

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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 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.

For the recruitment of foreign employees, we will manage our cash outflow by ensuring that we have sufficient ongoing manpower outsourcing contracts on hand and expected job orders from customers before making any substantial recruitment.

We will also monitor our working capital to ensure that our financial obligations can be met when due, by, among other things (i) ensuring a healthy bank balances and cash for payment of our short-term working capital needs; and (ii) monitoring our trade receivables and its ageing on a monthly basis, and taking appropriate follow-up actions to ensure prompt receipt of amounts due from our customers.

### **(iv) Occupational health and work safety**

Please refer to the paragraph headed “Occupational health and work safety” in this section.

### **(v) Quality control system**

KT&T Engineers obtained the ISO 9001 certification in 2009 certifying its quality management to be in accordance with the requirements of the ISO 9001 standards.

In conformity with the ISO 9001 standards, our Group has developed and implemented a quality manual which stipulates procedures and control in relation to quality management system, communication with customers, revision on quality manual and procedures, management review meeting, employees’ training, internal and external audits, evaluation and procurement of supplies and non-conforming works management.

Key personnel responsible for our overall quality assurance is Mr. Kuah, our executive Director and our chief executive officer. For details of his biographical information, please refer to the section headed “Directors and Senior Management” in this document.

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The quality control measures adopted by our Group in respect of our foreign employees include the following:

***Service quality***

We conduct regular evaluation on our foreign employees’ performance. Our site operations team conducts routine inspection at the relevant work sites to ascertain our customers’ satisfaction with the service quality of our deployed employees. Further, our sales manager will usually make follow-up telephone calls to our customers shortly after the deployment to obtain their feedbacks, and attend to the complaints received from our customers, if any. Based on the evaluation results, we will determine whether we will terminate and/or renew the employments of our foreign employees upon their expiry.

***Daily management***

While our foreign employee are under the supervision and control of our customers during their deployment, we generally require our customers to give a series of undertakings to us regarding the management of our deployed workers. For details, please refer to the paragraph headed “Our customers – Principal terms of engagement – In relation to our manpower outsourcing and ancillary services” in this section. Further, in the employment contracts with our foreign employees, we typically require them to closely follow our in-house dormitory rules, report to work on time as required by us and accept our assignment of jobs at different work sites of our customers from time to time.

***Trainings***

We provide in-house trainings to our foreign employees on rebarring and other general construction works and arrange some of them to attend external training courses on specialised construction works. We also provide briefings to our deployed employees on their service standard and work safety measures before the commencement of works.

**(vi) Environmental compliance**

Our business operation is subject to certain environmental requirements pursuant to the laws in Singapore, including primarily those in relation to water pollution of our self-operated dormitories and the cleanliness of our workplace under the Environmental Public Health Act. For details of the regulatory requirements, please refer to the section “Regulatory overview” in this document.

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We are committed to minimise any adverse impact on the environment resulting from our business activities. In November 2016, Nichefield received an award from the Water Supply (Network) Department of Singapore’s National Water Agency for running the Woodlands Dormitory as a water efficient (basic) building. Further, in order to comply with the applicable environmental protection laws, we have established an environmental management system, which includes measures and work procedures governing environmental protection compliance that are required to be followed by our employees, including but not limited to, (i) classification of waste materials, (ii) packing of waste materials with fitting covers which are in line with National Environmental Agency’s recommendations, and (iii) internal policies on water and energy conservation. In addition, we have engaged third party service providers to perform pest control at our self-operated dormitories from time to time during the Track Record Period.

For each of FY2014, FY2015 and FY2016, we incurred approximately S\$10,000, S\$18,000 and S\$26,000, respectively, in relation to compliance with applicable environmental rules and regulations, which primarily consisted of waste disposal charges. We estimate that our annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with our business growth.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

### **(vii) Supplier concentration risk**

Please refer to the paragraph headed “Our Suppliers – Supplier concentration” in this section.

### **(viii) Risk relating to missing workers and forfeiture of security bonds**

For foreign employee 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 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.

We work closely with Overseas Testing Centres and have put in place a screening and recruitment process with a view to carefully reviewing and assessing the personal information and background of candidates before making any employment decision so as to minimize our risk in relation to missing workers and forfeiture of security bonds.

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We have our two self-operated dormitories and our own lorries, which enable us to house some of our foreign workers and arrange transportation for them to and from their respective work sites. This enables us to be closely informed about the whereabouts and conduct of our foreign employees from time to time. Further, in our manpower outsourcing contracts, we generally require our customers to undertake to us that they will (i) return our workers to us once their services are no longer required, and (ii) inform us if our workers are missing. In addition, all individuals entering or exiting our self-operated dormitories are required to register with our dormitory staff.

In addition, under our typical employment contracts, we forbid our foreign employees from committing any gross misconduct and working for anyone other than our Group without our consent, failing which their employments will be determined.

### **(ix) Corporate governance measures**

Our Company will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely, the audit committee, the nomination committee and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors and senior management – Board committees” in this document. In particular, one of the primary duties of our audit committee is to review the effectiveness of our Company’s internal audit activities, internal controls and risk management systems. Our audit committee consists of all three of our independent non-executive Directors, whose backgrounds and profiles are set out in the section headed “Directors and senior management” in this document.

In addition, to avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with our Controlling Shareholders – Corporate governance measures” in this document.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after [REDACTED].