
REGULATORY OVERVIEW

This section summarises the laws and regulations that are material and specific to our business. As this is a summary, it does not contain detailed analysis of the Singapore laws which are relevant to our business.

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

Employment of Foreign Manpower Act

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act, Chapter 91A of Singapore (the “EFMA”) and the regulations issued pursuant to the EFMA and is regulated by the MOM.

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

- be liable on conviction to a fine of not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and
- on a second or subsequent conviction:
 - in the case of an individual, be punished with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or
 - in any other case, be punished with a fine not less than S\$20,000 and not more than S\$60,000.

Depending on, *inter alia*, the relevant qualifications and salaries of the foreign employees, they would qualify for either an employment pass, S Pass or work permit, to be issued by the MOM to enable them to enter and work in Singapore.

Based on the latest information available from the MOM database as at 10 April 2017, we had utilized 1,506 quota balance for foreign workers, among which 1,504 were holders of work permits and 2 were holders of S Passes.

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The availability of foreign workers to the construction industry is also regulated by the MOM through, among others, the following policy instruments:

- approved source countries;
- the imposition of security bonds and levies;
- dependency ceilings based on the ratio of local to foreign workers;
- the man-year entitlements in respect of workers from Non-Traditional Sources and the PRC; and
- the requirement for a minimum percentage of higher-skilled workers.

Approved source countries

The approved source countries for construction workers are Malaysia, the PRC, Non-Traditional Sources (NTS) and North Asian Sources (NAS). NTS countries include countries such as India, Sri Lanka, Thailand, Bangladesh, Myanmar and the Philippines. NAS include Hong Kong (holders of HKSAR passports), Macau, South Korea and Taiwan.

Our Group mainly sources foreign workers from Bangladesh and India, which are NTS countries.

We must have prior approval (“**PA**”) from the MOM to employ foreign workers from NTS countries. The PA indicates the number of foreign workers a company is allowed to bring in from NTS countries. It also determines the number of workers who can have their work permits renewed, or who can be transferred from another company in Singapore. PAs are given based on: (i) the duration of the work permits applied for; (ii) the dependency ceiling quota based on the number of full-time local workers employed by the company over the past three months as reflected in the company’s Central Provident Fund (CPF) contribution statements; (iii) the number of man-year entitlements (MYE) allocated to the company (for main contractors) or the MYE directly allocated from the company’s main contractor (for subcontractors); and (iv) the fulfillment of the requirement to maintain a minimum percentage of at least 10% of higher-skilled workers (in respect of the hire/renewal of work permits for basic-skilled construction workers).

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

| Requirements | Type of workers subject to the requirements |
|---|--|
| Skills Evaluation Certificate (“SEC”) or Skills Evaluation Certificate (Knowledge) (“SEC(K)”) ^{Note} , issued or accepted by BCA | NTS countries and the PRC under the PA (Type: New); NAS countries |
| Secondary 4 education or its equivalent, the SEC or SEC(K) | Malaysia |
| Attend and pass full day enhanced Construction Safety Orientation Course (“CSOC”) | Applicable to all NTS countries, NAS countries, the PRC and Malaysia |
| Pass medical examination by doctor registered in Singapore | Applicable to all NTS countries, NAS countries, the PRC and Malaysia |

Note: Both the SEC and SEC(K) schemes are initiatives by the BCA to raise the skill levels and productivity of the construction project as well as to enhance safety in the construction sector.

With respect to NTS and PRC construction workers, basic skilled workers are allowed to work up to a maximum of 10 years, while higher skilled workers are allowed to work up to 22 years. There is no maximum employment period for foreign workers from NAS and Malaysia. The maximum age limit for all foreign workers to work in Singapore, regardless of country of origin, is up to 60 years old.

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

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

During the Track Record Period and as of the Latest Practicable Date, our Group has complied with the aforesaid requirements.

Security bonds and foreign worker levy

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

The purpose of the bonds are to ensure that employers and their respective foreign workers comply with the conditions of the work permits issued, which include, *inter alia*, (for employers) the maintenance of medical insurance and the conduct of medical examination(s), and (for foreign workers) not taking part in any other business or starting their own business, and not marrying a Singapore citizen or permanent resident in or outside Singapore without the approval of the relevant authority.

The bonds may be forfeited if, *inter alia*, the employer or employees violate any of the conditions of the work permits, fail to pay employee salaries on time, fail to repatriate foreign workers back to their countries of origin when their work permits expire, or if the foreign worker goes missing.

