The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's combined financial information as at and for each of FY2014, FY2015 and FY2016, including the notes thereto, included in Appendix I to this document. The financial statements have been prepared in accordance with IFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this document.

1. OVERVIEW

We mainly provide manpower outsourcing and ancillary services to building and construction contractors in Singapore, which involves (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. To a lesser extent, we also provide dormitory services, IT services and construction ancillary services in Singapore.

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. During the Track Record Period, over 80% of our Group's revenue was derived from our business of providing manpower outsourcing and ancillary services.

Our cost of services mainly include foreign workers' wages and salaries, foreign workers levy, rental cost for the land in relation to the Woodlands Dormitory, and staff salaries, bonuses and allowances for staff (other than foreign workers) who are directly involved in the provision of our services. In respect of our business of providing manpower outsourcing and ancillary services, we recruited most of our foreign employees through candidate referrals from certain Overseas Testing Centres in Bangladesh and India. As stated in the Ipsos Report, it is an industry practice that the Overseas Testing Centres charge each successful candidate a fixed referral fee, while employers (such as our Group) are not required to pay any referral fee or commission to the Overseas Testing Centres.

2. KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations may be affected directly or indirectly by a number of factors which include those discussed below.

2.1 The condition and outlook of the construction industry in Singapore

We mainly provide manpower outsourcing and ancillary services to building and construction contractors in Singapore. As disclosed in the section headed "Industry Overview" in this document, the demand for manpower outsourcing service providers in Singapore is affected by developments in the Singapore construction industry. When the construction industry in Singapore is growing and prospects of the construction industry strengthens, construction contractors in Singapore (i.e. our customers) will generally require more manpower to meet the increasing demand for construction activities. When the construction industry is declining, demand for foreign manpower by our customers may decrease.

For instance, the revenue, gross profit and gross profit margin of our manpower outsourcing and ancillary services business decreased from approximately S$39.8 million, S$13.1 million and 33.1% respectively in FY2015 to approximately S$38.0 million, S$12.2 million and 32.2% respectively in FY2016, mainly as a result of, in the opinion of our Directors, the slowdown of the construction industry in Singapore. Any significant slowdown or material adverse development of the Singapore construction industry may adversely affect the demand for foreign workers from our customers and/or the prevailing market rate for manpower outsourcing services in respect of foreign construction workers in Singapore, which, in turn, may affect our Group's business, financial condition and results of our operations.

2.2 Foreign workers' wages and salaries

Foreign workers' wages and salaries is one of the most significant components of our cost of services. For each of FY2014, FY2015 and FY2016, our foreign workers' wages and salaries amounted to approximately S$8.4 million, S$8.4 million and S$8.7 million respectively, representing 29.8%, 27.4% and 29.4% of our cost of services for the respective years.

Our foreign workers' wages and salaries may be affected by a number of factors, such as the general labour market conditions and labour supply in Bangladesh and India, the general economy and the construction industry environment in Singapore, and the demand for foreign construction workers from Bangladesh and India by contractors based in Singapore and in other places.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our foreign workers' wages and salaries on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 1.2% and 15.7%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average monthly basic wages of foreign workers in the construction industry in Singapore as shown in the Ipsos Report (see the paragraph headed ''Industry Overview – Wages in the construction industry in Singapore'' in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in our foreign workers' wages and salaries	-1.2%	-15.7%	+1.2%	+15.7%
	S$'000	*S$'000*	*S$'000*	*S$'000*
Increase/(decrease) in profit before taxation *(Note 1)*				
FY2014	101.4	1,326.0	(101.4)	(1,326.0)
FY2015	101.3	1,324.8	(101.3)	(1,324.8)
FY2016	104.4	1,365.6	(104.4)	(1,365.6)
Increase/(decrease) in profit after taxation *(Note 2)*				
FY2014	84.1	1,100.6	(84.1)	(1,100.6)
FY2015	84.0	1,099.6	(84.0)	(1,099.6)
FY2016	86.6	1,133.4	(86.6)	(1,133.4)

Notes:

1. Our profit before taxation was approximately S$4,828,000, S$7,413,000 and S$7,582,000 for each of FY2014, FY2015 and FY2016, respectively.

2. Our profit after taxation was approximately S$4,158,000, S$6,324,000 and S$6,620,000 for each of FY2014, FY2015 and FY2016, respectively.

2.3 Singapore Government policies regarding employment of foreign workers

Our business operations are governed by the various laws and regulations in Singapore, as summarized in the section headed ''Regulatory overview'' in this document. Any changes in laws and regulations governing our business may affect our profitability and financial performance. For instance, there have been increases in the foreign workers levy rates imposed by the MOM during the Track Record Period, which increased our cost of services.

Foreign workers levy is one of the most significant components of our cost of services. For each of FY2014, FY2015 and FY2016, foreign workers levy incurred by us amounted to approximately S$7.0 million, approximately S$8.7 million and approximately S$10.0 million respectively, representing 24.6%, 28.3% and 33.7% of our cost of services for the respective years.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our foreign workers levy on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 4.5% and 22.2%, which correspond to the approximate minimum and maximum year-on-year fluctuations in average foreign workers levy rate in relation to NTS construction workers in Singapore that are applicable to our Group over the Track Record Period and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in our foreign workers levy expenses	-4.5%	-22.2%	+4.5%	+22.2%
	S$'000	*S$'000*	*S$'000*	*S$'000*
Increase/(decrease) in profit before taxation *(Note 1)*				
FY2014	314.2	1,550.2	(314.2)	(1,550.2)
FY2015	392.4	1,935.8	(392.4)	(1,935.8)
FY2016	447.8	2,209.1	(447.8)	(2,209.1)
Increase/(decrease) in profit after taxation *(Note 2)*				
FY2014	260.8	1,286.7	(260.8)	(1,286.7)
FY2015	325.7	1,606.7	(325.7)	(1,606.7)
FY2016	371.7	1,833.6	(371.7)	(1,833.6)

Notes:

1. Our profit before taxation was approximately S$4,828,000, S$7,413,000 and S$7,582,000 for each of FY2014, FY2015 and FY2016, respectively.

2. Our profit after taxation was approximately S$4,158,000, S$6,324,000 and S$6,620,000 for each of FY2014, FY2015 and FY2016, respectively.

2.4 Dormitory operations

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

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

2.5 Collection of payments from customers

For each of FY2014, FY2015 and FY2016, we made a provision for impairment of trade receivables in the amount of approximately S$0.5 million, S$0.4 million and S$0.2 million, respectively, of which approximately nil, nil and S$0.2 million were subsequently written off. In addition, as at 31 December 2014, 2015 and 2016, we recorded trade receivables (net of allowance for doubtful debts and excluding unbilled revenue) of approximately S$6.9 million, S$5.3 million and S$4.9 million respectively, of which approximately S$3.6 million, S$2.0 million and S$1.7 million respectively have been past due but not impaired. As at the Latest Practicable Date, there was one ongoing claim 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 ''Business – Litigation'' in this document for further details about these claims. For each of FY2014, FY2015 and FY2016, our trade receivables turnover days in respect of manpower outsourcing and ancillary services were approximately 66.3 days, 55.3 days and 47.9 days respectively.

Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows, operating performance and financial positions.

3. BASIS OF PREPARATION

Please refer to Note 2 of the Accountant's Report in Appendix I to this document.

4. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group's financial statements have been prepared in accordance with IFRSs. The significant accounting policies adopted by our Group are set forth in details in the Accountants' Report set out in Appendix I to this document. Some of the accounting policies involve subjective judgements, estimates and assumptions made by our management, all of which are subject to inherently uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be reasonable under the circumstances.

The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group's combined financial statements.

4.1. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) *Revenue from provision of services, including manpower outsourcing services, IT services and construction ancillary services*

Revenue from provision of these services is recognized upon rendering of such services.

(ii) *Revenue from dormitory services*

Revenue from the leasing of dormitory bed spaces and related ancillary services is recognized, on a straight-line basis, over the terms of the respective contracts.

4.2. Impairment of trade and other receivables

Management assesses at the end of each reporting period whether there is any objective evidence that trade and other receivables are impaired. If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The amount of the loss is recognized in profit or loss. Where the loss subsequently reverses, the reversal is recognized in profit or loss.

5. SUMMARY OF RESULTS OF OPERATIONS

The combined statements of profit or loss during the Track Record Period are summarised below, which have been extracted from the accountant's report set out in Appendix I to this document:

	FY2014	**FY2015**	**FY2016**
	S$'000	*S$'000*	*S$'000*
Revenue	45,095	46,091	45,051
Cost of services	(28,351)	(30,803)	(29,538)
Gross profit	16,744	15,288	15,513
Other income and gains	431	523	824
Selling expenses	(284)	(50)	(52)
Administrative expenses	(8,420)	(7,551)	(7,895)
Other losses	(554)	(383)	(141)
Other expenses	(3,036)	(382)	(650)
Finance costs	(54)	(32)	(17)
Profit before taxation	4,828	7,413	7,582
Income tax expense	(670)	(1,089)	(962)
Profit for the year	4,158	6,324	6,620

6. PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

6.1. Revenue

During the Track Record Period, our revenue was derived from providing (i) manpower outsourcing and ancillary services, (ii) dormitory services, (iii) IT services, and (iv) construction ancillary services comprising warehousing services, cleaning services and building maintenance works. For detailed breakdowns of our revenue during the Track Record Period by reference to our business operations, please refer to the section "Business – Business Overview" in this document.

Please refer to paragraph "7. Period-to-period comparison of results of operations" below for a discussion of the fluctuations in our revenue.

