This and other sections of this document contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Sponsor, the ***[REDACTED]****, the* ***[REDACTED]****, any of the* ***[REDACTED]****, our or their respective directors and officers or any other parties involved in the* ***[REDACTED]****. No representation is given as to the accuracy of such information and statistics.*

SOURCE AND RELIABILITY OF INFORMATION

We commissioned Ipsos, an independent market research agency, to conduct an analysis of, and to report on, the medical-related construction industry in Singapore. A total fee of S$72,760 was charged by Ipsos for the preparation of the Ipsos Report. The payment of such amount was not conditional on our Group's successful **[REDACTED]** or on the results of the Ipsos Report. The Ipsos Report has been prepared by Ipsos independent of our Group's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report.

Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,600 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, market sizes and market shares and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The Ipsos Report includes information on the medical-related construction industry in Singapore. The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including medical-related construction service providers and industry experts in Singapore.

Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced

to ensure accuracy. All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

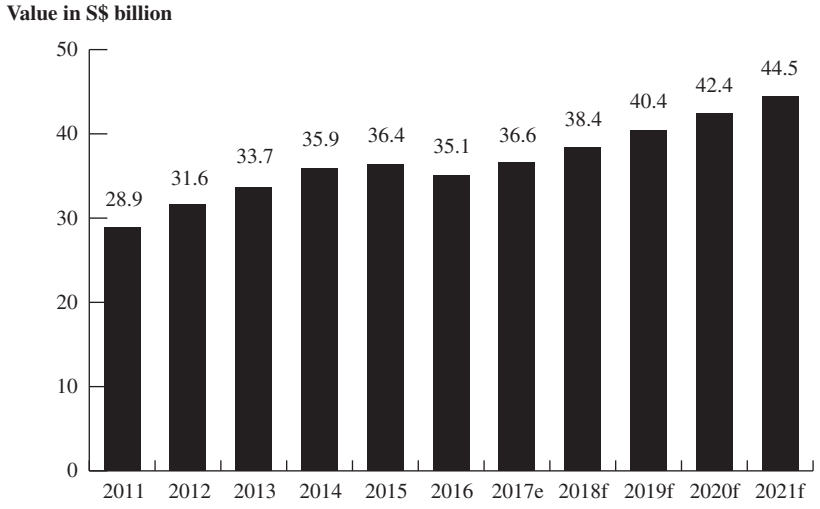
Ipsos developed its estimates or forecasts on the following principal bases and assumptions: (i) it is assumed that the global economy remains a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the medical-related construction industry in Singapore during the forecast period.

OVERVIEW OF THE SINGAPORE CONSTRUCTION INDUSTRY

The total construction output value by certified payments in Singapore increased from approximately S$28.9 billion in 2011 to approximately S$35.1 billion in 2016 at a CAGR of approximately 4.0%. The decrease in construction output value from S$36.4 billion in 2015 to S$35.1 billion in 2016 was mainly due to the slowdown of construction activities on site and the rescheduling of several major infrastructure contracts from one year to another as longer preparation was needed to implement these large-scale projects.

The construction output value in Singapore is forecasted to increase from an estimated figure of approximately S$36.6 billion in 2017 to approximately S$44.5 billion in 2021 at a CAGR of approximately 5.0%. The forecasted increase in construction output value is largely driven by Singapore Government's focus on major infrastructure, healthcare and residential construction activities.