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In addition, employers are required to pay the requisite foreign worker levy according to the qualification of the foreign workers employed. The levy rates for 2016 and 2017 are subject to changes as and when announced by the Singapore Government and the latest levy rates as at the Latest Practicable Date are as follow.

| Worker category | Monthly levy rate (effective 1 July 2016) S\$ | Monthly levy rate (effective 1 July 2017) S\$ |
|---|--|--|
| Malaysians and NAS – Higher-Skilled | 300 | – |
| Malaysians and NAS – Basic-Skilled | 650 | – |
| NTS and PRC – Higher-Skilled, on MYE (see below for more details on MYE) | 300 | 300 |
| NTS and PRC – Basic-Skilled, on MYE | 650 | 700 |
| NTS and PRC – Higher-Skilled, MYE waiver ^{Note} | 600 | 600 |
| NTS and PRC – Basic-Skilled, MYE waiver ^{Note} | 950 | 950 |

Note: To qualify for the MYE waiver, a foreign worker must have at least 2 years of working experience in Singapore which is relevant to the construction sector.

On the other hand, S Pass holders (i.e. individuals who are considered “mid-skilled foreign employees” meeting a minimum fixed monthly salary of S\$2,200 and certain other qualifications and work experience) are not subject to security bonds but are subject to levy rates which are dependant on the total percentage of S Pass holders in the total workforce of a company. The applicable levy rate of our relevant operating subsidiary employing S Pass holders is set at S\$330 per month and such levy rates may be waived under certain specific circumstances such as hospitalisation or overseas leave.

Dependency ceilings

The dependency ceiling for the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers. This means that for every full-time Singapore citizen or Singapore permanent resident employed by a company in the construction sector with the requisite CPF contributions made by the employer, the company can employ seven foreign workers under work permits or S passes. The number of foreign workers under S passes is in turn limited to 20% of the total workforce of the company. As at the Latest Practicable Date, we have three S pass holders who account for less than 20% of the total workforce of our relevant operating subsidiary directly employing them.

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Man year entitlements

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

We generally obtain MYE allocations from the main contractor(s) of the construction project(s) to which we provide manpower outsourcing services. As advised by the Singapore Legal Adviser, for the purpose of MYE, we are regarded as a subcontractor.

While MYE allocations are required for the application of work permits for new NTS or PRC construction workers, NTS or PRC construction workers who have worked with any employer for a cumulative period of two or more years in the construction industry are eligible for MYE waiver and may be hired without any MYE allocation.

Once a foreign worker has been allocated an MYE, the foreign worker levy payable by the employer is reduced accordingly. As mentioned in the latest levy rates table above, the foreign worker levy for NTS and PRC basic skilled workers without MYE is S\$950, while the foreign worker levy for NTS and PRC basic skilled workers on MYE is S\$650.

Minimum percentage of higher-skilled workers

From 1 January 2017, at least 10% of a construction company’s work permit holders must be higher-skilled workers before the company can hire any new basic-skilled construction workers. Renewals of work permits of existing basic-skilled construction workers will not be affected. This is tracked on a 12-week rolling average.

Workers may be categorised as higher-skilled workers based on, *inter alia*, having a minimum working experience of between 4 and 6 years, possession of certain skills or qualifications and/or meeting a minimum fixed monthly salary of S\$1,600.

From 1 January 2018, construction companies that do not meet the 10% minimum percentage of higher-skilled workers will not be able to hire new basic-skilled workers and also will not be able to renew the work permits of their basic-skilled workers.

From 1 January 2019, construction companies that do not meet the 10% minimum percentage of higher-skilled workers will not be able to hire or renew basic-skilled workers and will also have the work permits of any excess basic-skilled workers revoked.

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As at the Latest Practicable Date, approximately 17.4% of the foreign workers hired by our Group are higher-skilled workers.

Dual employment of local employees

Some of our operating subsidiaries adopt a dual employment arrangement (“**Dual Employment Arrangement**”) for certain local employees for the purposes of calculating the number of local employees they have in order to meet the dependency ceiling quota which is discussed in the paragraph headed “Dependency ceilings” above in this section.

Under the Dual Employment Arrangement, a local employee is employed by two of our operating companies, and each of the two companies would be able to count the employee as its local employee for the purposes of availing itself to the dependency ceiling quota.

The Dual Employment arrangement is permitted under MOM rules, provided that the relevant employees who are hired under such Dual Employment Arrangement:–

- (a) must be a Singaporean citizen or a permanent resident;
- (b) must not be an employee for more than 2 of our operating companies or receive CPF contributions from more than 2 of our operating companies;
- (c) (for a full-time employee) must earn at least S\$1,100 per month;
- (d) (for a part-time employee) must earn at least S\$550 per month;
- (e) must be employed under a contract of service under each relevant company in our Group; and
- (f) must receive the relevant CPF contributions from each relevant company in our Group.

For the purposes of calculating the dependency ceiling quota, two part-time employees count as one full time employee, and the number of local employees deemed hired by our operating companies are computed based on the number of full-time local workers employed by the relevant company over the past three months as reflected in the relevant company’s CPF contribution statements.