6.2. Cost of services

The table below sets forth a breakdown of our cost of services during the Track Record Period:

	FY2014		FY2015		FY2016	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Foreign workers' wages and salaries	8,446	29.8	8,438	27.4	8,698	29.4
Foreign workers levy	6,983	24.6	8,720	28.3	9,951	33.7
Staff salaries, bonuses and allowances	2,582	9.1	2,940	9.6	2,941	10.1
Depreciation	1,833	6.5	1,620	5.3	596	2.0
Rental cost	3,024	10.7	3,025	9.8	3,024	10.2
Workers' living related costs	1,301	4.6	1,770	5.7	2,399	8.1
Other workers' related costs	763	2.7	842	2.7	993	3.4
Fees to providers of construction manpower	938	3.3	964	3.1	132	0.4
Motor vehicles	692	2.4	516	1.7	369	1.2
Utilities	355	1.3	325	1.1	332	1.1
Agency fees	–	–	400	1.3	6	0.0
Referral fees	767	2.7	287	0.9	81	0.3
General consultancy fees for the India Project	–	–	574	1.9	–	–
General consultancy fees for the Myanmar Project	600	2.1	381	1.2	–	–
Others	67	0.2	1	0.0	16	0.1
	28,351	100.0	30,803	100.0	29,538	100.0

Our cost of services during the Track Record Period comprised:

(a) foreign workers' wages and salaries, which mainly represents the wages and salaries of the foreign workers employed by our Group for deploying to our customers in relation to our manpower outsourcing business and for providing other construction ancillary services to our customers;

(b) foreign workers levy, which represents monthly levy imposed by the MOM in relation to our foreign workers who have been issued with work permits in Singapore;

(c) staff salaries, bonuses and allowances, which represents the salaries, bonuses and allowances (including Central Provident Funds) provided to our staff (other than our foreign workers) who are directly attributable to the generation of our revenue, such as site coordinators and IT personnel in relation to our IT services;

(d) depreciation, which represents the depreciation of the buildings of our Woodlands Dormitory and our Sungei Kadut Dormitory as well as our motor vehicles (mainly including lorries);

(e) rental cost, which represents the operating lease charges of the land in relation to our Woodlands Dormitory;

(f) workers' living related costs, which mainly represents the costs of meals and laundry services provided to our foreign workers as well as to workers who are employed by our dormitory services customers and are living in the dormitories of our Group, and the rental expenses for external accommodation for our foreign workers;

(g) other workers' related costs, including training expenses, air ticket fares between Singapore and workers' home countries and the work permit application charges for our foreign workers;

(h) fees to providers of construction manpower, which represents the cost of sourcing foreign workers from third parties to enable us to fulfil our contracts from customers;

(i) motor vehicles, which represents costs in relation to the use of our motor vehicles (mainly including lorries) for logistic arrangements for our foreign workers between our dormitories and their respective workplace;

(j) utilities, which represents utilities charges for our dormitories;

(k) agency fees, which represents fees paid to individual recruitment agents for sourcing foreign workers for us;

(l) referral fees, which represents referral fees paid to our existing customers in relation to the referral of new customers to our Group;

(m) general consultancy fees for the India Project, which represents fees incurred by us in relation to sourcing foreign manpower from India, as we were attempting to identify a new source of foreign manpower supply, apart from Bangladesh, in order to diversify our Group's source of manpower. The general consultancy fee was paid to an independent third party in India in FY2015, and after obtaining the advices, our Group started to source foreign workers from India since early 2016;

(n) general consultancy fees for the Myanmar Project, which represents fees incurred by us in relation to sourcing foreign manpower from Myanmar, as we were attempting to identify an alternative source of foreign manpower supply to diversify our Group's source of manpower. We subsequently withdrawn the idea of sourcing manpower from Myanmar, and terminated the arrangement with the Myanmar consultant upon mutual agreement in FY2015 in view of (i) the complexity of the relevant legal requirements and procedures in Myanmar, and (ii) our successful identification of India as the new source of manpower supply mentioned in paragraph 6.2(m) above; and

(o) others, which mainly represents the maintenance and renovation of our dormitories.

6.3. Other income and gains

The following table sets forth a breakdown of our other income and gains during the Track Record Period:

	FY2014	**FY2015**	**FY2016**
	S$'000	*S$'000*	*S$'000*
Government grants	297	361	461
Dividend income on held for trading investments	2	2	2
Forfeiture of customer deposits	–	19	10
Work injury/workmen compensation claims	118	88	203
Sub-leasing income	–	–	100
Others	14	53	48
	431	523	824

Our other income and gains during the Track Record Period comprised:

(a) government grants, mainly including the grants in relation to the Productivity and Innovation Credit Scheme, the Wages Credit Scheme and the Special Employment Credit of the Singapore Government (see 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 – I. Employment Matters" for further information regarding such schemes);

(b) dividend income in relation to our held for trading investments;

(c) forfeiture of customer deposits in relation to the early termination of contracts for our dormitory services;

(d) work injury/workmen compensation claims, which were compensations received from insurance companies in relation to workers' injuries happened at construction sites;

(e) sub-leasing income, which represents the rental of certain space in the Woodlands Dormitory to an independent third party (which started since FY2016) for operation of a minimart for our foreign workers; and

(f) others, which represents miscellaneous items such as interest income.

6.5. Selling expenses

Our selling expenses during the Track Record Period represented costs of advertising and marketing materials provided to our existing and potential customers to promote our Group's services.

6.6. Administrative expenses

The table below sets forth a breakdown of our administrative expenses during the Track Record Period:

	FY2014		FY2015		FY2016	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Auditors' remuneration	[113]	1.3	[84]	[1.1]	[70]	0.9
Depreciation	[98]	1.2	[113]	1.5	[46]	[0.6]
Directors' remuneration	[540]	6.4	[540]	7.2	[600]	7.6
Insurance	[305]	3.6	[280]	3.7	[254]	3.2
Legal and professional fee	[336]	3.9	[194]	2.6	[224]	2.8
Medical fee	[241]	2.9	[279]	3.7	[386]	4.9
Operating lease rental on premises	[523]	6.2	[522]	6.9	[513]	6.5
Premises related expenses	[265]	3.2	[257]	3.4	[210]	2.7
Repair and maintenance	[42]	0.5	[46]	[0.6]	[75]	[0.9]
Staff salaries, bonuses and allowances	4,587	54.5	3,985	52.8	4,131	52.3
Staff welfare and employee benefits	[714]	8.5	[633]	8.4	[726]	9.2
Travelling and entertainment	[445]	5.3	[382]	5.1	[386]	4.9
Other expenses	210	2.5	[236]	3.0	274	3.5
	8,420	100.0	7,551	100.0	7,895	100.0

Our administrative expenses during the Track Record Period comprised:

(a) auditor's remuneration, which are fees to our auditors;

(b) depreciation, which includes depreciation of furniture and fixtures and office equipment;

(c) directors' remuneration;

(d) insurance, which represents the expenses for taking out insurance policies as described in the section headed "Business – Insurance" in this document;

(e) legal and professional fees, which mainly represents legal fees incurred by us in relation to the litigation and claims as described in the section headed "Business – Litigation", stamp duty arrangements in relation to contracts with our customers for our dormitory services, and company secretarial services fee;

(f) medical fee, which represents the medical expenses for our employees such as annual body check and medical consultation fees;

(g) operating lease rental on premises, which represents rental expenses for our general offices;

(h) premises related expenses, which include property taxes, insurances and utilities in relation to our general offices;

(i) repair and maintenance, which mainly represents repair and maintenance for general offices and office equipments;

(j) staff salaries, bonuses and allowances (including Central Provident Funds) provided to our administrative and back office staff;

(k) staff welfare and employee benefits including those incurred for organising staff functions such as annual dinners and trips for our employees;

(l) travelling and entertainment, which mainly represents costs in relation to the relationship building with our existing and potential customers and suppliers, and overseas travelling and local transportation for our Directors and our administrative staff in relation to visits to our customers and suppliers; and

(m) other expenses, which mainly include telecommunication charges, donations, bank charges and office supplies, etc.

6.7. Other losses

	FY2014	FY2015	FY2016
	S$'000	*S$'000*	*S$'000*
Loss arising on disposal of property, plant and equipment	–	15	71
Foreign exchange loss, net	67	9	19
Forfeited deposits to vendors	–	–	38
Allowance for doubtful debts, net	487	359	13
	554	383	141

Our other losses during the Track Record Period comprised:–

(a) net loss arising on disposal of property, plant and equipment such as motor vehicles;

(b) net foreign exchange loss in relation to the translation of cash and banks balances and trade payables which are denominated in currencies other than SGD;

(c) forfeited deposits to vendors, which represents partial forfeiture of the rental deposits in relation to the reinstatement of the office previously rented by our Group before June 2016; and

(d) allowance for doubtful debts, net, which relates to certain trade receivables which are considered by our Directors to be irrecoverable.

6.8. Other expenses

	FY2014	FY2015	FY2016
	S$'000	*S$'000*	*S$'000*
School Dormitory Project costs	3,036	382	–
[REDACTED]	–	–	**[REDACTED]**
	3,036	382	**[REDACTED]**

Our other expenses during the Track Record Period comprised:-

(a) School Dormitory Project costs, which represent costs of the refurbishment works, rental costs and professional fees incurred in relation to the School Dormitory Project. 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. Pursuant to 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. A total of approximately S$3.1 million and S$0.4 million of expenses including costs of refurbishment of the Building, rental costs and professional fees in relation to the School Dormitory Project were incurred and recognized in our "Other expenses" in FY2014 and FY2015 respectively. Please also refer to the section headed "Business – Loss making projects during the Track Record Period – (2) School Dormitory Project undertaken in 2014"; and

(b) **[REDACTED]**

6.9. Finance costs

Our finance costs during the Track Record Period represented interest expenses on bank borrowings and obligations under finance leases, details of which are disclosed in the paragraph headed "11. Indebtedness" below.

6.10. Income tax expense

Since our operation is based in Singapore, we are liable to pay corporate income tax in accordance with the tax regulations of Singapore. The statutory corporate tax rate in Singapore was 17% on the estimated assessable profit for the Track Record Period. The taxation for the Track Record Period can be reconciled to the profit before taxation as follows:

	FY2014	FY2015	FY2016
	S$'000	*S$'000*	*S$'000*
Profit before taxation	4,828	7,413	7,582
Tax at applicable tax rate of 17%	821	1,260	1,289
Tax effect of expenses not deductible for tax purpose	626	341	216
Tax effect of income not taxable for tax purpose	–	(1)	–
Effect of tax concessions and partial tax exemption	(427)	(511)	(543)
Utilisation of tax losses previously not recognized	(350)	–	–
Income tax expense	670	1,089	962

During the Track Record Period, our subsidiaries in Singapore enjoyed various tax reliefs from the Inland Revenue Authority of Singapore which comprised: (i) corporate income tax rebate of 30%, capped at S$30,000 for each of the years of assessment 2013 to 2015 (i.e. years ended 31 December 2012 to 2014) and 50%, capped at S$20,000 for the year of assessment 2016 (i.e. year ended 31 December 2015), and capped at S$25,000 for the year of assessment 2017 (i.e. profit for the year ended 31 December 2016); (ii) 75% tax exemption on the first S$10,000 of chargeable income and a further 50% tax exemption on the next S$290,000 of chargeable income; and (iii) the Productivity and Innovation Credit Scheme which allowed an additional 300% tax deductions/allowances for qualified capital expenditures and operating expenses during the Track Record Period.