Construction output by value of certified payments in Singapore, 2011 – 2021f



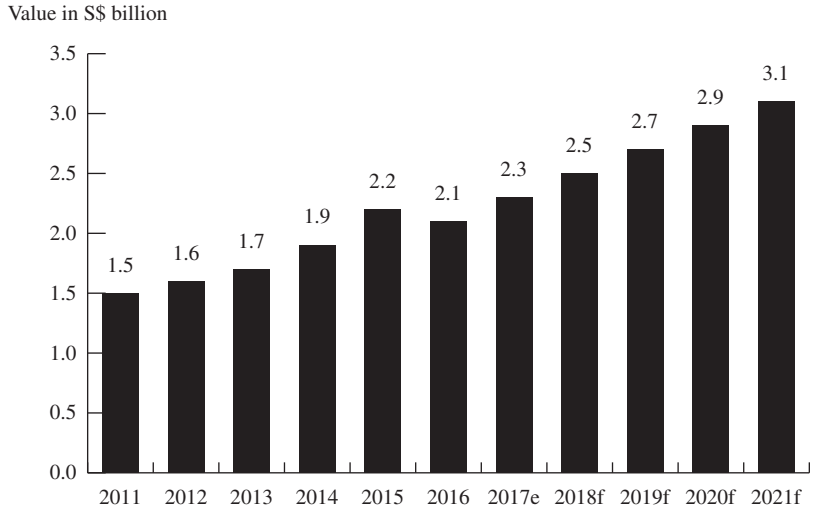
Source: Department of Statistics, Singapore; BCA; Ipsos analysis

Note: The letter "e" denotes estimated figure and "f" denotes forecasted figures.

OVERVIEW OF THE MEDICAL-RELATED CONSTRUCTION INDUSTRY IN SINGAPORE

The medical-related construction industry mainly includes the construction of medical-related facilities such as hospitals, medical centres and clinics. The total output value of the medical-related construction increased from approximately S$1.5 billion in 2011 to approximately S$2.1 billion in 2016 at a CAGR of approximately 7.0%. The increasing output value of the medical-related construction industry from 2011 to 2016 was mainly driven by the Singapore Government's progressive planning of its healthcare facilities development to meet growing demands for healthcare needs, in particular the redevelopment projects of medical centres, hospitals and clinics. The decrease in medical-related construction output value from S$2.2 billion in 2015 to S$2.1 billion in 2016 was mainly due to the slight delay of construction activities on site.

The total output value of the construction of medical-related facilities in Singapore, 2011 – 2021f



Source: Department of Statistics, Singapore; BCA; Ipsos analysis

Note: The letter "e" denotes estimated figure and "f" denotes forecasted figures.

The total output value of the medical-related construction industry is forecasted to increase from approximately S$2.3 billion to approximately S$3.1 billion at a CAGR of approximately 7.8% from 2017 to 2021 due to the anticipated increase in demand and on-going construction activities for healthcare facilities driven by the Singapore Government's progressive planning of its healthcare facilities development as mentioned. Some key healthcare facilities projects in Singapore scheduled in the pipeline as of 2017 include construction of a new national cancer centre and an integrated intermediate care hub at Jalan Tan Tock Seng and an extensive redevelopment and expansion master plan for the Singapore General Hospital Campus.

Medical-related radiation shielding works industry and diagnostic imaging equipment industry in Singapore

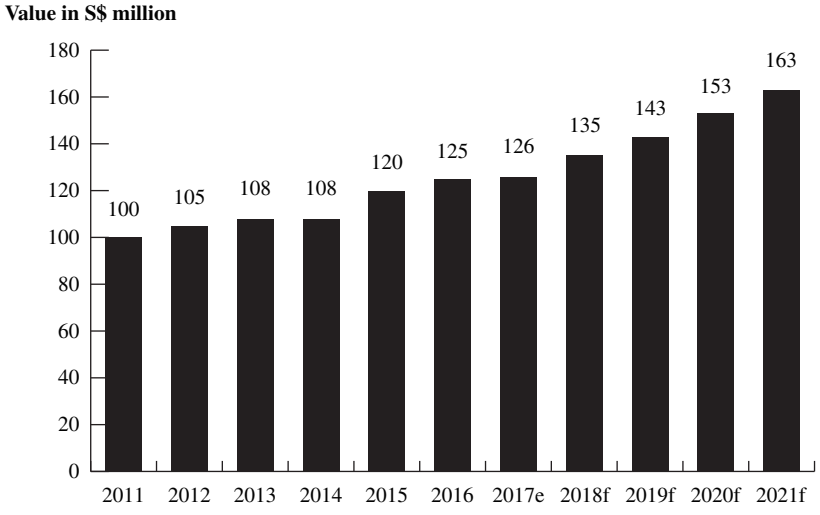
Our Group's primary business activity is the provision of integrated design and building services for medical-related facilities in Singapore, specialising in radiation shielding works. Our services are essential for preventing radiation leakage and facilitating the installation of different types of medical and diagnostic imaging equipment.