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Based on the latest information available from the MOM database as at the Latest Practicable Date and our Manpower Services Companies’ employment records, the Singapore Legal Advisers confirmed that (i) our Manpower Services Companies had utilized 1,547 quota balance for foreign workers (including those who were under our employment and those who had obtained prior approvals from MOM but whose employment had yet to be formally commenced), and (ii) our Manpower Services Companies should be entitled to employ up to an additional 42 foreign workers after taking into consideration, *inter alia*, the number of local employees who are eligible for, and are on the Dual Employment Arrangement. Therefore, our Group are in compliance with the dependency ceiling quota.

Conditions of work permits for foreign construction workers

Employers are required to comply with the conditions of work permits for foreign construction workers, which include requirements to:

- provide acceptable accommodation for their foreign workers;
- ensure that their foreign workers perform only those construction activities specified in the conditions;
- provide safe working conditions for their foreign workers; and
- purchase and maintain medical insurance with certain required coverage for their foreign workers.

Accommodation for our foreign workers

We provide accommodation for foreign workers employed by us, except when our foreign workers are deployed to our customers who, pursuant to the terms of the relevant contract with us, agreed to be responsible and to arrange for the accommodation for the deployed foreign workers.

As at the Latest Practicable Date, we house our foreign workers at our Sungei Kadut Dormitory, our Woodlands Dormitory, and other licensed dormitories operated by third parties.

For further details of our Sungei Kadut Dormitory and Woodlands Dormitory, please refer to the section headed “Business – Licences and permits” and “Business – Properties” in this document.

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Medical insurance for foreign workers

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

As at the Latest Practicable Date, we are in compliance with the aforesaid obligations to ensure that foreign workers employed by us are covered under the relevant medical insurance policies taken out by us, as supported by, *inter alia*, the records filed with MOM and the terms of our medical insurance policies. For further details of our medical insurance policies, please refer to the section headed “Business – Insurance” in this document.

Transportation of foreign workers

Some of our Group companies as well as KT&T Global own lorries which are used to transport foreign workers to and from their respective worksites.

Pursuant to the Road Traffic Act, lorries are generally not supposed to be used for carrying passengers, except that they may be used to transport workers to and from their lodging and places of work or between these places, subject to, *inter alia*, the persons being transported is in the employment of the owner or hirer of the vehicle and is proceeding on his master’s business and is carried in accordance with the relevant safety and regulatory provision, or the person(s) so being carried is sick or injured in a case of emergency.

In view of the foregoing, we have motor vehicle hiring arrangements in place among companies within our Group so as to allow for the transportation of foreign workers employed by different companies within our Group in motor vehicles owned by other relevant Group companies.

Employment Act

The Employment Act, Chapter 91 of Singapore (“**Employment Act**”) is the main legislation governing employment in Singapore. The Employment Act covers every employee who is under a contract of service with an employer and includes a workman (as defined under the Employment Act) but does not include, *inter alia*, any person employed in a managerial or executive position (subject to the exceptions set out below).

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

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

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

Any person employed in a managerial or an executive position (who is generally not regarded as an employee under the Employment Act) who is in receipt of a salary not exceeding S\$2,500 shall be regarded as an employee for the purposes of provisions in the Employment Act relating to, *inter alia*, payment and computation of salaries, powers of the Commissioner for Labour in relation to claims, complaints and investigations into offences under the Employment Act and procedures and regulations governing claims and offences under the Employment Act.

Following the amendments to the Employment Act in effect from 1 April 2016, all employers must issue key employment terms (“KETs”) in writing to employees covered under the Employment Act. Such employees include employees who: (i) enter into a contract of service with the company on or after 1 April 2016; (ii) are covered by the Employment Act and (iii) are employed for 14 days or more in relation to the length of contract (does not apply to number of days of work).

KETs include, *inter alia*, full name of employer and employee, job title, duties and responsibilities, start date of employment, duration of employment, basic salary, fixed allowances, fixed deductions, overtime pay, leave, medical benefits, probation period and notice period. KETs which are not applicable to specific employees may be excluded from their contracts.

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Immigration Act

Pursuant to the Immigration Act (Cap. 133), no person, other than a citizen of Singapore, shall enter or attempt to enter Singapore unless, *inter alia*, he is in possession of a valid pass lawfully issued to him to enter Singapore. Such valid pass would include, *inter alia*, a valid work pass issued by the Controller of Work Passes under the EFMA and the regulations issued pursuant to the EFMA, including *inter alia*, work permits (including a training work permit), S passes and employment passes. A work pass may be in the form of a card or in an endorsement made in the passport or other travel document of the work pass holder or in such other form as the Controller of Work Passes may determine.

Central Provident Fund Act

The CPF system is a mandatory social security savings scheme funded by contributions from employers and employees.

Pursuant to the Central Provident Fund Act (Cap. 36) (the “**CPF Act**”), an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore under a contract of service (save for employees who are employed as a master, a seaman or an apprentice in any vessel, subject to an exception for non-exempted owners). CPF contributions are not applicable for foreigners who hold employment passes, S Passes or work permits.