During FY2014, our Group utilised tax losses amounting to approximately S$0.4 million carried on the books of Nichefield. Prior to the commencement of our dormitory services business by Nichefield in FY2014, Nichefield was loss-making and has recorded an accumulated loss on its books. The tax loss brought forward by Nichefield before FY2014 was subsequently fully utilised in FY2014 as a result of the profit derived from the dormitory service business carried on by Nichefield.

7. PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

7.1. FY2014 compared with FY2015

Revenue

The following table sets forth a breakdown of our revenue during FY2014 and FY2015 by business operations:

	FY2014		FY2015	
	S$'000	*%*	*S$'000*	*%*
Manpower outsourcing and ancillary services	38,943	86.4	39,770	86.3
Dormitory services	4,297	9.5	4,706	10.2
IT services	810	1.8	622	1.3
Construction ancillary services	1,044	2.3	993	2.2
	45,095	100.0	46,091	100.0

Our revenue increased from approximately S$45.1 million for FY2014 to approximately S$46.1 million for FY2015, representing an increase of approximately 2.2%. Such increase was mainly due to the net effect of the following:

(a) the increase in revenue from manpower outsourcing and ancillary services from approximately S$38.9 million for FY2014 to S$39.8 million for FY2015, representing an increase of 2.1%, which was mainly attributable to the increase in the deployments of our higher-skilled workers to our customers as requested by them, which were charged at higher rates as compared to the rates applicable to lower-skilled workers. This was demonstrated by the increase in average hourly rate per foreign worker charged to our customers in FY2015 by approximately 2.0% as compared to that in FY2014;

(b) the increase in revenue from dormitory services from approximately S$4.3 million in FY2014 to approximately S$4.7 million in FY2015, representing an increase of 9.5%, which was mainly due to the increase in our pricing and the increase in average number of beds rented to our dormitory services customers in FY2014 as compared to FY2015;

(c) the decrease in revenue from IT services from approximately S$0.8 million in FY2014 to approximately S$0.6 million in FY2015, representing a decrease of 23.2%, which was mainly because the customer for our IT services engaged us for a one-off system upgrade project during FY2014; and

(d) the revenue from construction ancillary services remained relatively stable at approximately S$1.0 million.

Cost of services

Our cost of services increased from approximately S$28.4 million for FY2014 to approximately S$30.8 million for FY2015, representing an increase of approximately 8.6%. The following is a discussion on the changes in the key components of our cost of services in FY2015 compared to FY2014:

(a) Our foreign workers' wages and salaries in FY2015 was approximately S$8.4 million, which was similar to that in FY2014. This was mainly because although revenue in relation to our manpower outsourcing and ancillary services increased compared to that in FY2014 as discussed above, there was no change in the standard rates paid to our foreign workers.

(b) Foreign workers levy increased from approximately S$7.0 million in FY2014 to approximately S$8.7 million in FY2015, which was mainly due to (i) the increase in the foreign worker levy per person imposed by the MOM ranging from between S$450 and S$750 before July 2014 to between S$550 and S$950 since July 2014, and (ii) the increase in the proportion of more experienced higher-skilled workers in our workforce in FY2015 compared to that in FY2014, whose foreign workers levy rate is higher than that for basic-skilled foreign workers.

(c) Our staff salaries, bonuses and allowances increased from approximately S$2.6 million in FY2014 to approximately S$2.9 million in FY2015, as a result of an increase in bonus payment made to our site coordinators.

(d) Our depreciation expenses decreased from approximately S$1.8 million in FY2014 to approximately S$1.6 million in FY2015, because the building of our Woodlands Dormitory was fully depreciated by October 2015.

(e) Our rental cost remained stable at approximately S$3.0 million for both FY2014 and FY2015.

(f) Our workers' living related costs increased from approximately S$1.3 million in FY2014 to approximately S$1.8 million in FY2015. This was mainly due to the increase in the number of foreign workers from our dormitory services customers living in our Woodlands Dormitory as discussed above, which resulted in the need for our Group to house some of our own foreign employees to other third party dormitory service providers since the second quarter of FY2015, leading to additional rental expenses for external accommodation and an increase in workers' living related costs. For further details in relation to the engagement of dormitory services providers, please refer to the section headed ''Business – Suppliers'' in this document.

(g) Other workers' related costs increased by approximately 10.4%, which is mainly due to the increase in training services provided to our foreign workers in order to maintain and improve their work skills.

(h) Our fees to providers of construction manpower increased by approximately 2.8%, which is largely consistent with the increase in our revenue.

(i) Our Group paid agency fees totalling approximately S$0.4 million to several individual agents in FY2015 (FY2014: Nil), whose assistance in referring and bringing qualified foreign workers to Singapore was required as we experienced an increase in demand for our manpower outsourcing services in FY2015.

(j) There was an increase in non-recurring general consultancy fees for the India Project and the Myanmar Project from approximately S$0.6 million in FY2014 to approximately S$1.0 million in FY2015 as discussed in paragraph 6.2(m) and (n) above.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin during FY2014 and FY2015:

	FY2014	**FY2015**
Overall:		
Gross profit *(S$'000)*	16,744	15,288
Gross profit margin	37.1%	33.2%
Manpower outsourcing and ancillary services:		
Gross profit *(S$'000)*	14,445	13,149
Gross profit margin	37.1%	33.1%

Our Group's gross profit decreased from approximately S$16.7 million for FY2014 to approximately S$15.3 million for FY2015, representing a decrease of approximately 8.7%, while our Group's gross profit margin decreased from approximately 37.1% for FY2014 to approximately 33.2% for FY2015. Such decrease was mainly due to:

(i) the decrease in our gross profit of manpower outsourcing and ancillary services as further discussed below;

(ii) the lack of a one-off system upgrade project for our IT services business during FY2015 as discussed above; and

(iii) in respect of our construction ancillary services, a higher proportion of revenue derived from building maintenance works in FY2015, which, when compared to other construction ancillary services such as warehousing, enjoyed a lower gross profit margin.

Manpower outsourcing and ancillary services

Gross profit of our manpower outsourcing and ancillary services decreased from approximately S$14.4 million for FY2014 to approximately S$13.1 million for FY2015, representing a decrease of 9.0%, while gross margin decreased from approximately 37.1% for FY2014 to approximately 33.1% for FY2015. Despite the increase in revenue from manpower outsourcing and ancillary services, the decrease in gross profit and gross profit margin were primarily due to the increase in foreign workers levy, workers' living related costs and the non-recurring general consultancy fees for the India Project and the Myanmar Project incurred in FY2015.

Other income and gains

Our other income and gains increased from approximately S$0.4 million for FY2014 to approximately S$0.5 million for FY2015, representing an increase of approximately 21.3%. Such increase was mainly due to the increase in government grants from the Wage Credit Scheme.

Selling expenses

Our selling expenses decreased from approximately S$0.3 million for FY2014 to approximately S$50,000 for FY2015, representing a decrease of approximately 82.4%. The decrease was mainly due to a one-off marketing campaign conducted during FY2014 for promoting our businesses and corporate image.

Administrative expenses

Our administrative expenses decreased from approximately S$8.4 million for FY2014 to approximately S$7.6 million for FY2015, representing a decrease of approximately 9.5%. The decrease was mainly due to the decrease in staff salaries, bonuses and allowances from approximately S$4.6 million for FY2014 to approximately S$4.0 million for FY2015, as a result of the cost control initiatives undertaken by us in FY2015 which led to a decrease in the number of our back-office staff.

Other losses

Our other losses decreased from approximately S$0.6 million for FY2014 to approximately S$0.4 million for FY2015, which was mainly due to the decrease in allowance for doubtful debts from approximately S$0.5 million in FY2014 to approximately S$0.4 million in FY2015.

Other expenses

Our other expenses decreased from approximately S$3.0 million for FY2014 to approximately S$0.4 million for FY2015, which was mainly due to the decrease in expenses in relation to the School Dormitory Project discussed in paragraph 6.8(a) above.

Finance costs

Our finance costs decreased from approximately S$54,000 for FY2014 to approximately S$32,000 for FY2015, representing a decrease of approximately 40.7%, as a result of the decrease in our borrowings and obligations under finance leases from approximately S$2.4 million as at 31 December 2014 to approximately S$0.6 million as at 31 December 2015.

Income tax expense

Our income tax expense increased from approximately S$0.7 million for FY2014 to approximately S$1.1 million for FY2015, representing an increase of approximately 62.5%. The increase was mainly due to the increase in profit before taxation as a result of all of the aforesaid, including in particular the decrease in expenses in relation to the School Dormitory Project as discussed above.

Profit for the year

As a result of the aforesaid and in particular the decrease in expenses in relation to the School Dormitory Project as discussed above, our profit for the year attributable to owners of our Company increased from approximately S$4.2 million in FY2014 to approximately S$6.3 million in FY2015, representing an increase of approximately 52.1%.

7.2. FY2015 compared with FY2016

Revenue

The following table sets forth a breakdown of our revenue during FY2015 and FY2016 by business operations:

	FY2015		FY2016	
	S$'000	*%*	*S$'000*	*%*
Manpower outsourcing and ancillary services	39,770	86.3	37,977	84.3
Dormitory services	4,706	10.2	5,465	12.1
IT services	622	1.3	892	2.0
Construction ancillary services	993	2.2	717	1.6
	46,091	100.0	45,051	100.0

Our revenue decreased from approximately S$46.1 million for FY2015 to approximately S$45.1 million for FY2016, representing a decrease of approximately 2.3%. Such decrease was mainly due to the net effect of the following:

(a) the decrease in revenue from manpower outsourcing and ancillary services from approximately S$39.8 million for FY2015 to S$38.0 million for FY2016, representing an decrease of 4.5%, which was, in the opinion of our Director, mainly attributable to the slowdown of the Singapore construction industry during FY2016 compared to FY2015, as demonstrated by (i) the decrease in the number of hours worked for our customers by our foreign workers by approximately 2.3% in FY2016; and (ii) the decrease of approximately 2.2% in the average hourly rate per foreign worker charged to our customers by us;

(b) the increase in revenue from dormitory services from approximately S$4.7 million in FY2015 to approximately S$5.5 million in FY2016, representing an increase of 16.1%, which was mainly due to the increase in average number of beds rented to our dormitory services customers in FY2016 as compared to FY2015;

(c) the increase in revenue from IT services from approximately S$0.6 million in FY2015 to approximately S$0.9 million in FY2016, representing an increase of 43.4%, which was mainly because the customer for our IT services engaged us for a one-off system upgrade project during FY2016; and

(d) the decrease in revenue from construction ancillary services from approximately S$1.0 million in FY2015 to approximately S$0.7 million in FY2016, as a result of the decrease in demand for warehousing services and the completion of our building maintenance works during FY2016.

