

REGULATORY OVERVIEW

LICENSING REGIME FOR BUILDERS AND CONTRACTORS IN SINGAPORE

Overview

The building and construction industry in Singapore is regulated by the Building and Construction Authority (“**BCA**”), whose primary role is to develop and regulate Singapore’s building and construction industry.

The Building Control Act (Chapter 29 of Singapore) (“**BC Act**”), Building Control (Amendment) Act 2007 and its subsidiary legislation, set out the requirements for the licensing of builders. All builders carrying out building works where plans are required to be approved by the Commissioner of Building Control (the “**BC Commissioner**”) and builders who work in specialist areas which have a high impact on public safety and require specific expertise, skill or resources for their proper execution have to be licensed by the BCA. The licensing scheme for builders (referred to as the Licensing of Builders Scheme) is administered by the BCA, and applies for companies which intend to carry out either private sector building works and/or public sector building works.

Apart from the Licensing of Builders Scheme, there is also the Contractors Registration System in Singapore which is also administered by the BCA. Registration under the Contractors Registration System is a pre-requisite to tender for building works in the public sector in Singapore. A company which is only involved in private sector building works need not register under the Contractors Registration System and will only need a licence under the Licensing of Builders Scheme. A company would need to have a licence issued under the Licensing of Builders Scheme in order to be registered under the Contractors Registration System.

Hwa Koon is issued with a GB1 Licence by the BCA under the Licensing of Builders Scheme and is registered by the BCA under the Contractors Registration System under the workheads of CW01 (General Building), ME01 (Air-Conditioning, Refrigeration & Ventilation Works) and ME11 (Mechanical Engineering).

Licensing of Builders Scheme

There are two types of builder’s licences under the Licensing of Builders Scheme, namely the General Builder Licence (the “**GB Licence**”) and the Specialist Builder Licence (“**SB Licence**”), each of which is renewable on a three-yearly basis. A GB Licence is required for builders undertaking general building works; whereas the SB Licence is for builders undertaking certain prescribed specialist building works, such as piling works, ground support and stabilisation works and structural steelwork.

There are 2 sub-categories for the GB Licence: (i) General Builder Class 1 (“**GB1 Licence**”) allows the builder to undertake general building works of unlimited value; and (ii) General Builder Class 2 (“**GB2 Licence**”) restricts the builder to undertake general building works of contract value S\$6 million or less.

REGULATORY OVERVIEW

As at the Latest Practicable Date, our subsidiary, Hwa Koon, is licensed and issued with GB1 Licence by the BCA which is valid until 16 June 2018.

As a holder of a GB1 Licence, Hwa Koon can undertake contracts of unlimited value. The permitted work scope under a GB1 Licence includes all general building works as well as the following minor specialist building works:

- (i) all specialist building works associated with minor specialist building works;
- (ii) structural steelwork comprising fabrication and erection work for structures with a cantilever length of not more than 3 metres, a clear span of less than 6 metres and a plan area not exceeding 150 square metres; and
- (iii) pre-cast concrete work comprising casting of pre-cast reinforced concrete slabs or planks on site.

In addition to the aforesaid minor specialist building works, a company with a GB1 Licence may conduct all types of construction works, including all forms of specialist works if the project does not require checks from an accredited checker, but cannot undertake works that have been designated as specialist works to be carried out only by companies possessing a SB Licence.

To qualify for the GB1 Licence, the licensee must have a minimum paid-up capital of S\$300,000. In addition, the following personnel requirements must be met:

	Approved person⁽¹⁾		Technical controller⁽²⁾
<i>Course</i>	<i>Practical Experience</i>	<i>Course</i>	<i>Practical Experience</i>
A course leading to a Bachelor’s degree or postgraduate degree in any field	At least 3 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification	A course leading to a Bachelor’s degree or postgraduate degree in a construction and construction-related fields ⁽³⁾	At least 5 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification
or			
A course leading to a diploma in a construction and construction-related fields ⁽³⁾	At least 5 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification		
or			
A course conducted by BCA known as Essential Knowledge in Construction Regulations & Management for Licensed Builders	At least 10 years (in aggregate) of practical experience in the execution of construction projects in Singapore		

REGULATORY OVERVIEW

Notes:

- (1) The approved person is the appointed key personnel under whose charge and direction of the management of the business of the licensee, in so far it relates to general building works or specialist building works in Singapore, is to be at all times. The approved personnel shall be the sole-proprietor, partner, director or member of the board of management of the licensee. If an employee of the licensee is appointed as the approved person, he shall be employed in such a manner and with such similar duties and responsibilities as a director or member of its board of management. The approved person shall not have acted as an approved person or the technical controller of a builder whose licence has been revoked in the 12 months preceding the date of application for the licence by the licensee. The approved person must not be acting, for so long as he is the approved person for the licensee, as a technical controller for any company with or applying for a licence. The approved person must give his consent for carrying out the duties of an approved person for the licence.
- (2) The technical controller is the appointed key personnel under whose personal supervision the execution and performance of any general building works or specialist building works in Singapore that the licensee undertakes is carried out. The technical controller(s) could be the sole proprietor, partner, director or member of board of management of the licensee or an employee (being a person employed in such a manner and with such similar duties and responsibilities as a partner, director or member of its board of management). The technical controller shall not have acted as an approved person or the technical controller of a builder whose licence has been revoked in the 12 months preceding the date of application for the licence by the licensee. The technical controller must not be acting, for so long as he is the technical controller for the licensee, as a technical controller for any company with or applying for a licence. The technical controller must give his consent to carrying out the duties of a technical controller for the applicant of the licensee.
- (3) “Construction and construction-related field” means the field of architecture, civil or structural engineering, mechanical or electrical engineering, construction or project management, quantity surveying or building science, facilities or estate management.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the aforesaid personnel requirements were fully complied with and were satisfied by our employment of individuals who possess the requisite qualifications and experience.

Renewal and retention requirements

For renewal of the GB1 Licence, an applicant must submit to the BC Commissioner an application for renewal of licence not later than one month before the date of expiry of the licence, accompanied by the relevant renewal fee. If the application is submitted less than one month before the date of expiry of the licence, the renewal must be accompanied by the relevant renewal fee and late application fee. The BC Commissioner may refuse to renew any licence if such application is made not more than 14 days before the date of expiry of the licence.

As advised by the Singapore Legal Adviser, Hwa Koon is eligible to meet the aforesaid renewal requirements and it does not presently foresee any legal impediments for Hwa Koon in renewing its GB1 Licence.

Contractors Registration System

The Contractors Registration System is administered by the BCA and was established to register contractors who are able to provide construction-related goods and services to the Singapore public sector which include government departments, statutory bodies and other public sector organisations.

REGULATORY OVERVIEW

At present, there are seven major categories of registration under the Contractors Registration System: (i) Construction (CW); (ii) Construction-Related (CR); (iii) Mechanical and Electrical (ME); (iv) Maintenance (MW); (v) Trade Heads for sub-contractors (TR); (vi) Regulatory Workhead (RW); and (vii) 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 up to seven financial grades. In order to qualify for a particular grade, companies must satisfy the respective grade requirements in terms of (i) financial resources; (ii) track record; (iii) sufficiency of personnel resources with the relevant skills and experience; and (iv) management certification (such as Singapore Accreditation Council Accredited ISO 9001, ISO 14001, OHSAS 18001, etc.). The qualified grade of registered companies corresponds with a tender limit (valid for one year) which, depending on the economy of the construction industry in Singapore, may be adjusted from year to year.

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.

As at the Latest Practicable Date, our subsidiary, Hwa Koon, is registered under the Contractors Registration System under the following workheads related to construction, mechanical and electrical engineering:

Workheads	Title	Tender limits	Grade ⁽⁷⁾	Expiry Date
CW01	General Building ⁽⁴⁾	S\$4.00 million	C1	1 September 2019
ME01	Air-Conditioning, Refrigeration & Ventilation Works ⁽⁵⁾	S\$1.30 million	L2	1 September 2019
ME11	Mechanical Engineering ⁽⁶⁾	S\$0.65 million	L1	1 September 2019

Notes:

- (4) Scope includes (i) all types of building works in connection with any structure, being built or to be built, for the support, shelter and enclosure of persons, animals, chattels or movable property of any kind, requiring in its construction of multi-storey car-parks, buildings for parks and playgrounds and other recreational works, industrial plants and utility plants; (ii) addition and alteration works on buildings involving structural changes; and (iii) installation of roofs.
- (5) Scope includes the installation, commissioning, maintenance and repairs of air-conditioning, refrigeration, cold rooms, and ventilation systems.
- (6) Scope includes the installation, commissioning, maintenance and repair of mechanical plant, machinery and systems. It includes the installation and maintenance of power generation and turbine systems.
- (7) The difference in the grades relate to the tender limits for Singapore public sector projects, which may be adjusted from year to year depending on the economy of the construction industry in Singapore. For further details, please refer to the paragraph headed “Tender limits for different grades under the Contractors Registration System” below.