CPF contributions are required for both ordinary wages and additional wages (subject to a yearly additional wage ceiling) of employees at the applicable prescribed rates which is dependent on, *inter alia*, the amount of monthly wages and the age of the employee. An employer must pay both the employer’s and employee’s share of the monthly CPF contribution. However, an employer can recover the employee’s share of CPF contributions by deducting it from their wages when the contributions are paid for that month.

CPF contributions are due at the end of the month and employers are given a grace period of 14 days after the end of the month to pay CPF contributions. For example, contributions for December 2016 must be paid by 14 January 2017, and if the 14th falls on a weekend of public holiday, CPF contributions must be paid by the next working day.

Productivity and Innovation Credit Scheme

The Productivity and Innovation Credit Scheme (“**PIC Scheme**”) allows, amongst others, companies with active business operations in Singapore to claim (i) tax deductions and/or allowances; and/or (ii) cash payouts; and/or (iii) cash bonuses (on a dollar for dollar matching basis) in addition to (i) and/or (ii) above, in respect of certain qualifying activities undertaken by such companies, including the acquisition or leasing of certain qualifying equipment and certain types of training of employees, subject to prescribed expenditure caps. Further conditions apply before a company is eligible to make each of such claims,

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including having to invest in relevant qualifying expenditure and (in the case of the cash payouts and the cash bonuses) meeting the minimum 3 local employees requirement and (in the case of cash bonuses) investing the minimum qualifying expenditure per year of assessment over the course of 3 years from year of assessment 2013 to 2015. The PIC Scheme has been extended for another 3 years from year of assessment 2016 to 2018, and higher expenditure caps in relation to tax deductions and allowances apply for qualifying small and medium enterprises, which takes effect from year of assessment 2015. As announced in Singapore Budget Announcement 2016, the PIC payment will be at 40% for qualifying expenditure incurred on or after 1 August 2016.

During the Track Record Period, we received payments under the PIC Scheme, which is recognised in our other income in our financial statements. Please refer to the section headed “Financial information – Principal components of combined statements of comprehensive income” for further information.

Wage Credit Scheme

The Wage Credit Scheme was introduced in Budget 2013 by the Singapore Government as a three-year scheme under which the Singapore Government co-funds 40% of the wage increases that are given in 2013 to 2015 to Singapore citizen employees earning a gross monthly wage of S\$4,000 and below.

In Budget 2015, it was announced that the Wage Credit Scheme would be extended for two years (2016 to 2017). New wage increases given from 2016 to 2017 will be co-funded at 20% instead of 40%. For wage increases given in 2015 which are sustained in 2016 and 2017 by the same employer, employers will receive 20% co-funding for two additional years from 2016 to 2017.

Only employers are eligible for co-funding. Employers do not need to apply for wage credit. Wage credits are automatically paid to eligible employers annually, based on the CPF contributions that they make for their employees.

During the Track Record Period, we received wage credits granted under the Wage Credit Scheme, which is recognised in our other income in our financial statements. Please refer to the section headed “Financial information – 6. Principal components of results of operations” for further information.

Special Employment Credit

The Special Employment Credit (“SEC”) was introduced in Budget 2011 as a three-year scheme (2012 to 2016) under which the Singapore Government sought to support employers and raise the employability of older Singaporeans and individuals with disabilities.

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From 2012 to 2016, employers who hired Singaporean employees aged above 50 earning up to S\$4,000 a month were eligible to receive SEA of up to 8% of the employee’s monthly wages.

SEC was extended from 1 July 2017 to 31 December 2019 and employers hiring Singaporean workers aged 55 above, and earning up to S\$4,000 will continue to receive a wage-offset, tiered by age as follows:-

| Age (years) | Wage-offset |
|--|--------------------------|
| 55-59 | Up to 3% of monthly wage |
| 60-64 | Up to 5% of monthly wage |
| 65 & above | Up to 8% of monthly wage |
| 67 & above (including individuals born before 1 July 1952) | 11% of wage |

The SEC extends to employers that hire individuals with disabilities of all ages from 2012 and is set at 16% of the employee’s monthly income, up to S\$240 per month.

Parental leave benefits

The Children Development Co-Savings Act, Chapter 38A of Singapore (“**CDCSA**”) provides that every female employee is legally entitled to 16 weeks of paid maternity leave regardless of her occupation if: (1) her child is a Singapore citizen; (2) (for children born before 1 January 2017) she is lawfully married to the child’s father at the time of the child’s birth; and (3) she has served the company for at least 3 continuous months before the birth of her child. During such period of leave, the female employee shall be entitled to receive payment from her employer at her gross rate of pay, which is thereafter reimbursed by the government to the employer.

The CDCSA provides that an eligible working father may apply to share 1 week of his wife’s 16 weeks of government-paid maternity leave, subject to his wife’s agreement if: (1) his child is a Singapore citizen; (2) the child’s mother qualifies for government-paid maternity leave; and (3) he is lawfully married to the child’s mother.