Cost of services

Our cost of services decreased from approximately S$30.8 million for FY2015 to approximately S$29.5 million for FY2016, representing a decrease of approximately 4.1%. The following is a discussion on the changes in the key components of our cost of services in FY2016 compared to FY2015:

(a) Our foreign workers' wages and salaries in FY2016 was approximately S$8.7 million, compared to approximately S$8.4 million in FY2015. Despite the decrease in revenue compared to FY2015, foreign workers' wages and salaries increased, mainly because (i) there has been an increase in the proportion of more experienced higher-skilled workers in our workforce who, comparing to the less experienced basic-skilled workers, receive higher allowances and thus higher net salary payment, and (ii) fewer workers used the meal services provided by our Group during FY2016, and as a result, less deductions were made when making net wages and salaries payments to our foreign workers.

(b) Foreign workers levy increased from approximately S$8.7 million in FY2015 to approximately S$10.0 million in FY2016, which was mainly due to (i) the increase in the foreign worker levy charges imposed by the MOM from between S$550 and S$950 before July 2016 to between S$650 and S$950 since July 2016, and (ii) the increase in the proportion of more experienced workers in our workforce during FY2016 compared to that during FY2015, whose foreign workers levy rate is higher than that for the less experienced basic-skilled workers.

(c) Our staff salaries, bonuses and allowances remained largely stable at approximately S$2.9 million for both FY2015 and FY2016.

(d) Our depreciation expenses decreased from approximately S$1.6 million in FY2015 to approximately S$0.6 million in FY2016, as a result of the full depreciation of the building of our Woodlands Dormitory by October 2015.

(e) Our rental cost remained stable at approximately S$3.0 million for both FY2015 and FY2016.

(f) Our workers' living related costs increased from approximately S$1.8 million in FY2015 to approximately S$2.4 million in FY2016, which was mainly due to the increase in number of beds rented to our dormitory customers as discussed above. As a result, there was an increase in the number of foreign workers employed by our Group who were housed to other third-party dormitory service providers, leading to an increase in rental expenses for external accommodation in FY2016,

(g) Other workers' related costs increased from approximately S$0.8 million in FY2015 to approximately S$1.0 million in FY2016, mainly due to the increase in training services provided to our foreign workers in order to maintain and improve their work skills.

(h) Our fees to providers of construction manpower decreased from approximately S$1.0 million in FY2015 to approximately S$0.1 million in FY2016, which is mainly due to the decrease in demand for construction manpower by our Group compared to that in FY2015, along with the decrease in our revenue.

(i) Agency fees paid by us to individual agents in relation to the sourcing of foreign workers decreased from approximately S$0.4 million in FY2015 to approximately S$6,000 in FY2016, mainly because our Group started to source foreign workers from India since FY2016. As a result, we demanded less referral services from our Bangladeshi individual recruitment agents. Please refer to paragraph 6.2(m) above for the start of sourcing of foreign workers from India.

(j) We recognized non-recurring general consultancy fees for the India Project and the Myanmar Project in FY2015 (but not in FY2016), as discussed in the paragraphs 6.2(m) and (n) above.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin during FY2015 and FY2016:

	FY2015	**FY2016**
Overall:		
Gross profit *(S$'000)*	15,288	15,513
Gross profit margin	33.2%	34.4%
Manpower outsourcing and ancillary services:		
Gross profit *(S$'000)*	13,149	12,228
Gross profit margin	33.1%	32.2%

Our Group's gross profit increased from approximately S$15.3 million for FY2015 to approximately S$15.5 million for FY2016, representing an increase of approximately 1.5%. Our Group's gross profit margin increased from approximately 33.2 % for FY2015 to approximately 34.4% for FY2016. Such increase was due to the combined effect of the following:

(i) the increase in our gross profit of dormitory services as a result of the increase in the number of beds rented to our customers and the lack of the depreciation of the Woodlands Dormitory in FY2016 which was already fully depreciated by October 2015;

(ii) the increase in our gross profit of IT services as a result of the one-off system upgrade project during FY2016 as discussed above;

(iii) the decrease in our gross profit of construction ancillary services as a result of the decrease in our revenue; and

(iv) the decrease in our gross profit of manpower outsourcing and ancillary services as further discussed below.

Manpower outsourcing and ancillary services

Gross profit of our manpower outsourcing and ancillary services decreased from approximately S$13.1 million for FY2015 to approximately S$12.2 million for FY2016, representing a decrease of 7.0%, while gross margin decreased from approximately 33.1% for FY2015 to 32.2% for FY2016. The decrease in gross profit was primarily due to the decrease in revenue as discussed above, while the decrease in gross profit margin was mainly because of the drop in average hourly rate charged by us per foreign worker and the increase in foreign workers levy.

Other income and gains

Our other income and gains increased from approximately S$0.5 million for FY2015 to approximately S$0.8 million for FY2016, representing an increase of approximately 57.6%. Such increase was mainly due to the increase in government grants from the Wages Credit Scheme.

Selling expenses

Our selling expenses remained relatively stable at approximately S$50,000 for both FY2015 and FY2016.

Administrative expenses

Our administrative expenses increased from approximately S$7.6 million for FY2015 to approximately S$7.9 million for FY2016, representing an increase of approximately 4.6%. The increase was mainly due to the increase in staff costs such as our directors' remuneration, our staff salaries, allowances and bonuses and our staff welfare and employee benefits by approximately S$0.1 million, approximately S$0.1 million and approximately S$0.1 million respectively, which was mainly due to the increase in number of our back-office staff in FY2016 in preparation for the Listing.

Other losses

Our other losses decreased from approximately S$0.4 million for FY2015 to approximately S$0.1 million for FY2016, which was mainly due to the decrease in allowance for doubtful debts by approximately S$0.3 million.

Other expenses

Our other expenses decreased by approximately 70.2% for FY2016 as compared to that for FY2015, which was mainly due to the lack of expenses in relation to the School Dormitory Project in FY2016 (FY2015: S$0.4 million) as discussed in paragraph 6.8(a) above, being partially offset by the recognition of expenses in relation to the **[REDACTED]** of approximately S$0.7 million in FY2016 (FY2015: Nil).

Finance costs

Our finance costs decreased from approximately S$32,000 for FY2015 to approximately S$17,000 for FY2016, representing a decrease of approximately 46.9%, as a result of the decrease in our borrowings and obligations under finance leases from approximately S$0.6 million as at 31 December 2015 to approximately S$0.1 million as at 31 December 2016.

Income tax expense

Despite the increase in our profit before taxation in FY2016, our income tax expense decreased from approximately S$1.1 million for FY2015 to approximately S$1.0 million for FY2016, representing a decrease of approximately 11.7%. The decrease was mainly due to the decrease in non tax deductible expenses as a result of the lack of expenses in relation to the School Dormitory Project in FY2016 which were considered capital in nature and were thus not deductible for tax purposes for FY2015.

Profit for the year

As a result of the aforesaid and in particular the lack of non-recurring expenses such as the general consultancy fees for the India Project and the Myanmar Project and the expenses in relation to the School Dormitory Project, despite the decrease in revenue and the recognition of non-recurring expenses in relation to the Listing in FY2016, our profit for the year attributable to owners of our Company increased from approximately S$6.3 million in FY2015 to S$6.6 million in FY2016, representing an increase of approximately 4.7%.

7.3 Sustainability of our business in view of the decrease in our revenue and gross profit of our manpower outsourcing and ancillary services business in FY2016

Our revenue, gross profit and gross profit margin in relation to the manpower outsourcing and ancillary services business decreased from approximately S$39.8 million, approximately S$13.1 million and approximately 33.1% respectively for

FY2015 to approximately S$38.0 million, approximately S$12.2 million and approximately 32.2% respectively for FY2016. In spite of such decrease, our Directors are of the view that our business are sustainable due to the following:-

a) Our Directors consider that the main reason for the decrease in our revenue, gross profit and gross profit margin for our manpower outsourcing and ancillary services business for FY2016 is, as explained in paragraph 7.2 above, the slowdown of the Singapore construction industry during FY2016 compared to FY2015. This is an industry-wide factor affecting our Group as well as our Singapore-based competitors, rather than company-specific matters concerning the competitiveness of our Group in the manpower outsourcing and ancillary services industry.

b) As discussed in the paragraph headed "Industry overview – Overview of the Singapore construction industry" in this document, the slowdown of the Singapore construction industry during 2016 was mainly due to the rescheduling of several major infrastructure contracts, while the construction demand in 2017 is expected to be higher than that in 2016. According to Ipsos Report, the construction demand by value of contracts is expected to increase from approximately S$26.1 billion in 2016 to approximately S$30.0 billion in 2017, representing an increase of 14.9%. Therefore, our Directors consider that the slowdown of the Singapore construction industry is temporary in nature, and that our manpower outsourcing and ancillary services business will be able to benefit from the projected growth of the construction industry in the coming years as stated in the Ipsos Report, as our Directors expect that there will hence be an increasing demand for construction foreign workers by our customers in the construction industry in Singapore.

c) Our Group has diversified into other businesses including the dormitory service business. Our revenue, gross profit and gross profit margin in relation to our dormitory services increased from approximately S$4.7 million, approximately S$1.4 million and approximately 27.7% for FY2015 to approximately S$5.5 million, approximately S$2.3 million and approximately 41.2% for FY2016. Our Group also derive revenues from providing IT services and construction ancillary services.

d) Our Group has several competitive strengths as discussed in the paragraph headed "Business – Competitive Strengths" in this document, which, in the opinion of our Directors, allow us to gain long-term sustainability in respect of our businesses in the industry.

e) One of our Group's business strategies is to expand our manpower outsourcing and ancillary services business through recruiting additional foreign employees, and acquiring an additional foreign worker dormitory and additional lorries, and we intend to finance such expansion partly by utilising the proceeds from the **[REDACTED]**. Our Directors believe that such strategies and the **[REDACTED]** will enable our Group to further expand our businesses in the future and to enhance the long-term sustainability of our businesses.

8. LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and borrowings. Our primary liquidity requirements are to finance our business operations, working capital needs and future plans, and to fund the payment of interest and principal repayment due on our indebtedness. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the proceeds from the **[REDACTED]** to finance a portion of our liquidity requirements.

As at 28 February 2017, we had bank balances and cash of approximately S$7.9 million and we had no unutilised banking facilities available for cash drawdown.

8.1. Cash flows

The following table sets forth a summary of our cash flows for the years indicated:

	FY2014	**FY2015**	**FY2016**
	S$'000	*S$'000*	*S$'000*
Net cash from operating activities	8,903	9,868	7,529
Net cash used in investing activities	(242)	(1,583)	(41)
Net cash used in financing activities	(3,512)	(12,000)	(3,432)
Net increase/(decrease) in cash and cash equivalents	5,149	(3,715)	4,056
Cash and cash equivalents at beginning of the year	10,234	15,383	11,668
Cash and cash equivalents at end of the year	15,383	11,668	15,724

Cash flows from operating activities

Our operating cash inflow is primarily derived from our revenue generated from our businesses, whereas our operating cash outflow mainly includes payment for operating costs, staff costs, as well as other working capital needs. Net cash generated from operations primarily consisted of profit before taxation adjusted for depreciation, finance costs, dividend income, loss on disposal of property, plant and equipment, allowance for doubtful debts, and the effect of changes in working capital such as trade receivables, other receivables, deposits and prepayments and trade and other payables.

The following table sets forth a reconciliation of our profit before taxation to net cash generated from operations:

	FY2014	FY2015	FY2016
	S$'000	*S$'000*	*S$'000*
Profit before taxation	4,828	7,413	7,582
Adjustments for:			
– Depreciation of property, plant and equipment	682	692	642
– Depreciation of investment property	1,250	1,041	–
– Finance costs	54	32	17
– Dividend income	(2)	(2)	(2)
– Loss on disposal of property, plant and equipment, net	–	15	71
– Allowance for doubtful debts, net	487	359	13
Operating cash flow before movement in working capital	7,299	9,550	8,323
Movements in working capital:			
– (Increase)/decrease in trade receivables	(92)	1,150	365
– Decrease/(Increase) in other receivables, deposits and prepayments	70	(506)	(861)
– Increase in trade and other payables	1,892	(142)	150
Cash generated from operations	9,169	10,052	7,976

For FY2014, we recorded profit before taxation of approximately S$4.8 million and cash generated from operations of approximately S$9.2 million. For FY2015, we recorded profit before taxation of approximately S$7.4 million and cash generated from operations of approximately S$10.1 million. For FY2016, we recorded profit before taxation of approximately S$7.6 million and cash generated from operations of approximately S$8.0 million. The difference between profit before taxation and cash generated from operations was mainly due to the non-cash items especially the depreciation of property, plant and equipment, and the amount and timing of receipts from our customers and payments to our suppliers during the respective reporting years.

We generally grant a credit period to our customers ranging from 3 to 30 days while the credit period granted by our suppliers generally ranged from 7 to 60 days.

Cash flows from investing activities

	FY2014	**FY2015**	**FY2016**
	S$'000	*S$'000*	*S$'000*
Advances to related parties	(151)	(90)	(43)
(Advance to)/repayment from a director	–	(1,245)	1,245
Purchase of property, plant and equipment	(93)	(249)	(1,254)
Proceeds from disposal of property, plant and equipment	–	–	9
Dividends received from held for trading investments	2	2	2
Net cash used in investing activities	(242)	(1,584)	(41)

During the Track Record Period, our cash inflows from investing activities included repayment from a director, proceeds from disposal of property, plant and equipment and dividends received from our held for trading investments, while our cash outflows from investing activities included advances to a director, purchase of property, plant and equipment and increase in advances to related parties.

For each of FY2014, FY2015 and FY2016, we recorded net cash used in investing activities of approximately S$0.2 million, approximately S$1.6 million and approximately S$41,000 respectively, which was mainly due to the purchase of property, plant and equipment such as motor vehicles, computers and leasehold improvements, the advances to/repayment from a director and advances to related parties.

Cash flows from financing activities

	FY2014	FY2015	FY2016
	S$'000	*S$'000*	*S$'000*
Placement of pledged deposits	(40)	–	–
Release of pledged deposits	–	–	55
[REDACTED] expenses paid	–	–	(213)
Interest paid	(54)	(32)	(17)
Dividends paid	–	–	(7,440)
Repayment of advance from a director	(7,510)	(11,825)	(9,526)
Advance from a director	4,916	1,741	14,331
New borrowings raised	1,200	–	–
Repayment of borrowings	(1,955)	(1,880)	(509)
Repayment of finance lease payables	(69)	(4)	(113)
Net cash used in financing activities	(3,512)	(12,000)	(3,432)

During the Track Record Period, our cash inflows from financing activities included release of pledged deposits, advance from a director, and new borrowings raised, while our cash outflows from financing activities included placement of pledged deposits, interest paid, dividends paid, **[REDACTED]**, repayment of advance from a director, repayment of borrowings and repayment of obligations under finance leases.

For FY2014, we recorded net cash used in financing activities of approximately S$3.5 million, which was mainly due to our repayment of advance from a director of approximately S$7.5 million, partially net off by the advance from a director of approximately S$4.9 million.

For FY2015, we recorded net cash used in financing activities of approximately S$12.0 million, which was mainly due to our repayment of advance from a director of approximately S$11.8 million and the repayment of borrowings of approximately S$1.9 million, partially offset by the advance from a director of approximately S$1.7 million.

For FY2016, we recorded net cash used in financing activities of approximately S$3.4 million, which was mainly due to the payment of dividend of approximately S$7.4 million, and our repayment of advance from a director of approximately S$9.5 million, partially offset by the advance from a director of approximately S$14.3 million.

8.2. Capital expenditures

During the Track Record Period, our Group's capital expenditures have principally consisted of expenditures on motor vehicles, computer and equipment, furniture and fittings and renovation. We incurred cash flows on capital expenditures for the purchases of property, plant and equipment in the amounts of approximately S$93,000, approximately S$0.2 million and approximately S$1.3 million for FY2014, FY2015 and FY2016 respectively.

8.3. Working capital

Our Directors are of the opinion that, taking into consideration our internal resources, cash generated from our operations, and the estimated net proceeds from the **[REDACTED]**, we have sufficient working capital for our present requirements for at least 12 months from the date of this document.

9. NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 28 February 2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
				(unaudited)
Current assets				
Trade receivables	6,926	5,418	5,040	**[REDACTED]**
Other receivables, deposits and prepayments	404	910	1,985	**[REDACTED]**
Amounts due from related parties	160	251	294	**[REDACTED]**
Amount due from a director	–	1,245	–	**[REDACTED]**
Held for trading investments	70	70	70	**[REDACTED]**
Pledged bank deposits	55	55	–	**[REDACTED]**
Bank balances and cash	15,383	11,668	15,724	**[REDACTED]**
	22,998	19,617	23,112	**[REDACTED]**
Current liabilities				

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 28 February 2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
				(unaudited)
Amount due to related parties	(413)	(413)	(413)	**[REDACTED]**
Amount due to a director	(10,084)	–	(4,205)	**[REDACTED]**
Trade and other payables	(6,806)	(6,664)	(6,814)	**[REDACTED]**
Obligations under finance leases	–	(39)	(37)	**[REDACTED]**
Income tax payable	(624)	(1,529)	(2,044)	**[REDACTED]**
Dividends payable	–	–	(3,000)	**[REDACTED]**
Borrowings	(1,880)	(509)	(43)	**[REDACTED]**
	(19,807)	(9,154)	(16,555)	**[REDACTED]**
Net current assets	3,191	10,463	6,557	**[REDACTED]**

As at 31 December 2014, 31 December 2015 and 31 December 2016, our net current assets amounted to approximately S$3.2 million, approximately S$10.5 million and approximately S$6.6 million respectively. The increase in our net current assets as at 31 December 2015 compared to that as at 31 December 2014 was mainly because of our profitable operations during FY2015. The decrease in our net current assets as at 31 December 2016 compared to that as at 31 December 2015 was mainly because of our declaration of S$10.4 million dividend during FY2016, partially offset by the profit derived from our business during FY2016.

As at 28 February 2017, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately S$**[REDACTED]** which was lower than our net current assets as at 31 December 2016 of approximately S$6.6 million, which was mainly due to our payment of part of the **[REDACTED]** in January 2017.

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs.

10. DISCUSSION ON ITEMS FROM THE COMBINED STATEMENT OF FINANCIAL POSITION

10.1. Trade receivables

The following table sets forth a breakdown of our trade receivables:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016
	S$'000	*S$'000*	*S$'000*
Trade receivables	7,413	6,114	5,537
Less: allowance for doubtful debts	(487)	(846)	(641)
	6,926	5,269	4,896
Unbilled revenue	–	149	144
	6,926	5,418	5,040

Our trade receivables (including unbilled revenue and net of allowance for doubtful debts) decreased from approximately S$6.9 million as at 31 December 2014 to approximately S$5.4 million as at 31 December 2015. Despite the increase in revenue from FY2014 to FY2015, trade receivables decreased mainly due to the better credit management by increasing our effort in collection of receivables to minimise long overdue balances. Our trade receivables (including unbilled revenue and net of allowance for doubtful debts) further decreased from approximately S$5.4 million as at 31 December 2015 to approximately S$5.0 million as at 31 December 2016, which was partly due to the decrease in our revenue and partly due to our efforts in maintaining good credit control on collection of outstanding receivables from our customers.

Allowance for doubtful debts

Movements in our Group's allowance for doubtful debts are as follows:

	FY2014	FY2015	FY2016
	S$'000	*S$'000*	*S$'000*
At beginning of year	–	487	846
Addition	487	359	182
Reversal	–	–	(169)
Written off	–	–	(218)
At end of year	487	846	641

At the end of each reporting period, we assess whether there is objective evidence that any trade and other receivables are impaired. Allowances for doubtful debts are recognised based on estimated irrecoverable amounts for each customer taking into account their creditworthiness, past collection history and past default experience. Our Group has provided fully for all receivables aged over 90 days because we consider that receivables that are past due beyond 90 days are unlikely to be recoverable based on our historical experience.

As at 31 December 2014, 31 December 2015 and 31 December 2016, trade receivables of approximately S$0.5 million, S$0.4 million and S$0.2 million were impaired and allowance for doubtful debts was recognized accordingly.