According to the Ipsos Report, the total output value of the medical-related construction in respect of radiation shielding works is not available. Nevertheless, as the demand for diagnostic imaging equipment is correlated with the demand for medical-related construction works in respect of radiation shielding works in Singapore, a discussion of the diagnostic imaging equipment industry in Singapore is considered relevant.

Diagnostic imaging equipment is the equipment used by doctors as visual representations of the interior of a patient's body for clinical analysis and medical intervention. The types of such equipment mainly include ultrasounds, Magnetic Resonance Imaging (MRI) scans, X-rays, Computerised Tomography (CT) scans and nuclear scans. When the diagnostic imaging equipment industry is growing, the demand for integrated design and building works that are related to the installation of such equipment, such as radiation shielding works, M&E works and fitting-out works, is also expected to increase.

The diagnostic imaging equipment industry in Singapore increased from approximately S$100 million in 2011 to approximately S$125 million in 2016 at a CAGR of approximately 4.6%, which was mainly due to the construction of new hospitals and medical centres, and redevelopment of certain medical-related facilities in the past few years. The revenue of the diagnostic imaging equipment industry is forecasted to increase from approximately S$126 million to approximately S$163 million at a CAGR of approximately 6.6% from 2017 to 2021 due to the expected increase in the number of new healthcare and medical-related facilities and therefore an expected increase in demand for diagnostic imaging equipment.

Total market value of the diagnostic imaging equipment industry in Singapore, 2011 - 2021f



Source: Ipsos research and analysis

INDUSTRY DRIVERS

According to the Ipsos Report, the medical-related construction industry and the medical-related radiation shielding works industry in Singapore are expected to benefit from the following industry drivers:

1. Singapore Government's initiative to increase supply of medical-related facilities

The Singapore Government's initiative to increase and expedite medical-related facilities supply in Singapore is expected to be one of the key industry drivers. Over the years, the Singapore Government progressively planned its healthcare facilities and infrastructure developments to meet growing demand for healthcare needs and at the same time strengthening its position as a regional medical hub. These developments include new building construction, refurbishment, addition and alteration works, demolition, repair and maintenance works on medical-related facilities. More healthcare facilities construction projects are planned to commence in 2017, which include a new national cancer centre, an integrated intermediate care hub at Jalan Tan Tock Seng and an extensive redevelopment and expansion master plan for the Singapore General Hospital Campus which will span across the next two decades. New clean rooms and radiology-related facilities may be required in the new healthcare facilities and thus driving the demand for medical-related construction services in respect of radiation shielding works.

2. Expected increase in cancer registrations that require radiology and nuclear medical services in Singapore

The number of cancer registrations in Singapore grew at a CAGR of approximately 4.7% from 2011 to 2015, with a total number of 64,341 cancer registrations during 2011 to 2015. The Singapore Government is currently trying to address and reduce the waiting time for a patient with suspected cancer to get a scan at public hospitals. To facilitate and improve the waiting time for patients to receive their scans or treatments, more diagnostic imaging facilities in hospitals, medical centres and clinics are required to accommodate such needs. Therefore the demand for medical-related construction services in respect of radiation shielding works is expected to increase.