REGULATORY OVERVIEW

Tender limits for different grades under the Contractors Registration System

Tender limits for different grades of major categories of registration under the Contractors Registration System are as summarised below:

- (i) For workheads CW01:

Grades	A1	A2	B1	B2	C1	C2	C3
Tender Limit (S\$ million)	Unlimited	85	40	13	4	1.3	0.65

- (ii) For ME01 and ME11:

Grades	Single Grade	L6	L5	L4	L3	L2	L1
Tender Limit (S\$ million)	Unlimited	Unlimited	13	6.5	4	1.3	0.65

Registration and retention 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 financial resources (minimum paid-up capital and minimum net worth), management and sufficiency of personnel resources with the relevant skills and experience ((including registrable professionals (“**RP**”) ⁽⁸⁾, professionals (“**P**”) ⁽⁹⁾ and technicians (“**T**”) ⁽¹⁰⁾), as well as track record of past projects.

All applicants are expected to meet these respective specific requirements. Additionally, applicants applying for renewal of its registration status are expected to prove that they are still active in the line of business, and produce evidence to show to BCA’s satisfaction that it has undertaken relevant works or supplies during the preceding three years. Applicants under a scheme of arrangement, judicial management or financial embarrassment (bankruptcy, liquidation, winding-up, negative press reports, etc.) will not be considered for registration and, if registered, may be de-registered.

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

Workhead/Permitted Scope/Grade	Requirements	
CW01/General Building/C1 (“CW01 Licence”)	Minimum paid-up capital and minimum net worth	S\$300,000
	Management/Personnel	To employ at least 1 RP or P and 1 T, of which 1 RP/P/T with BCCPE ⁽¹¹⁾
	Track record (over a three-year period)	To secure projects with an aggregate contract value of at least S\$3.0 million
	Certification	bizSAFE Level 3 ⁽¹²⁾ /OHSAS 18001
	Additional requirement	To possess GB1 Licence or GB2 Licence

REGULATORY OVERVIEW

Workhead/Permitted Scope/Grade	Requirements	
ME01/Air-Conditioning, Refrigeration & Ventilation Works/L2 (“ME01 Licence”)	Minimum paid-up capital and minimum net worth	S\$50,000
	Management/Personnel	To employ 1T with 3 years of relevant experience and at least 1 RP/P/T with BCCPE ⁽¹¹⁾
	Track record (over a three-year period)	To secure projects with an aggregate contract value of at least S\$1.0 million
	Certification	bizSAFE Level 3 ⁽¹²⁾ /OHSAS 18001
ME11/Mechanical Engineering/L1 (“ME11 Licence”)	Minimum paid-up capital and minimum net worth	S\$10,000
	Management/Personnel	To employ 1T and at least 1 RP/P/T with BCCPE ⁽¹¹⁾
	Track record (over a three-year period)	To secure projects with an aggregate contract value of at least S\$100,000

Notes:

- (8) A RP must have a minimum professional qualification of a degree in architecture, civil/structural, mechanical or electrical engineering recognised by the Professional Engineers Board, BCA or Board of Architects Singapore.
- (9) A P must have a minimum professional qualification of a recognised degree in civil/structural, mechanical, electrical engineering, architecture, building or equivalent.
- (10) A T must have a minimum qualification in any of the following: (i) a diploma in civil/structural, mechanical, electrical engineering, architecture, building 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.
- (11) Basic Concept in Construction Productivity Enhancement (Certificate of Attendance) (“BCCPE”). 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 utilize the same BCCPE to satisfy the requirements for another company of which he is also part of.
- (12) bizSAFE is a five-step programme to assist companies build up their workplace safety and health capabilities. bizSAFE Level 3 is issued by the Workplace Safety and Health Council. Workplaces that have achieved bizSAFE Level 3 would have their risk management implementation and must engage a Workplace Safety and Health auditor approved by the Ministry of Manpower (“MOM”) to assess the implementation of risk management in their enterprise.

Personnel requirements

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the aforesaid personnel requirements were fully complied with and were satisfied by our employment of individuals who possess the requisite qualifications and experience.