Further, with effect from 1 January 2017, eligible working fathers, including those who are self-employed, are entitled to 2 weeks of government-paid paternity leave funded by the Singapore Government if: (1) his child is a Singapore citizen; (2) he is or had been lawfully married to the child’s mother between conception and birth (not applicable for adoptive fathers whose formal intent to adopt is on or after 1 January 2017); and (3) he has served his employer for a continuous period of at least 3 months before the birth of his child.

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Payment for each week of shared paternity leave and government-paid paternity leave is capped at \$2,500, including CPF contributions.

II. Licence regime for contractors in Singapore

In addition to the provision of our manpower outsourcing and ancillary services, our Group also provides construction ancillary services and are registered under the Contractors Registration System maintained by the BCA.

At present, there are seven major categories of registration under the Contractors Registration System, which are: (a) Construction (CW); (b) Construction-Related (CR); (c) Mechanical and Electrical (ME); (d) Maintenance (MW); (e) Trade Heads for sub-contractors (TR); (f) Regulatory Workhead (RW); and (g) Supply (SY). Under these seven major categories, there is a further sub-classification of a total of 63 workheads. Each major category of registration under the Contractors Registration System is also subject to six to seven financial grades. In order to qualify for a particular grade, companies must satisfy the respective grade requirements in terms of (i) financial capability (valid audited accounts, paid-up capital, net worth, etc); (ii) relevant technical personnel (full-time employed, recognised professional, technical qualifications, valid licences, etc); (iii) management certifications (Singapore Accreditation Council accredited ISO 9000, ISO 14000, OHSAS 18000, etc.); and (iv) track record (valid projects with documentation proof, endorsed and assessed by clients).

A contractor’s eligibility to qualify under the different gradings is dependent on, *inter alia*, the company’s minimum net worth and paid-up capital, the professional and technical expertise of its management and its track record in relation to previously completed projects.

The validity for a first-time registration is for a period of three years. Registration will thereafter lapse automatically unless a renewal (for a period of three years) is filed and approved by the BCA.

The following table sets out the current registrations of our Group companies in the Contractors Registration System:

| Company name | Workheads | Title | Scope of work | Grade ^{Note} | Expiry |
|----------------|-----------|--------------------------|--|-----------------------|------------|
| KT&T Engineers | CR01 | Minor Construction Works | Minor building and civil engineering works that are not governed by the Building Control Act such as drainage, minor road works, aprons and minor A&A works. | Single Grade | 01/12/2017 |

Note: The differences in the grades relate to the tendering limits for Singapore public sector projects, which may be adjusted from year to year depending on the economy of the construction industry in Singapore

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| Company name | Workheads | Title | Scope of work | Grade ^{Note} | Expiry |
|------------------------|-----------|--------------------------|---|-----------------------|------------|
| KT&T Resources | CR01 | Minor Construction Works | Minor building and civil engineering works that are not governed by the Building Control Act such as drainage, minor road works, aprons and minor A&A works. | Single Grade | 01/12/2018 |
| Accenovate Engineering | CR01 | Minor Construction Works | Minor building and civil engineering works that are not governed by the Building Control Act such as drainage, minor road works, aprons and minor A&A works. | Single Grade | 01/11/2018 |
| Keito Engineering | CR01 | Minor Construction Works | Minor building and civil engineering works that are not governed by the Building Control Act such as drainage, minor road works, aprons and minor A&A works. | Single Grade | 01/11/2017 |
| Tenshi Resources | ME11 | Mechanical Engineering | The installation, commissioning, maintenance and repair of mechanical plant, machinery and systems. It includes the installation and maintenance of power generation and turbine systems. | L1 | 01/04/2018 |

Note: The differences in the grades relate to the tendering limits for Singapore public sector projects, which may be adjusted from year to year depending on the economy of the construction industry in Singapore

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Tendering limits for different grades under the Contractors Registration System

Tendering limits for different grades of workheads CR01 and ME11 under the Contractors Registration System are as summarised below:

| Grades | Single Grade | L6 | L5 | L4 | L3 | L2 | L1 |
|----------------------------------|--------------|-----------|----|-----|----|-----|------|
| Tendering limit (S\$ million) | Unlimited | Unlimited | 13 | 6.5 | 4 | 1.3 | 0.65 |

Registration and renewal requirements

In order to apply for, maintain and renew the registrations under the Contractors Registration System, there are different requirements to be complied with for different grades, including but not limited to requirements relating to minimum paid up capital and net worth, employment of personnel (including registrable professionals (“**RP**”)⁽¹⁾, professionals (“**P**”)⁽²⁾ and technicians (“**T**”)⁽³⁾), and track record of past projects.