3. Nationwide initiatives to increase the population in Singapore

The Singapore Government's initiatives to increase the overall population under the Singapore Population Whitepaper is a part of the Singapore Government's plans to raise the population level to a range of 6.5 to 6.9 million in 2030 from its then 5.3 million in 2012. An increase in population will likely lead to an increase in medical-related facilities in both public and private sectors to support the healthcare needs of the increasing population, which is expected to drive demand for medical-related construction services for new healthcare facilities.

COMPETITIVE LANDSCAPE AND THE ENTRY BARRIERS

Key active medical-related construction contractors in Singapore

Ipsos has identified six key active medical-related construction contractors in Singapore which are able to carry out radiation shielding or related works, based on its desktop and primary research, including (i) the results of interviews conducted with medical equipment vendors, medical service providers and medical-related construction contractors in Singapore; (ii) the research results from various construction industry reports and news articles; and (iii) the research results from various databases such as the Accounting and Corporate Regulatory Authority of Singapore and the Building and Construction Authority ("**BCA**"). The metrics used to determine the six industry players in the market was a consolidation of (i) companies with similar business activities or has business focused on providing design and building services for medical-related facilities, and are able to provide radiation shielding works; (ii) the number of medical-related construction projects, especially for radiation shielding purpose, tendered by/awarded to medical-related contractors from 2011 to 2016; and (iii) total revenue indication (if available). Such six key active contractors include Hwa Koon, our principal operating subsidiary, as well as the following five companies (shown in alphabetical order below):

- Acromec Engineers Pte Ltd
- Decormark Design Pte Ltd
- Globalwide International Pte Ltd
- Slimline Design & Contracs Pte Ltd
- Vantage Construction Pte Ltd

Ipsos advised that as the total output value of the medical-related construction industry in respect of radiation shielding works in Singapore and the financial information of the aforesaid active industry players are not available, the market share of our Group and the ranking of the industry players cannot be reliably ascertained.

Entry barriers

1. Specialised knowhow and proven track records required

The design and building of medical-related facilities, especially those involving radiation shielding works, require very specialised knowhow and experience in order to ensure, for instance, the prevention of radiation leakage and the overall proper and safe operation of the medical facilities.

According to Ipsos Report, one of the key tender evaluation criteria of both public and private sector projects is the contractors' track record and experience in projects with similar nature and complexity. Contractor's ability to meet the technical, safety, time and budget requirements of a project will also be considered. As a result, new entrants with little or no track record for medical-related construction projects with radiation shielding works may find it hard to compete for tenders and may also have difficulties in meeting technical requirements. If the contractor failed the radiation leakage examination or failed to complete the construction works within the agreed timeline, the customers might need to incur substantial additional costs in order to fix the radiation leakage and/or suffer from financial loss if the completion date could not be met. Therefore, customers would generally have a strong preference for engaging contractors with proven track records in order to avoid extra costs and time incurred for radiation shielding works.

2. Established relationship with medical equipment vendors and medical service providers

In general, where a medical service provider has decided on the medical equipment required in their facilities, it would normally invite medical equipment vendors to participate in project tenders procedures. It is common that the selected medical equipment vendor will arrange to supply and install the equipment, and will usually subcontract the entire design and building works to medical-related construction contractors.

According to Ipsos Report, medical equipment vendors and private sector medical service providers usually award projects through an invited tender process. They may send tender invitation only to those contractors with good working relationship and proven track records in the past. New entrants may find it difficult to blend into the market and obtain tender invitations as they have yet to build up cooperative relationships and network with medical equipment vendors and medical service providers.

3. Wide variety of skills required

Contractors providing integrated design and building services to medical-related facilities need to have the knowledge and skill sets, including those in relation to some or all of the different types of systems such as ACMV system, chiller system, electrical system, plumbing, sanitary and drainage system, medical gas and suction system, data communication system and fire protection system. Contractors specialising in one or a limited few of the aforesaid systems may not be able to undertake sizable integrated design and building services projects that require a wide variety of skillsets. New entrants may have difficulties in assembling workforce and management personnel with sufficient knowledge and skills to support such projects that involve a wide application of different systems.