REGULATORY OVERVIEW

Certification requirements

A bizSAFE Level 3 certification is the minimum requirement for registration of workheads CW01 and ME01 under the Contractors Registration System. Hwa Koon has obtained a bizSAFE Level Star certification during the Track Record Period and up to the Latest Practicable Date, which is the highest accreditation (above bizSAFE Level 3) in the bizSAFE programme offered by the Workplace Safety and Health Council in Singapore.

As advised by the Singapore Legal Adviser, Hwa Koon is eligible to meet the aforesaid renewal requirements and it does not presently foresee any legal impediments in renewing its various registrations under the Contractors Registration System as stated above.

RADIATION PROTECTION

Possession or dealing in radioactive materials or irradiating apparatus

The Radiation Protection Act (Chapter 262 of Singapore) (“**RPA**”) controls and regulates, *inter alia*, the possession and use of radioactive materials and irradiating apparatus. The RPA provides that no person shall, except under and in accordance with a licence, have in his possession or under his control or use or otherwise deal in any radioactive material or irradiating apparatus.

The RPA also provides that:

- (i) every person who sells any irradiating apparatus shall immediately give notice of the sale to the Director-General of Environmental Protection (“**Director-General**”), together with the name, address and prescribed particulars of the person to whom it was sold, in such form and manner as may be prescribed;
- (ii) every person who purchases any irradiating apparatus shall immediately give notice of the purchase to the Director-General, together with the name, address and prescribed particulars of the person from whom it was purchased, in such form and manner as may be prescribed; and
- (iii) no person shall dispose of any irradiating apparatus, whether in a working condition or otherwise, without the prior approval in writing of the Director-General.

The licences are issued by the Radiation Protection and Nuclear Science Department (“**RPNSD**”) under the RPA and its subsidiary legislation, such as the Radiation Protection (Ionising Radiation) Regulations which regulate, *inter alia*, the manufacture, possession for sale or dealing in irradiating apparatus, the manufacture, possession for sale or dealing in radioactive materials, keeping or possessing an irradiating apparatus for use other than sale, keeping or possessing radioactive materials for use other than sale, using irradiating apparatus (other than sale), using, handling and transporting radioactive materials, handing and transporting radioactive materials, importing a consignment of radioactive materials, exporting a consignment of radioactive materials or transiting a consignment of nuclear materials. Licences issued by the RPNSD comprise, amongst others:

REGULATORY OVERVIEW

Licence Type	Licensable Activity
L1	To manufacture, possess for sale or deal in irradiating apparatus
L3	To keep or possess an irradiating apparatus for use other than sale
L5	To use irradiating apparatus (other than sale)
L7A	To import a consignment of irradiating apparatus
L7B	To export a consignment of irradiating apparatus
R1	Registration as a radiation worker

Companies selling or dealing in ionising radiation (“**IR**”) irradiating apparatus must apply for the L1 type of licence. If the company is going to provide demonstration or maintenance of the equipment, the company must apply for L5 and R1 types of licences. Every consignment of IR irradiating apparatus to be imported/exported requires a L7A or L7B consignment licence. These types of licences would generally be required for our customers who are medical equipment vendors, who typically supply and install the equipment on their own, and subcontract design and building works to construction contractors (such as our Group).

Owners of IR irradiating apparatus will need to apply for a L3 licence for the possession of each irradiating apparatus owned. There has to be at least one applicant for the L5 licence to be responsible for the safe use of the IR irradiating apparatus and any other person using the apparatus will have to apply for R1 registration to work under the supervision of the L5 licensee. These types of licences would generally be required for our customers who are medical service providers (such as hospitals and clinics), who would purchase, keep, possess and/or use medical equipment (such as IR irradiating apparatus) required for their facilities.

The business activities of our principal operating subsidiary, Hwa Koon, falls within the licensable activity under the L1 licence, only in the limited circumstances of on-site dismantling and arranging for certain models of used ionising irradiating apparatus to be disposed by licensed third-party waste handling companies where required, typically prior to the commencement of building works which we are engaged to perform. Save for the limited circumstances described above, we do not engage in the sale of or other dealings in irradiating apparatus. As at the Latest Practicable Date, Hwa Koon holds a L1 licence to possess for sale and deal in ionising irradiating apparatus such as used medical diagnostic X-ray equipment of specified manufacturers. Hwa Koon has held a valid L1 licence throughout the Track Record Period and its current L1 licence was effective on 1 January 2016 and is due for renewal on 31 December 2017.