In relation to the allowance for doubtful debts made in FY2014, FY2015 and FY2016 which amounted to approximately S$0.5 million, S$0.4 million and S$0.2 million respectively, approximately nil, nil and approximately S$0.2 million was subsequently written off. These receivable balances relate to a number of independent customers in respect of our manpower outsourcing and ancillary services business. We assessed that these amounts were unlikely to be recovered as either there was no continuing business relationship with these customers or there was apparent financial and cash flows issues of the relevant customers as indicated to our Directors, and Our Directors considered that the costs of pursuing further collection and/or legal actions did not justify the expected amount that might be recovered. Therefore, provision for impairment loss was recognized and was subsequently written off as uncollectible in the same respective reporting periods.

During FY2016, a reversal of allowance for doubtful debts of approximately S$0.2 million was made. The balances being reversed were in relation to a customer who delayed its settlement of outstanding balances during FY2015 as it required more time to check and confirm the details of our invoices, including the timecards containing the number of hours worked by our deployed workers, and our management considered such amount irrecoverable during FY2015. The reversal was made in FY2016 as a result of the subsequent collection of such balances.

Concentration

Approximately 42%, 26% and 24% of our total trade receivables outstanding at 31 December 2014, 2015 and 2016 were due from 5 customers which exposed our Group to concentration of credit risk. Such 5 customers have good creditworthiness with our Group based on historical settlement record.

In particular, as at 31 December 2014, 2015 and 2016, there was 1, 0 and 0 customer which individually contributed over 10% of our trade and other receivables, respectively. The aggregate amounts of trade and other receivables from this customer accounted for 22.5%, nil and nil of our total trade and other receivables as at 31

December 2014, 31 December 2015 and 31 December 2016 respectively. Our Directors are of the view that our Group has no significant concentration risk, because the balance as at 31 December 2014 in relation to this specific customer (to whom we provided manpower outsourcing and ancillary services) was related to the customer's construction projects performed in late 2014, and more time was required by the customer to check and confirm the details of our invoices, including the timecards containing the number of hours worked by our deployed workers. The outstanding balance was subsequently fully settled in February 2015.

Trade receivables turnover days

The following table sets forth our trade receivable turnover days during the Track Record Period:

	FY2014	**FY2015**	**FY2016**
	No. of days	*No. of days*	*No. of days*
Trade receivables turnover days:			
– Manpower outsourcing and ancillary services	66.3	55.3	47.9
– Dormitory services	0.4	1.4	2.9
– IT services	–	–	–
– Construction ancillary services	17.2	17.8	25.5
– Overall	57.7	48.3	41.2

Notes:

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (excluding unbilled revenue and net of provision) attributable to that segment divided by revenue attributable to that segment during the year, then multiplied by the number of days of the year.

Trade receivables turnover days for our manpower outsourcing and ancillary services was approximately 66.3 days for FY2014, approximately 55.3 days for FY2015 and approximately 47.9 days for FY2016, which were longer than the normal credit period of 3 to 30 days offered to our customers because some of our customers typically required more time to check and confirm the details of our invoices, including the timecards containing the number of hours worked by the deployed workers. The gradual decrease in turnover days from FY2014 to FY2016 was mainly a result of the better credit control by our senior management and our sales managers' effort in collecting outstanding balances.

Trade receivables turnover days for our dormitory services was approximately 0.4 to 1.4 days for both FY2014 and FY2015, and increased to approximately 2.9 days in FY2016. The increase in FY2016 compared to that in FY2014 and FY2015 was mainly due to a longer credit term of 7 days being offered to our dormitory customers, especially to our new customers, in FY2016 after our management's review of our credit policy and the prevailing market practice.

The trade receivables turnover days for our IT services was zero during the Track Record Period because the customer for our IT services settled all payments before the end of each reporting period.

Trade receivable turnover days for our construction ancillary services was approximately 17.2 days and 17.8 days for FY2014 and FY2015, and increased to 25.5 days for FY2016. The increase in FY2016 compared to that in FY2014 and FY2015 was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

Our trade receivables turnover days for all segments decreased from approximately 57.7 days in FY2014 to approximately 48.3 days in FY2015, and further to approximately 41.2 days in FY2016, which was mainly due to the fluctuation in turnover days for our manpower outsourcing and ancillary services as discussed above.

Aging analysis and subsequent settlement

The aging analysis of our trade receivables, based on invoice date is as follows:

	As at 31 December 2014	**As at 31 December 2015**	**As at 31 December 2016**
	S$'000	*S$'000*	*S$'000*
Less than 30 days	3,323	3,234	3,229
31 days to 60 days	2,232	1,827	1,402
61 days to 90 days	1,371	208	265
	6,926	5,269	4,896

The aging analysis of our trade receivables which were past due but not impaired, presented based on the invoice date, are as follows:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016
	S$'000	*S$'000*	*S$'000*
31 days to 60 days	2,232	1,827	1,402
61 days to 90 days	1,371	208	265
	3,603	2,034	1,667

Up to the Latest Practicable Date, 95.2% of our trade receivables, presented based on the invoice date, as at 31 December 2016 had been settled:

	As at 31 December 2016	Subsequent settlement up to the Latest Practicable Date	
	S$'000	*S$'000*	*%*
Less than 30 days	3,229	**[REDACTED]**	**[REDACTED]**
31 days to 60 days	1,402	**[REDACTED]**	**[REDACTED]**
61 days to 90 days	265	**[REDACTED]**	**[REDACTED]**
	4,896	**[REDACTED]**	**[REDACTED]**

The outstanding balances in respect of long aged group (i.e. those that were ranged between 61 days to 90 days) were related to two cases of legal actions commenced by us against our customers in relation to recovery of payments which were concluded in our favour by court orders in late 2016. Our Group is in process of seeking the recovery of the payment, and considers the amounts to be recoverable.

10.2. Other receivables, deposits and prepayments

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016
	S$'000	*S$'000*	*S$'000*
Deposits	164	195	458
Sundry debtors	72	165	141
Goods and services tax ("GST") receivable	143	520	716
Prepayments	17	10	418
Deferred **[REDACTED]** expenses		**[REDACTED]**	
Others	9	21	38
	404	910	1,985

Our other receivables, deposits and prepayments mainly include goods and services tax (GST) receivable, rental deposits paid to our landlords and our external dormitory service providers, prepaid land lease in relation to our Woodlands Dormitory, and deferred **[REDACTED]** expenses in relation to the **[REDACTED]**.

Our other receivables, deposits and prepayments increased from approximately S$0.4 million as at 31 December 2014 to approximately S$0.9 million as at 31 December 2015, which was mainly due to the increase in GST receivable by approximately S$0.4 million.

Our other receivables, deposits and prepayments increased from approximately S$0.9 million as at 31 December 2015 to approximately S$2.0 million as at 31 December 2016, which was mainly due to (i) the increase in rental deposits paid to our third-party dormitory service providers for provision of workers accommodation for our own foreign workers of approximately S$0.3 million, (ii) the increase in GST receivable of approximately S$0.2 million, (iii) the deferred **[REDACTED]** expenses in relation to the **[REDACTED]** recognized in FY2016 of approximately S$0.2 million, and (iv) the prepaid land lease in relation to our Woodlands Dormitory in late December 2016 which amounted to S$0.2 million.

10.3. Trade and other payables

The following table sets forth a breakdown of our trade and other payables:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016
	S$'000	*S$'000*	*S$'000*
Trade payables	1,672	1,954	1,728
Accrued operating expenses	2,036	2,073	2,244
Other payables			
– GST payables	748	1,192	1,323
– Customer deposits received	1,077	1,129	1,186
– Land lease payable	946	–	–
– Others	328	316	332
	6,806	6,664	6,814

Trade payables

Our trade payables mainly comprised payables to our suppliers which include catering service providers, provider of construction manpower and overseas manpower consultant in India and Myanmar. Our trade payables increased from approximately S$1.7 million as at 31 December 2014 to approximately S$2.0 million as at 31 December 2015, and decreased to approximately S$1.7 million as at 31 December 2016. The increase in trade payables as at 31 December 2015 compared to that at 31 December 2014 was mainly due to the balances in relation to the overseas manpower consultants in relation to the India Project and the Myanmar Project, who issued invoices to us in late December 2015 for their respective full year of services rendered by them, leading to a large trade payable balance as at 31 December 2015.

The decrease in trade payables as at 31 December 2016 compared to that as at 31 December 2015 was mainly because of our payments made to the overseas manpower consultants in relation to the India Project and the Myanmar Project during FY2016.

Accrued operating expenses and other payables

Our accrued operating expenses and other payables mainly include accrued operating expense (such as accrued wages and salaries), GST payable, customers' deposits in relation to our dormitory business and land lease payable in relation to our School Dormitory Project.

Our accrued operating expenses and other payables decreased from approximately S$5.1 million as at 31 December 2014 to approximately S$4.7 million as at 31 December 2015, which was mainly due to the land lease payable in relation to the School Dormitory Project which amounted to S$0.9 million recorded as at 31 December 2014, which was not yet settled as at 31 December 2014 because, as discussed in paragraph 6.8(a) above, our Group was in process of negotiating with the Singapore Government in relation to the termination of the Tenancy Agreement. The balance was subsequently settled in the first quarter of FY2015. The decrease was partially offset by the increase in GST payable by approximately S$0.4 million.

Our accrued operating expenses and other payables increased from approximately S$4.7 million as at 31 December 2015 to approximately S$5.1 million as at 31 December 2016, which was mainly due to (i) the increase in GST payable of approximately S$0.1 million, and (ii) the increase in accrued operating expenses of approximately S$0.2 million in relation to foreign workers' wages and salaries.

Currency denomination

The carrying amounts of our Group's trade payables are denominated in the following currencies:

	As at 31 December 2014	**As at 31 December 2015**	**As at 31 December 2016**
	S$'000	*S$'000*	*S$'000*
SGD	796	559	1,230
USD	876	1,395	498
	1,672	1,954	1,728

Trade payables turnover days

The following table sets forth our trade payables turnover days during the Track Record Period:

	FY2014	**FY2015**	**FY2016**
	No. of days	*No. of days*	*No. of days*
Trade payables turnover days	21.3	21.5	22.7

Notes:

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of services during the year, then multiplied by the number of days of the year.

Trade payables turnover days were approximately 21.3 days for FY2014, approximately 21.5 days for FY2015 and approximately 22.7 days for FY2016, which remained relatively stable. We were generally granted by suppliers a credit period ranging from 7 to 60 days.