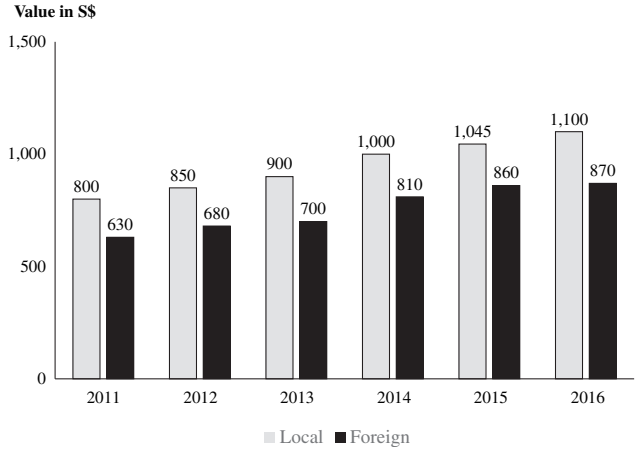
POTENTIAL CHALLENGES

Labour shortage

Subcontracting charges are the most significant cost item in our costs of services/sales during the Track Record Period. Our Directors consider that subcontracting charges are directly affected by labour costs as design and building works are labour-intensive in nature. According to the Ipsos Report, the construction industry and medical-related construction industry in Singapore are suffering from hiring challenges due to the shortage of construction labour as a result of an aging workforce supply and a declining rate of young Singaporeans who are entering the industry.

On average, monthly basic wages for local construction workers in Singapore increased from approximately S$800 in 2011 to approximately S$1,100 in 2016, representing a CAGR of approximately 6.6%, reflecting the shortage in local workforce in the construction industry. Average monthly basic wages for foreign workers on the other hand increased from approximately S$630 in 2011 to approximately S$870 in 2016, representing a CAGR of approximately 6.7%. In general, basic wages paid to foreign workers were on average 20% lower compared to wages paid to local workers.

Average monthly basic wages, local vs. foreign workforce from 2011 to 2016



Sources: MOM; Department of Statistics, Singapore; Ipsos interviews; Ipsos analysis

While there is no available data on the average annual wage of medical-related construction workers, Ipsos considers that changes in the wage level for medical-related construction workers are not materially different from those for construction workers as there has not been any material changes in the employment patterns for different types of construction workers in Singapore over the past few years based on Ipsos' research and analysis.

Ipsos forecasts the average wages for local and foreign construction works will rise at a CAGR of between 6.8% to 7.0% from 2017 to 2021. The shortage of labour and the rising trend of labour costs are therefore expected to be a challenge for the construction industry and the medical-related construction industry in Singapore.

Rising foreign worker levies

The construction industry in Singapore relies on the supply of foreign labour as the local construction labour force in Singapore is limited and more costly than foreign labour.

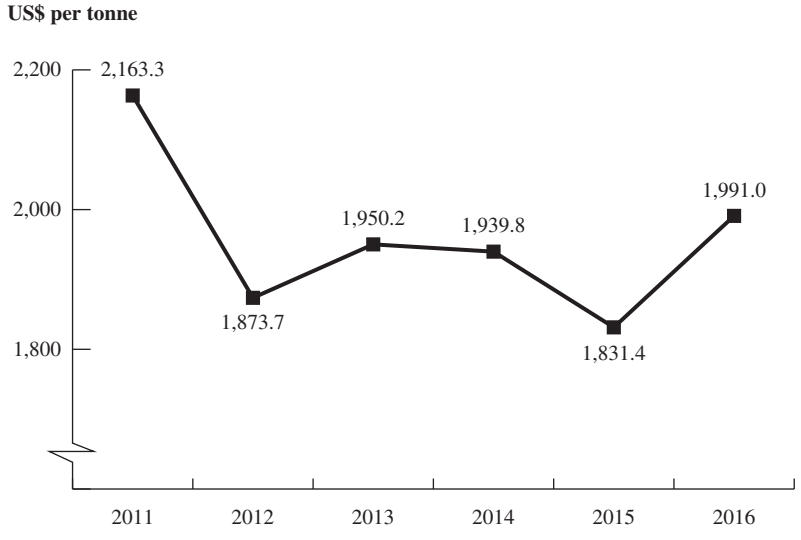
The monthly rate of foreign worker levy for basic skilled workers under the construction sector increased to S$650 effective from 1 July 2016 and further to S$700 effective from 1 July 2017 (subject to changes as and when announced by the Singapore Government). Rising foreign worker levy will increase contractors' costs of operations and will therefore be one of the challenges faced by the construction industry.