Renewal and retention requirements

All applicants are first required to write a letter to the RPNSSD, listing the licence to be renewed and indicating their intention to renew the licence.

REGULATORY OVERVIEW

It is then required to send the letter to RPNSD together with the licence fees, indicating if there should be any update of the storage or usage locations of the irradiating apparatus or radioactive material, and also if there are any changes in mailing address.

Application for the renewal of the L1 licence shall be made not later than one month before the expiry date as appearing in the licence.

As advised by the Singapore Legal Adviser, Hwa Koon is eligible to meet the aforesaid renewal requirements and it does not presently foresee any legal impediments for Hwa Koon in renewing its L1 licence.

Radiation Shielding Works in the Medical Sector

Premises using radiation sources are subject to inspections to ensure compliance with regulatory requirements. Before a new radiation facility can be put to use (in particular, before the grant of the L3 licence elaborated above), officers from the RPNSD will generally inspect the premises to ensure that the requirements of the RPA and its subsidiary legislation are complied with. Specific requirements apply for premises where irradiating apparatus are used for medical therapeutic purposes. Premises used as X-ray therapeutic installations are required to comply with specified requirements comprising, amongst others, that: (i) the X-ray room is required to have sufficient space to provide safe accommodation for every individual who is in the room; (ii) walls and doors of the X-ray room shall have adequate thickness or shall be adequately lead-lined to provide protection against the primary beam and the secondary radiation for any individual in rooms or wards adjacent to the X-ray room; (iii) the room housing the X-ray unit shall be provided with a suitable warning signal which has to be automatically switched on whenever the X-ray unit is being used; and (iv) the door to the treatment room shall be provided with an interlocking device which will ensure that the beam can be switched on only when the door is completely closed; and if the door is accidentally opened after the X-ray unit has been energized, the beam will be automatically switched off and can only be switched on again at the control panel.

BUILDING AND CONSTRUCTION INDUSTRY SECURITY OF PAYMENT ACT

The Building and Construction Industry Security of Payment Act (Chapter 30B of Singapore) (“**BCISPA**”), which falls under the purview of the BCA, facilitates payments for construction work done or for related goods or services supplied in the building and construction industry. It confers a statutory entitlement to progress payments on any person who has carried out any construction work or supplied any goods or services under a contract. The BCISPA also provides for, *inter alia*, the amount of progress payments to which such person is entitled under a contract, the valuation of the construction work carried out or goods or services supplied, and the date on which a progress payment becomes due and payable (even where the contract does not provide for such date).

REGULATORY OVERVIEW

EMPLOYMENT MATTERS

Employment Act

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

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 EA regardless of salary levels.

Employment of foreign employees in Singapore

Hwa Koon employs foreign employees (being construction workers) in its ordinary course of business in Singapore. Therefore, the following laws and regulations in relation to the employment of foreign employees in Singapore are applicable to our Group.

Employment of Foreign Manpower Act

The employment of foreign employees in Singapore is governed by the Employment of Foreign Manpower Act (Chapter 91A of Singapore) (“EFMA”) and is regulated by MOM. The EFMA prescribes the responsibilities and obligations of employers of foreign employees in Singapore.

Section 5(1) of the EFMA provides that no person shall employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass from MOM which allows the foreign employee to work for him.

REGULATORY OVERVIEW

The availability of foreign workers to the construction industry is regulated by MOM through, *inter alia*, approved source countries, the imposition of security bonds and levies, dependency ceilings based on the ratio of local to foreign workers and quotas based on the man year entitlements (“MYE”) in respect of workers from non-traditional sources (“NTS”) and the People’s Republic of China (“PRC”).

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 countries include Hong Kong (holders of HKSAR passports), Macau, South Korea and Taiwan. During the Track Record Period, Hwa Koon employed foreign workers from India, Malaysia, Bangladesh and the PRC.

Construction companies must have prior approval (“PA”) from the MOM to employ foreign workers from NTS countries and the PRC. The PA indicates the number of foreign workers a company is allowed to bring in from NTS countries and the PRC. 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 number of full-time local workers employed by the company over the past three months as reflected in the company’s Central Provident Fund contribution statements; (iii) the number of man-years allocated to the company (for main contractors) or the man-years directly allocated from the company’s main contractor (for sub-contractors); and (iv) the remaining number of company’s quota available.