Some of the specific requirements as at the Latest Practicable Date are as follows:

| Workhead/Title/ Grade | | Requirements |
|---|---|---|
| CR01/Minor Construction Works/Single Grade | Management Track record (over a three- year period) | Having at least 1T with BCCPE Having secured projects with an aggregate contract value of at least \$100,000 |
| ME11/Mechanical Engineering/L1 | Management Track record (over a three- year period) | Having 1T with BCCPE ⁽⁴⁾ or Having 1T (if the 1T does not have BCCPE ⁽⁴⁾) and at least 1 RP, P or T with BCCPE ⁽⁴⁾ . Having secured projects with an aggregate contract value of at least \$100,000 |

Notes:

¹ A RP must have a minimum professional qualification of a degree in architecture, civil/structural engineering or equivalent recognised by the Professional Engineers Board, the BCA or the Board of Architects Singapore.

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

As at the Latest Practicable Date, the identity and qualification of relevant technician for our Group companies are as follows:

| S/n: | Company | Technician | Qualification | BCCPE |
|------|---------------------------|---------------------|---|-------|
| 1 | KT&T Engineers | Toh Beng Guan | Ngee Ann Polytechnic – Diploma in Mechanical Engineering | Yes |
| 2 | Tenshi Resources | Neo Choon Hao | Ngee Ann Polytechnic – Diploma in Quality Assurance Engineering | Yes |
| 3 | Keito Engineering | Mr. Kuah | Ngee Ann Polytechnic – Diploma in Mechanical Engineering | Yes |
| 4 | KT&T Resources | Dolly HWA Ai Kim | Ngee Ann Polytechnic – Diploma in Mechanical Engineering | Yes |
| 5 | Accenovate Engineering | Tan Peck Mei | Ngee Ann Polytechnic – Diploma in Mechanical Engineering | Yes |

REGULATORY OVERVIEW

Each relevant Group company’s ability to renew and maintain its registration under the Contractors Registration System is dependent on its compliance with the applicable requirements or any required conditions, as amended from time to time, in relation to, *inter alia*, whether such Group company (i) meets the paid up capital and net worth requirements, (ii) has appointed or retained the relevant technical personnel, and (iii) has met the requisite track record requirements which complies with the conditions of the respective registrations under the Contractors Registration System.

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

III. Workplace safety and health

Workplace Safety and Health Act

Under the Workplace Safety and Health Act, Chapter 354A of Singapore (“**WSHA**”), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include:

- providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work;
- ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees;
- ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer;
- developing and implementing procedures for dealing with emergencies that may arise while those persons are at work; and
- ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

REGULATORY OVERVIEW

Additional specific duties imposed by the MOM on employers are laid out in the various regulations subsidiary to the WSHA, including without limitation, the Workplace Safety and Health (Construction) Regulations 2007 and Workplace Safety and Health (General Provisions) Regulations.

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

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

Under the WSHA, inspectors appointed by the Commissioner for Workplace Safety and Health (“**Commissioner**”) may, among others, enter, inspect and examine any workplace, to inspect and examine any machinery, equipment, plant, installation or article at any workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, to take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, to assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and to take into custody any article in the workplace which is relevant to an investigation or inquiry under the WSHA.

Loaned employees

Section 6(4) of the WSHA provides that where:

- (a) an employer places an employee (referred to as the loaned employee) at the disposal of another person to do work for that other person; and
- (b) there is no contractual relationship between the employer and that other person regarding the work to be performed by the loaned employee,

then, for the purposes of the WSHA, the loaned employee shall be generally regarded (subject to certain exceptions) as if he were an employee of that other person (instead of his employer), and that other person shall be regarded as if he were the employer of the loaned employee while the loaned employee is at work for that other person.

REGULATORY OVERVIEW

Under the contracts entered into by us with our customers for the provision of manpower outsourcing services, we merely supply manpower and our customers shall have full discretion and control to deploy and supervise such workers and we are not directly engaged or involved in the construction works or projects undertaken by our customers.

Accordingly, as advised by the Singapore Legal Adviser, our workers should fall under the ambit of “loaned employees” as provided under section 6(4) of the WSHA during the period of deployment to our customers and it would hence be the relevant customer that would be deemed as the employer of our workers during the period of deployment and would be subject to the obligations and liabilities of an “employer” under the WSHA.

Workplace Safety and Health (Incident Reporting) Regulations

Pursuant to the Workplace Safety and Health (Incident Reporting) Regulations, an employer is required to lodge the relevant incident report for any accident suffered by a workman no later than 10 calendar days from the date of the accident following the hospitalisation of the workman, and (in the case of medical leave taken by the workman) no later than 10 days after the 3rd day of such medical leave taken by the workman.

Under the Workplace Safety and Health (Incident Reporting) Regulations, an employer who fails to report a work-related accident as required is liable to be (i) fined up to \$5,000 for a first-time offence; or (ii) fined up to \$10,000 and/or jailed up to six months for subsequent offences.