Aging analysis and subsequent settlement

The ageing analysis of our trade payables based on invoice date is as follows:

	As at 31 December 2014	**As at 31 December 2015**	**As at 31 December 2016**
	S$'000	*S$'000*	*S$'000*
Within 30 days	916	1,581	730
31 days to 90 days	194	47	64
Over 90 days	562	327	934
	1,672	1,954	1,728

Up to the Latest Practicable Date, 88.7% of our trade payables as at 31 December 2016 had been settled:

	As at 31 December 2016	**Subsequent settlement up to the Latest Practicable Date**	
	S$'000	*S$'000*	*%*
Within 30 days	730	720	98.6
31 days to 90 days	64	60	93.8
Over 90 days	934	753	80.6
	1,728	1,533	88.7

The outstanding balances in respect of long aged group (i.e. those that were over 90 days) were mainly in relation to costs of the Myanmar Project as discussed above, the settlement of which is pending the provision of sufficient calculation breakdown and supporting documents for the invoices billed by the Myanmar consultant.

10.4. Amount due from/to a Director

Details of the amounts due from/to a Director, Mr. Kuah, are summarised in note 20 to the accountants' report set out in Appendix I to this document. The amounts due from/to a Director are non-trade in nature, unsecured, interest-free and repayable on demand. During the Track Record Period, such amounts represented our expenses paid by Mr. Kuah on our behalf. All amounts due to Mr. Kuah have been repaid by us in February 2017 by cheque using our internal funding.

10.5. Amounts due from/to related companies

(a) Amount due from related parties

The following table sets out the details of amount due from a related company:

	2014	2015	2016
	S$'000	*S$'000*	*S$'000*
Analysed as:			
Labour Solutions Pte. Ltd.	35	192	192
Kenta Training & Testing Services Pte. Ltd.	40	59	102
Tiara Global Pte. Ltd.	85	–	–
	160	251	294

These were funds advanced from our Group to the above three companies, of which Mr. Kuah was a controlling shareholder. The amounts due from the related companies are non-trade in nature, unsecured, interest free and repayable on demand. As disclosed in the section headed "Directors and senior management", these companies are in the process of striking off by voluntary application. The amounts due from Labour Solutions Pte. Ltd., Kenta Training & Testing Services Pte. Ltd. and Tiara Global Pte. Ltd. will be settled before **[REDACTED]**, while the amount due from Tiara Global Pte. Ltd. has been repaid during the Track Record Period.

(b) Amount due to related parties

	2014	2015	2016
	S$'000	*S$'000*	*S$'000*
Tiara Global Pte. Ltd.	179	179	179
Kenta Training & Testing Services Pte. Ltd.	234	234	234
	413	413	413

Our Group has amount due to Tiara Global Pte. Ltd. in the amount of approximately S$179,000, S$179,000 and S$179,000; and to Kenta Training & Testing Services Pte. Ltd. in the amount of S$234,000, S$234,000 and S$234,000 as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively. All of these balances were trade-related. Tiara Global Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. provided employee training other services for foreign workers of our Group in 2013. There were no transactions between our Group and these two companies during the Track Record Period. As disclosed in the section headed "Directors and senior management", Tiara Global Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. are in the process of striking off by voluntary application and all amounts due from our Group to the two companies will be settled before **[REDACTED]**.

Further details of the amounts due from/to related companies are summarized in Note 29 to the accountants' report set out in Appendix I to this document.

10.6. Held for trading investments

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

We have no intention to acquire additional listed equity securities or other held for trading investments after **[REDACTED]** . After **[REDACTED]**, where funds are required for implementing our future plans and business strategies and depending on our available financial resources from time to time as well as the general stock market condition in Singapore, we will consider selling some or all of our held for trading investments as and when appropriate.

Our held for trading investments are measured at fair value at the end of each reporting period. The following table sets out information about how fair values of these held-for-trading investments are determined:

	Fair value as at				
Financial assets	**31 December 2014**	**31 December 2015**	**31 December 2016**	**Fair value hierarchy**	**Valuation technique**
Held for trading investments	Listed equity securities – agricultural production industry – S$70,000	Listed equity securities – agricultural production industry – S$70,000	Listed equity securities – agricultural production industry – S$70,000	Level 1 *(Note)*	Quoted bid prices in an active market

Note: Level 1 means that the fair value measurements are based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities.

10.7. Property, plant and equipment

During the Track Record Period, our Group's property, plant and equipment comprised leasehold properties in relation to our Sungei Kadut Dormitory, leasehold improvements, office equipment, motor vehicles, furniture and fittings and computers. As at 31 December 2014, 31 December 2015 and 31 December 2016, our property plant and equipment were approximately S$3.2 million, approximately S$2.8 million and approximately S$3.4 million respectively.

Our property, plant and equipment decreased from approximately S$3.2 million as at 31 December 2014 to approximately S$2.8 million as at 31 December 2015, which was mainly due to the depreciation made during FY2015 which amounted to approximately S$0.7 million, partially offset by the purchase of motor vehicles during FY2015 which amounted to approximately S$0.2 million.

Our property, plant and equipment increased from approximately S$2.8 million as at 31 December 2015 to approximately S$3.4 million as at 31 December 2016, which was mainly due to the purchase of motor vehicles and the leasehold improvements in relation to our general office which amounted to approximately S$1.1 million and approximately S$0.2 million respectively, partially offset by the depreciation made during FY2016 which amounted to approximately S$0.6 million.

10.8. Investment property

During the Track Record Period, our Group's investment property was in relation to our Woodlands Dormitory. As at 31 December 2014, 31 December 2015 and 31 December 2016, the carrying value of our investment property was approximately S$1.0 million, nil and nil respectively. For further details, please refer to the Note 17 to the accountant's report set out in Appendix I to this document.

11. INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated. As of 28 February 2017, being the latest practicable date for this indebtedness statement, save as disclosed in this paragraph, we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, contingent liabilities or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material changes in our indebtedness or contingent liabilities since 28 February 2017 and up to the date of this document.

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 28 February 2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
				(unaudited)
Non-current liabilities				
Obligations under finance leases	–	20	20	**[REDACTED]**
Borrowings	552	43	–	**[REDACTED]**
Current liabilities				
Amount due to a Director	10,084	–	4,205	**[REDACTED]**
Obligations under finance leases	–	39	37	**[REDACTED]**
Borrowings	1,880	509	43	**[REDACTED]**
	12,516	611	4,305	**[REDACTED]**

11.1 Obligations under finance leases

Our obligations under finance leases were secured by, and were primarily used for purchasing, office equipment and motor vehicles. As at 31 December 2014, 2015 and 2016, the carrying values of assets held under finance leases were as follows:

	2014	2015	2016
	S$	*S$*	*S$*
Office equipment	–	19,374	16,967
Motor vehicles	–	48,390	203,793
	–	67,764	220,760

Please refer to Note 24 to the accountants' report set out in Appendix I to this document for an analysis of the amounts payable under finance leases.

Interest rates underlying all obligations under finance leases are fixed at the respective contract dates, which ranged from 2.85% to 3.00% per annum during the Track Record Period.

11.2 Borrowings

Borrowings as at 31 December 2014, 2015 and 2016 represented loans obtained by us from banks primarily for financing our dormitory construction and our general business operations. Please refer to Note 24 to the accountants' report set out in Appendix I to this document for an analysis of the amounts repayable under the bank loans. As of the Latest Practicable Date, all bank loans have been fully repaid.

Included in the balances of bank borrowings as at 31 December 2014 was an unsecured bank loan with carrying amount of S$1.2 million which bore a fixed interest rate of 1.69% per annum. Such unsecured bank loan was guaranteed by Mr. Kuah. Such loan was fully repaid in February 2015, following which Mr. Kuah's personal guarantee was fully discharged.

As at 31 December 2014, 2015 and 2016, we had a secured bank loan with carrying amount of approximately S$1.2 million, S$552,466, and S$43,439, respectively. Such loan was secured by a legal mortgage charge over our properties on leasehold land with carrying amounts of approximately S$3.8 million, S$2.4 million and S$2.1 million respectively, and was guaranteed by Mr. Kuah. The loan bore variable interest rate and the effective interest rate during the Track Record Period was approximately 3.0% per annum. The loan was fully repaid in January 2017, following which all charges and Mr. Kuah's personal guarantee were discharged.

11.3. Amount due to a Director

Our Group has amount due to a Director, Mr. Kuah of approximately S$10.1 million, nil and S$4.2 million as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively. These were funds advanced to us by our Director, Mr. Kuah, to finance our business operations. These amounts were unsecured, interest-free and are repayable on demand. All amounts due to Mr. Kuah have been repaid by us in February 2017 by cheque using our internal funding.

11.4. Operating lease commitments

Our Group leases dormitories from external accommodation providers, leases general office and leases the land in relation to our Woodlands Dormitory under operating leases. The following table sets forth our future minimal rental payable under non-cancellable leases as of the dates indicated:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 28 February 2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
				(unaudited)
Within one year	3,037	3,560	4,555	**[REDACTED]**
After one year but within five years	958	6,292	3,864	**[REDACTED]**
More than five years	539	374	194	**[REDACTED]**
	4,534	10,226	8,613	**[REDACTED]**

The leases have tenures ranging from 3 to 12 years and no contingent rent provision is included in the contracts.

11.5. Contingent liabilities

During the Track Record Period and as at the Latest Practicable Date, our Group had no material contingent liabilities.

11.6. Off-balance sheet arrangements and commitments

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

11.7 Plan to obtain mortgage loan for intended purchase of additional dormitory

As discussed in the section headed "Business – Business strategies" in this document, our Group intends to purchase an additional foreign worker dormitory in Singapore, the estimated consideration of which is approximately HK$**[REDACTED]** (equivalent to approximately S$**[REDACTED]**). As part of the financing plan of this purchase, our Directors intend to obtain a mortgage loan of approximately HK$**[REDACTED]** from financial institution.

As the process of the application of such loan has not started as of the Latest Practicable Date, the precise terms and conditions of the mortgage loan are yet to be confirmed. However, our Directors do not foresee any material difficulties in securing the aforesaid mortgage loan at prevailing market rates or better due the reasons set out in the section headed "Future Plans and **[REDACTED] – [REDACTED]**" in this document.