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

Requirements	Type of workers
Skills Evaluation Certificate (“SEC”) or Skills Evaluation Certificate (Knowledge) (“SEC(K)”) ⁽¹³⁾ , issued or accepted by the BCA	NTS countries and the PRC under the PA (Type: New); NAS countries
Sijil Pelajaran Malaysia (“SPM”) or its equivalent, the SEC or SEC(K)	Malaysia
Attend and pass either the Construction Safety Orientation Course (“CSOC”) or Apply Workplace Safety and Health in Construction Sites Course (“AWSHCSC”) ⁽¹⁴⁾	NTS countries, NAS countries, the PRC and Malaysia (All)
Pass medical examination by doctor registered in Singapore	NTS countries, NAS countries, the PRC and Malaysia (All)

REGULATORY OVERVIEW

Notes:

- (13) Both the SEC and SEC(K) schemes are initiatives by the BCA to raise skills, productivity and safety in the construction sector.
- (14) From 1 May 2017, the CSOC has been migrated to the AWSHCSC under the Singapore Workforce Skills Qualifications system.

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 all other 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.

All foreign workers in the construction sector must attend the CSOC or AWSHCSC, a two-day course conducted by various training centres accredited by the MOM and obtain a valid pass. The CSOC or AWSHCSC (i) ensures that construction workers are familiar with common safety requirements and health hazards in the industry; (ii) educates them on the required measures to prevent accidents and diseases; (iii) ensures that they are aware of their rights and responsibilities under Singapore employment law; and (iv) familiarises 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. At the end of the course, the workers will receive a safety orientation pass if they pass its requirement or assessment. Foreign workers who have failed the CSOC or AWSHCSC must retake the course as soon as possible. Employers who fail to ensure that their workers take and pass the CSOC or AWSHCSC 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 up to the Latest Practicable Date, we have required our foreign employees to undergo all the requisite training courses and medical examinations pursuant to the aforesaid requirements before the commencement of their employment with us.

Security bonds

For the construction sector, for each NAS, NTS or PRC construction worker whom is 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 EFMA. 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.

REGULATORY OVERVIEW

As at the Latest Practicable Date, Hwa Koon has 16 foreign workers who were non-Malaysian work permit holders, and during the Track Record Period and up to the Latest Practicable Date, Hwa Koon has arranged for the issuance of security bonds by insurance companies for our relevant foreign workers.

The purposes of the security 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 security 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.

Our Group has implemented internal control measures to manage our foreign employees in order to mitigate the risk of forfeiture of security bonds. Please refer to the section headed “Business – Risk management and internal control systems” in this document for details.

Foreign worker levy

For the construction sector, employers are required to pay prescribed foreign worker levies according to the qualification of the foreign workers employed. The levy rates are subject to changes as and when announced by the Singapore Government.

Worker category	Monthly levy rate (effective 1 July 2014) S\$	Monthly levy rate (effective 1 July 2015) S\$	Monthly levy rate (effective 1 July 2016) S\$	Monthly levy rate (effective 1 July 2017) S\$
Higher skilled and on man year entitlements (“MYE”)	300	300	300	300
Basic skilled and on MYE	550	550	650	700
Higher skilled and MYE waiver ⁽¹⁵⁾	700	600	600	600
Basic skilled and MYE waiver ⁽¹⁵⁾	950	950	950	950

Note:

- (15) To qualify for MYE waiver, the foreign workers must have at least three years of working experience in Singapore which is relevant to the construction sector.

REGULATORY OVERVIEW

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 regular full month Central Provident Fund contributions made by the employer, the company can employ seven foreign workers. If the quota is exceeded, new applications for and renewals of work passes may be rejected. The number of foreign workers under S passes is in turn limited to 20% of the total workforce of the company.

Based on the latest information available from the MOM database as at the Latest Practicable Date, Hwa Koon has utilised 22 of the quota balance for foreign workers, among which 16 were holders of work permits and 6 were holders of S Passes. Based on the ratio of one full-time local worker to seven foreign workers, the maximum number of foreign workers Hwa Koon can hire is 119, which means that we can hire 97 additional foreign workers based on the dependency ceilings.