Our Singapore Legal Adviser has advised that since our Group companies’ workers who are deployed to our customers should fall under the ambit of “loaned employees” under section 6(4) of the WSHA as mentioned above, our Group companies should not be held legally liable or accountable by the relevant authorities for any delay in reporting work accidents which occurred when our employees were deployed to our customers because we would not be deemed as the “employer” of such workers pursuant to section 6(4) of the WSHA.

REGULATORY OVERVIEW

As at the Latest Practicable Date, none of our relevant Group companies have received any notice from the relevant authorities in relation to any possible action or claim against such Group companies relating to the reporting of incidents.

Workmen’s compensation

The Work Injury Compensation Act, Chapter 354 of Singapore (“WICA”), which is regulated by the MOM, applies to employees who are engaged under a contract of service or apprenticeship, regardless of their level of earnings. The WICA does not cover self-employed persons, independent contractors, domestic workers or uniformed personnel. The WICA lets employees make claims for work-related injuries or diseases without having to file a civil suit under common law. It is a low-cost and quicker alternative to common law for settling of compensation claims.

Where the services of an employee are temporarily lent or let on hire to another person by the person with whom the employee has entered into a contract of service or apprenticeship (ie. the original employer), the latter (the original employer) shall, for the purposes of the WICA, be deemed to continue to be the employer of the employee whilst he is working for that other person. Accordingly, our Group companies continue to be responsible for the obligations of the employer as set out in the WICA in respect of workers who have been deployed to their customers.

Under the WICA, every employer is required to insure and maintain insurance under approved policies with an insurer against all liabilities which he may incur under the provisions of the WICA in respect of all employees employed by him, unless specifically exempted. For further details of our Group’s insurance policies, please refer to the section headed “Business – Insurance” in this document.

Employers are required to maintain work injury compensation insurance for two categories of employees engaged under contracts of service (unless exempted) – firstly, all employees (whether foreign or local) doing manual work and secondly, non-manual employees (whether foreign or local) earning S\$1,600 or less a month. Failure to do so is an offence punishable by a maximum fine of S\$10,000 and/or imprisonment of up to 12 months.

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

REGULATORY OVERVIEW

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

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

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

In the case of a WICA claim, the amount of compensation is based on a formula and is subject to the following limits:–

- (i) Medical leave wages: Payable only for working days covered by doctor-granted medical leave (“MC”) or hospitalisation leave (“HL”).

| Amount of MC | Amount of HL | Wages calculated based on: |
|--|--|---|
| Up to 14 days; or | Up to 60 days | Full average monthly earnings of the injured worker |
| 15th day onwards, up to 1 year from accident | 61st day onwards, up to 1 year from accident | 2/3 of average monthly earnings of the injured worker |

- (ii) Medical expenses: Employers are required to pay for medical expenses related to the work accident up to a maximum limit of S\$36,000 or 1 year from the date of the accident, whichever comes first.

REGULATORY OVERVIEW

- (iii) Compensation: Compensation limits under the WICA for accidents occurring from 1 January 2016 onwards are as follows:–

| Compensation Type | Before 1 January 2016 | From 1 January 2016 |
|-----------------------------|---|---|
| Death* | Min: \$57,000; Max: \$170,000 | Min: \$69,000; Max: \$204,000 |
| Total permanent incapacity* | Min: \$73,000; Max: \$218,000 | Min: \$88,000; Max: \$262,000 |
| Medical expenses | Up to \$30,000 or 1 year from date of accident, whichever first | Up to \$36,000 or 1 year from date of accident, whichever first |

* Amount payable = Employee’s average monthly earnings x age multiplying factor x % permanent incapacity

As at the Latest practicable Date, our Group companies have in place WICA insurance policies covering all of their requisite employees as required under the WICA.

Please refer to the section headed “Business – Insurance – Work injury compensation insurance” in this document for our insurance coverage in this regard. Please also refer to the section headed “Business – Litigation” in this document for information regarding work injury compensation claims and common law injury claims against our Group during the Track Record Period and up to the Latest Practicable Date.

IV. Referral fees

As advised by the Singapore Legal Adviser, generally speaking, the payment of referral fees for the introduction of new customers will not violate the relevant laws and regulations of Singapore including the Prevention of Corruption Act (Chapter 241 of the Laws of Singapore) if, among other things:

- (i) such arrangement is a bona fide commercial arrangement between the entity paying such referral fee (“payor”) and the entity receiving such referral fee (“payee”), and there is no corrupt intent in relation to such arrangement, in particular the payment of referral fee(s) does not corruptly serve as any gratification, inducement to or reward for, or otherwise on account of the new customer entering into contract(s) with the payor;

REGULATORY OVERVIEW

- (ii) there is no principal-agent relationship between the new customer and the payee (for example, a principal-agent relationship exists if the payee is an employee of the new customer, or if the payee is engaged and paid by the new customer to identify and select a suitable service provider similar to the payor); and
- (iii) the new customer has prior knowledge of the arrangement in relation to the payment of referral fee and has consented to such arrangement.