Fluctuating cost of materials

Material costs is one of our significant cost items in our costs of services/sales during the Track Record Period. Various different materials are required for the provision of radiation shielding works, M&E works and fitting-out works for medical-related facilities, including in particular lead, steel and other electrical components. Any substantial fluctuations in the costs of materials may affect our material costs and hence our costs of services/sales.

Lead is one of the major types of raw materials for the fabrication of radiation shielding products and for the performance of radiation shielding works. The price of lead in the global market is illustrated in the chart below:

Price trend of lead in the global market from 2011 to 2016



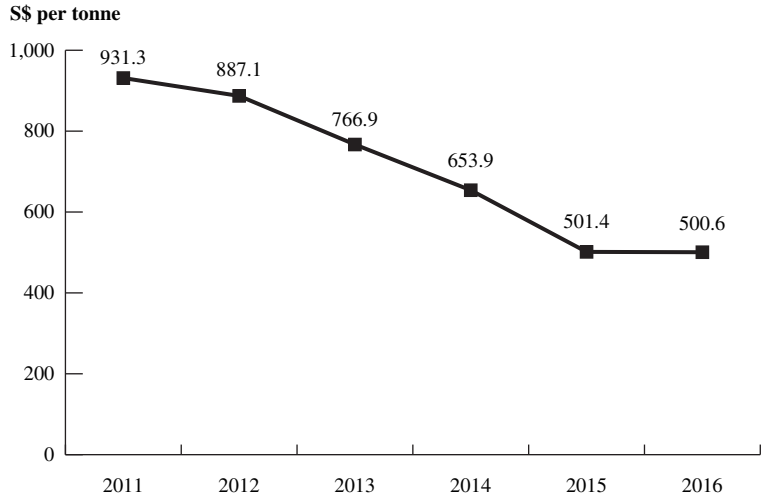
Source: The Ipsos Report

Note: Based on Ipsos' primary research, price of lead in Singapore is dependent on the changes in the global market, and therefore price of lead is not tracked annually for Singapore unlike other construction materials. As such, disclosure is depicted on a global level and measured in US$.

The price of lead recorded a negative CAGR of approximately 1.65% from 2011 to 2016. The fluctuation was mainly attributed to the emerging substitute materials for lead (other than the use for radiation shielding) and relatively unstable supply of lead in the global market. According to the Ipsos Report, the price for lead is expected to remain volatile for the next five years due to the same reasons as discussed.

Other basic materials used in the M&E works and fitting-out works include steel. The prices of steel from 2011 to 2016 are shown in the graph below:

Price trend of steel in Singapore from 2011 to 2016



Source: Department of Statistics, Singapore

Steel prices have dropped from approximately S$931 per tonne in 2011 to approximately S$501 per tonne in 2016 at a rate of approximately 11.7% per annum. Despite so, Ipsos forecasts that steel price will gradually increase from 2017 to 2021 because of the expected recovery and growth of the global steel demand as forecasted by the World Steel Association and China's recovering property development market.