Man Year Entitlements (“MYE”)

MYE is a work permit allocation system for employment of construction workers from NTS countries and the PRC. MYE represents the total number of work permit holders a main contractor is entitled to employ based on the value of the projects or contracts awarded by the developers or owners. 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. Hwa Koon has obtained allocations of MYE for its foreign employees from the MOM directly on a project basis.

As advised by the Singapore Legal Adviser, the maximum number of foreign workers Hwa Koon can hire is subject to the ratio of one full-time local worker to seven foreign workers set under the dependency ceilings, no matter how many MYE Hwa Koon has obtained. Companies without MYE may still employ NTS or PRC construction work permit holders who possess at least three years of construction experience in Singapore, upon a waiver granted by MOM, subject to the compliance with, *inter alia*, the dependency ceiling and paying a higher foreign worker levy rate.

Conditions of work permits for foreign construction workers

Employers are required to comply with the conditions of the work permits, such as the requirement to provide acceptable accommodation for their foreign workers. Other conditions of the work permits which employers of foreign construction workers are also required to comply with include the following:

- that the foreign worker performs only those construction activities specified in the conditions;
- ensuring that the foreign worker is not sent to work for any other person, except as provided for in the conditions;

REGULATORY OVERVIEW

- providing safe working conditions for their foreign workers; and
- purchasing and maintaining 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 obligations 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.

Hwa Koon provides housing for its foreign employees at dormitory premises leased from third party dormitory operators. Please refer to the paragraph headed “Business – Properties – Leased properties” in this section.

Apart from the EFMA, an employer of foreign workers is also subject to, amongst others, the provisions set out in:

- the EA, as discussed above; and
- the Immigration Act (Chapter 133 of Singapore (the “**Immigration Act**”) and the regulations issued pursuant to the Immigration Act.

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 (“**R1**”) construction workers before the company can hire any new Basic-Skilled (“**R2**”) construction workers. Renewals of work permits of existing R2 construction workers will not be affected. This is tracked based on a 12-week rolling average.

R2 construction workers may be upgraded to R1 construction workers if they satisfy the requirements for one of the four upgrading schemes, which are namely CoreTrade, the Multi-Skilling Scheme, the Direct R1 Pathway and the Markets-Based Recognition Framework. Each of the aforesaid upgrading schemes vary in qualifying criteria which include, *inter alia*, minimum years of experience, certain skills or certification and minimum fixed monthly salary.

From 1 January 2018, construction companies that do not meet the 10% minimum percentage of R1 construction workers will not be able to hire new R2 construction workers and also will not be able to renew the work permits of their R2 construction workers.

From 1 January 2019, construction companies that do not meet the 10% minimum percentage of R1 construction workers will not be able to hire or renew R2 construction workers and will also have the work permits of any excess R2 construction workers revoked.

REGULATORY OVERVIEW

As at the Latest Practicable Date, approximately 37.5% of the work permit holders hired by Hwa Koon are R1 construction workers.

Immigration Act

An employer of foreign workers is subject to, *inter alia*, the provisions set out in the Immigration Act which regulates immigration into, and departure from, Singapore. Pursuant to the Immigration Act, 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

The Central Provident Fund (“CPF”) system is a compulsory 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). The Central Provident Fund (Exemption – Foreign Employees) Order provides that the rates required to be paid by every employer to the CPF monthly in respect of each employee contribution as provided in Section 7 of the CPF Act does not apply to foreign employees who are not Singapore citizens or permanent residents.

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 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.

During the Track Record Period, our subsidiary Hwa Koon received wage credits granted under the Wage Credit Scheme, which is recognised as other income in our financial statements.

REGULATORY OVERVIEW

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. More 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, Workplace Safety and Health (Scaffolds) Regulations 2011, Workplace Safety and Health (Work at Heights) Regulations 2013 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. Mr. Ong, our executive Director, is our workplace safety and health coordinator and is responsible for handling the health and safety matters of our Group and ensuring staff compliance with our safety measures.

Pursuant to the Workplace Safety and Health (General Provisions) Regulations (“**WSHR**”), certain equipment including but not limited to hoists, lifts, lifting gears, lifting appliances and lifting machines are required to be tested and examined by an authorised examiner (“**Authorised Examiner**”) before they can be used and thereafter, at specified intervals:

Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the occupier of a workspace in which the equipment is used to comply with the foregoing provisions of the WSHR, and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines. Pursuant to the requirements of WSHR, Hwa Koon has arranged testing and examination on its lifting machinery by Authorised Examiner.