On the assumptions that:

(i) the mortgage loan amount will be approximately HK$**[REDACTED]**, representing a loan-to-value ratio of approximately **[REDACTED]**, which is substantially lower than the ratio of up to 80% of loan financing offered by banks in Singapore;

(ii) the mortgage loan tenor will be approximately 10 years as currently intended by our Directors, which is far less than the maximum tenor of up to 30 years offered by banks in Singapore;

(iii) the interest rate applicable to the mortgage loan will be approximately 2.0%, which is the prevailing interest rate applicable to similar mortgage loans as preliminarily indicated by banks in Singapore;

(iv) the timing of the purchase of the additional dormitory will be in or around October 2017 in accordance with our expansion plan as discussed in the section headed "Business – Business strategies" in this document,

our Directors estimate that:

(a) the annual repayment obligations of our Group (including interest expenses and repayment of loan principal) will be approximately S$0.4 million and S$1.7 million for each of FY2017 and FY2018, which is not expected to lead to any material adverse impact on our cash flows and liquidity positions given that we had net cash generated from operations for each of FY2014, FY2015 and FY2016 that amounted to approximately S$9.2 million, S$10.1 million and S$8.0 million respectively; and

(b) the additional finance costs to be incurred by us as a result will amount to approximately S$0.1 million and S$0.3 million for each of FY2017 and FY2018, which is not expected to lead to any material adverse impact on our financial performance given that we recorded net profit of approximately S$4.2 million, S$6.3 million and S$6.6 million for each of FY2014, FY2015 and FY2016 respectively.

Save as our aforesaid plan to obtain a mortgage loan, our Directors confirm that as at the Latest Practicable Date, we have no immediate plan for additional material external debt financing.

12. KEY FINANCIAL RATIO

	FY2014 or as at 31 December 2014	**FY2015 or as at 31 December 2015**	**FY2016 or as at 31 December 2016**
Revenue growth	N/A	2.2%	(2.3%)
Net profit growth	N/A	52.1%	4.7%
Gross profit margin	37.1%	33.2%	34.4%
Net profit margin before interest and tax	10.8%	16.2%	16.9%
Net profit margin	9.2%	13.7%	14.7%
Return on equity	60.5%	47.9%	66.4%
Return on total assets	15.3%	28.2%	24.9%
Current ratio *(times)*	1.2	2.1	1.4
Quick ratio *(times)*	1.2	2.1	1.4
Inventories turnover days *(days)*	N/A	N/A	N/A
Trade receivables turnover days *(days)*			
– Manpower outsourcing and ancillary services	66.3	55.3	47.9
– Dormitory services	0.4	1.4	2.9
– IT services	–	–	–
– Construction ancillary services	17.2	17.8	25.5
– Overall	57.7	48.3	41.2
Trade payables turnover days *(days)*	21.3	21.5	22.7
Gearing ratio	182.2%	4.6%	43.2%
Net debt to equity ratio	Net Cash	Net Cash	Net Cash
Interest coverage *(times)*	90.4	232.7	447.0

12.1. Revenue growth

Please refer to paragraph 7 above for the reasons for the change in our revenue.

12.2. Net profit growth

Please refer to paragraph 7 above for the reasons for the change in our net profit.

12.3. Gross profit margin

Please refer to paragraph 7 above for the reasons for the change in our gross profit margin for each of our businesses.

12.4. Net profit margin before interest and tax

Our net profit margin before interest and tax increased from approximately 10.8% for FY2014 to approximately 16.2% for FY2015, mainly due to the increase in our revenue coupled with the decrease in our administrative expenses and the decrease in other expenses in relation to the School Dormitory Project.

Our net profit margin before interest and tax increased from approximately 16.2% for FY2015 to approximately 16.9% for FY2016, mainly due to the lack of non-recurring expenses such as the general consultancy fees for the India Project and the Myanmar Project and the expenses in relation to the School Dormitory Project, partially offset by the effect of the decrease in revenue and the recognition of the non-recurring **[REDACTED]** expenses of approximately S$0.7 million in FY2016.

12.5. Net profit margin

Our net profit margin increased from approximately 9.2% for FY2014 to approximately 13.7% for FY2015, and further to approximately 14.7% for FY2016, mainly due to the same reasons for the increase in our net profit margin before interest and tax as discussed above.

12.6. Return on equity

Return on equity is calculated as profit for the year attributable to owners of our Company divided by the ending equity attributable to owners of our Company as at the respective reporting dates.

Our return on equity decreased from approximately 60.5% for FY2014 to approximately 47.9% for FY2015, mainly because during FY2015, we repaid a substantial amount of our borrowings and our amounts due to our Director Mr. Kuah. Such amounts had therefore not been put into use for any investments to further grow our business operations and to generate returns.

Our return on equity increased from approximately 47.9% for FY2015 to 66.4% for FY2016, mainly because of the increase in net profit as discussed above, and the declaration of dividend from our retained profits during FY2016, leading to a slower growth in our equity.

12.7. Return on total assets

Return on assets is calculated as profit for the year attributable to owners of our Company divided by the ending total assets as at the respective reporting dates.

Our return on total assets increased from approximately 15.3% for FY2014 to approximately 28.2% for FY2015, mainly because of the substantial decrease in our total assets as at 31 December 2015 as compared to that as at 31 December 2014 as we repaid a substantial amount of our borrowings and amounts due to our Director Mr. Kuah during FY2015.

Our return on total assets decreased from approximately 28.2% for FY2015 to approximately 24.9% for FY2016, mainly because of the advances from our Director Mr. Kuah during FY2016, leading to a substantial increase in assets as at 31 December 2016.

12.8. Current ratio

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio increased from approximately 1.2 times as at 31 December 2014 to approximately 2.1 times as at 31 December 2015. Such increase was mainly due to our profitable operations, as well as the fact that our current liabilities decreased proportionally higher than the decrease in our current assets as we repaid substantial amount of borrowings and amounts due to our Director during FY2015 using cash resources generated from our profitable operations.

Our current ratio decreased from approximately 2.1 times as at 31 December 2015 to approximately 1.4 times as at 31 December 2016. Such decrease was mainly because certain cash was used for distribution of dividends instead of repayment of liabilities, leading to our current liabilities increased proportionally higher than the increase in our current assets.

12.9. Quick ratio

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates. During the Track Record Period, we maintained no inventories. As such, our quick ratio was the same as our current ratio.

12.10. Inventories turnover days

During the Track Record Period, we maintained no inventories. As such, analysis of inventories turnover days is not applicable.

12.11. Trade receivables turnover days

Please refer to paragraph 10.1 above for the reasons for the change in our trade receivables turnover days.

12.12. Trade payables turnover days

Please refer to paragraph 10.3 above for the reasons for the change in our trade payables turnover days.

12.13. Gearing ratio

Gearing ratio is calculated as total borrowings (including payables incurred not in the ordinary course of business) divided by the equity attributable to owners of the Company as at the respective reporting dates.

Our gearing ratio was approximately 182.2% as at 31 December 2014, approximately 4.6% as at 31 December 2015, and approximately 43.2% as at 31 December 2016. The decrease in in our gearing ratio as at 31 December 2015 was mainly due to the repayment of amounts due to our Director Mr. Kuah during the year, while the increase in our gearing ratio as at 31 December 2016 compared to that as at 31 December 2015 was mainly due to the advances obtained from our Director Mr. Kuah during the year to finance our daily operations.

12.14. Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. total borrowings, including payables incurred not in the ordinary course of business, net of bank balances and cash and pledged bank deposits) divided by the equity attributable to owners of the Company as at the respective reporting dates.

We recorded net cash position as at 31 December 2014, 31 December 2015 and 31 December 2016.

12.15. Interest coverage

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting years.

Our interest coverage increased from approximately 90.4 times as at 31 December 2014 to approximately 232.7 times as at 31 December 2015, and further to approximately 447.0 times as at 31 December 2016, mainly due to (i) the increase in our profit before finance costs and taxation for both FY2015 and FY2016; and (ii) the decrease in our borrowings (i.e. bank borrowings and obligations under finance leases) from approximately S$1.9 million in as at 31 December 2014 to approximately S$0.1 million in as at 31 December 2016, leading to a decrease in finance cost.

13. RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group had related party transactions in relation to general operating expenses paid by us on behalf of Labour Solutions Pte. Ltd. (a company of which Mr. Kuah was a controlling shareholder), which amounted to approximately S$5,000, S$2,000 and nil for FY2014, FY2015 and FY2016 respectively. Details of these transactions are set out in note 28 to the Accountant's Report contained in Appendix I to this document. These related party transactions (i.e. the payment on behalf arrangement) were ceased since the second half of FY2015. As disclosed in the section headed "Directors and senior management", Labour Solutions Pte. Ltd. is in process of striking off by voluntary application.

Having considered that the transactions were mere payments on behalf and did not involve any substantive sale or purchase of goods or services and that the amounts of these related party transactions were relatively insignificant as compared to our Group's assets and profits, our Directors consider that the related party transactions did not distort our Group's financial results in any material respects during the Track Record Period or make our Group's historical results unreflective of our future performance.

14. FINANCIAL RISK AND CAPITAL MANAGEMENT

14.1. Financial risk management

Our Group is exposed to market risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to "Business – Risk management and internal control systems" and Note 31 to the accountants' report set out in Appendix I to this document.

14.2. Capital management

We manage our capital to ensure that our Group will be able to continue as a going concern while maximising the return to our Shareholder through the optimisation of the debt and equity balance.

The capital structure of our Group consists of debts, which include obligations under finance leases and borrowings, and equity attributable to owners of our Company, comprising share capital, reserves and accumulated profits.

Our Directors review the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, we may adjust the amount of dividends payments, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt, depending on our capital structure and needs from time to time.

15. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

[REDACTED]

[REDACTED]

17. DIVIDEND

During FY2016, an aggregate amount of dividends of S$10,440,000 was declared by our Group companies, of which S$7,440,000 was paid during FY2016 and S$3,000,000 was subsequently paid in February 2017 by cheque. Other than the above, no dividend was paid or declared by us during the Track Record Period.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

18. DISTRIBUTABLE RESERVES

Our Company was incorporated on 14 February 2017. As at 28 February 2017, our Company had no reserve available for distribution to our Shareholders.

19. DISCLOSURE REQUIRED UNDER THE [REDACTED] RULES

Our Directors have confirmed that as at the Latest Practicable Date, save and except for the guarantees provided by the Controlling Shareholders on our Group's facilities as disclosed in the section headed "Relationship with the Controlling Shareholders – Independence of our Group – Financial Independence" in this document, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the **[REDACTED]** Rules had the **[REDACTED]**.

20. NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the **[REDACTED]**, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since 31 December 2016, and there had been no events since 31 December 2016 which would materially affect the information shown in our combined financial information included in the accountants' report set out in Appendix I to this document.