B LAWS AND REGULATIONS IN SINGAPORE IN RELATION TO THE PROVISION OF DORMITORY SERVICES

I. Overview

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

We obtained the written permission in respect of the operation of the Woodlands Dormitory for the provision of dormitory services in 2013.

II. Dormitory Licence

From 1 January 2016, operators of dormitories that can house 1,000 or more foreign employees need to obtain a licence from MOM (“**Dormitory Licence**”). Under the said Dormitory Licence, dormitory operators need to comply with standards on physical and structural safety, land use, hygiene and cleanliness. The purpose of the Foreign Employee Dormitories Act is to provide a regulatory framework for the provision of facilities and amenities and the delivery of services, to residents of foreign employee dormitories who are foreign employees by (i) providing for the licensing of operators of foreign employee dormitories, (ii) providing for certain accommodation standards to be observed with respect to the accommodation of residents of foreign employee dormitories and for the appropriate mechanisms for the enforcement of those standards; and (iii) promoting the sustainability of, and continuous improvements in, the provision of services at foreign employee dormitories.

A Dormitory Licence must be obtained if the dormitory being operated (i) houses 1,000 or more foreign employees; or (ii) has an approved occupancy load of 1,000 or more in the written permission issued by the Urban Redevelopment Authority of Singapore; or (iii) has an approved occupancy load of 1,000 or more according to the Fire Safety Code. Unless specifically exempted, a person must not operate any premises as a foreign employee dormitory unless under the authority of a valid licence for the said premises.

REGULATORY OVERVIEW

In its consideration for applications for issuance or renewals of a Dormitory Licence, the Commissioner for Foreign Employees shall have regard to, *inter alia*, the following:–

- whether the applicant is a suitable person to be involved in the management or operation of a foreign employee dormitory, and where necessary, whether the members of the board of directors of the body corporate, are also similarly suitable;
- whether the applicant does not have (or is unlikely to have) the financial capacity to operate the premises as a foreign employee dormitory;
- whether the premises are fit to be used as a foreign employee dormitory for reasons connected with the site, construction, accommodation, staffing or equipment, and with building safety, fire safety and public health and sanitation requirements prescribed by or under the relevant laws of Singapore;
- whether the applicant, any associate of the applicant or member of the board of directors is disqualified from holding a licence under the relevant regulations of the Foreign Employee Dormitories Act or has been convicted of an offence under the Foreign Employee Dormitories Act or it is otherwise contrary to public interest for the Dormitory Licence to be granted to the applicant.

A licenced operator of a foreign employee dormitory who contravenes or fails to comply with a condition of the Dormitory Licence shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 12 months, or to both, for each condition that is contravened or not complied with.

Pursuant to the Foreign Employee Dormitories Act, a person shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$20,000 or to imprisonment for a term not exceeding 2 years or both if said person furnishes a document, or makes a statement (whether orally, in writing or any other way) or gives information, to the Commissioner or a dormitory inspector where said document, statement or information is false or misleading.

The Commissioner may compound any offence under the Foreign Employee Dormitories Act which is prescribed as a compounding offence by collecting from the person reasonably suspected of having committed the offence a sum not exceeding the lower of the following:–

- one half of the amount of the maximum fine that is prescribed for the offence; or
- S\$5,000.

REGULATORY OVERVIEW

Nichefield (one of our operating subsidiaries) had developed and is currently operating the Woodlands Dormitory. The Woodlands Dormitory falls under the ambit of the Foreign Employee Dormitories Act, and hence Nichefield needs to be duly licenced with MOM for the operation of the Woodlands Dormitory. Nichefield has a Dormitory Licence which is valid up to 30 October 2018.

Nichefield in the course of its operations of the Woodlands Dormitory is required to submit quarterly management reports to MOM providing information relating to, *inter alia*, dormitory occupancy, rental rates, use of amenities and facilities in the dormitories, programmes and activities which were held in the dormitory, transport arrangements, cleaning arrangements, security arrangements, feedback from residents or lessees (including grievances received and actions taken by Nichefield in addressing such grievances), security-related incidents and any outstanding rental arrears.

III. Environmental laws and regulations

The Environmental Public Health Act, Chapter 95 of Singapore (“**EPHA**”) regulates, among others, the disposal and treatment of industrial waste, water pollution and public nuisances. Under the EPHA, the Director-General of Public Health may, on receipt of any information respecting the existence of a nuisance liable to be dealt with summarily under the EPHA and if satisfied of the existence of a nuisance, serve a nuisance order on the person by whose act, default or sufferance the nuisance arises or continues, or if the person cannot be found, on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with summarily under the EPHA include any factory or workplace which is not kept in a clean state, any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety.

Please refer to the section headed “Business – Environmental compliance” in this document for further information on our environmental management system.