Under the WSHA, inspectors appointed by the Commissioner for Workplace Safety and Health (“**WS 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.

REGULATORY OVERVIEW

The MOM has also implemented a demerit points system for the construction industry. All main contractors and sub-contractors will be issued with demerit points for breaches or infringements under the WSHA and relevant subsidiary legislation. Under the single-stage Demerit Points System for the construction industry, the number of demerit points issued depends on the severity of the breach or infringement.

Contractors, including all main and sub-contractors who accumulate a pre-determined number of demerit points within an 18-month period, will be debarred from employing foreign workers. An accumulation of a minimum of 25 demerit points within a period of 18 months would immediately trigger debarment for the contractor. Depending on the number of demerit points accumulated, the debarment can be in respect of the hiring of new foreign workers and/or the renewal of existing foreign workers and the duration of the debarment will also increase with the accumulation of more demerit points.

Pursuant to the Workplace Safety and Health (Risk Management) Regulations, an employer is supposed to, *inter alia*, conduct a risk assessment (at least once every 3 years) in relation to the safety and health risks posed to any person carrying out or undertaking work at the workplace, take all reasonably practicable steps to eliminate or minimise foreseeable risks, implement measures/safety procedures to address the risks, and to inform workers of the same, maintain records of such risk assessments and measures/safety procedures for a period of not less than 3 years, and submit such records to the WS Commissioner from time to time when required by the WS Commissioner.

Please refer to the section headed “Business – Occupational health and work safety” in this document for our workplace safety and health policy in this regard.

Work Injury Compensation

The Work injury compensation is governed by the Work Injury Compensation Act (Chapter 354 of Singapore) (the “WICA”), and is regulated by the MOM. The WICA applies to employees in respect of injuries suffered by them arising out of and in the course of their employment and sets out, amongst others, the amount of compensation they are entitled to and the methods of calculating such compensation. The WICA provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to an employee, his employer shall be liable to pay compensation in accordance with the provisions of the WICA. The amount of compensation shall be computed in accordance with the Third Schedule of the WICA, subject to a maximum and minimum limit.

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

- (i) 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

REGULATORY OVERVIEW

- (ii) commence legal proceedings to claim damages under common law against the employer for breach of duty or negligence.

Every employer is required to maintain work injury compensation insurance for all employees doing manual work and all employees earning less than S\$1,600 per month. Failure to do so is an offence carrying a fine of up to S\$10,000 and/or imprisonment of up to 12 months.

ENVIRONMENTAL LAWS AND REGULATIONS

The Environmental Public Health Act (Chapter 95 of Singapore) (the “**EPHA**”) requires, among others, a person during erection, alteration, construction or demolition of any building or at any time, to take reasonable precautions to prevent danger to the life, health or well-being of persons using any public places from flying dust or falling fragments or from any other material, thing or substance.

The EPHA also regulates, among others, the disposal and treatment of industrial waste 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 conditions 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.

The Environmental Protection and Management Act (Chapter 94A of Singapore) seeks to provide for the protection of the environment and resources conservation and regulates, amongst others, air pollution, water pollution, land pollution and noise control. Under the Environmental Protection and Management (Control of Noise at Construction Sites) Regulations, the owner or occupier of any construction site shall ensure that the level of noise emitted from his construction site shall not exceed the maximum permissible noise levels prescribed in such regulations and the National Environmental Agency is empowered to make regulations to control noise pollution by restricting or prohibiting building works during certain hours.

REGULATORY OVERVIEW

SINGAPORE TAXATION

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, 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, our subsidiary Hwa Koon received payments under the PIC Scheme, which is recognised as other income in our financial statements.

Temporary Employment Credit (“TEC”)

The TEC was introduced in Budget 2014 by the Singapore Government under which employers received a one-year offset of 0.5% of wages of Singaporean and Singapore permanent resident employees in 2015. As announced in Budget 2015, the TEC was raised to 1% (additional 0.5% on top of the original TEC) of wages in 2015 and extended for two years (2016 to 2017) to help companies adjust to the cost increases associated with 1% increase in employer CPF contribution rates for older workers and increase in the CPF salary ceiling. TEC for 2016 was 1% while TEC for 2017 is 0.5% of the wages of Singaporean and Singapore permanent resident employees. TEC payments will be made based on CPF contributions paid to eligible employees.

During the Track Record Period, we received temporary employment credits granted under the TEC, which is recognised as our other income in our financial statements.