
RISK FACTORS

Potential investors should carefully consider all of the information set out in this document and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the [REDACTED]. If any of the possible events as described below materialises, our Group’s business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

This document contains certain forward-looking statements relating to our Group’s plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group’s actual results may differ materially from those as discussed in this document. Factors that could contribute to such differences are set out below as well as in other parts in this document.

RISKS RELATING TO OUR BUSINESS

A significant portion of our revenue was generated from contracts awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial condition and operating results

A significant portion of our revenue was derived from a limited number of customers during the Track Record Period. Our top five customers for each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017 accounted for approximately 83.6%, 82.0%, 68.2% and 85.3% of our revenue respectively. During the Track Record Period, we secured new businesses mainly through direct invitation for quotation or tender by our customers, and contracts are normally awarded to us by our customers through a tendering process. There is no assurance that we will continue to obtain contracts from our major customers in the future. If there is a significant decrease in the number of projects awarded by our major customers, and we are unable to secure suitable projects of a comparable size and quantity as replacements from other customers, our financial condition and operating results would be materially and adversely affected.

Our trade receivables which were aged over 90 days were approximately S\$391,000 as at 30 June 2015, S\$170,000 as at 30 June 2016, S\$803,000 as at 30 June 2017 and S\$910,000 as at 30 September 2017, which was mainly attributable to the relevant customers’ longer internal procedures as indicated by such customers, which delayed the settlement to us. In the event that our major customers experience any liquidity problem, this may result in delay or default of payments to us, in which case the business, financial position and prospects of our Group could be materially and adversely affected.

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Our revenue is mainly derived from our integrated design and building services for which our engagements with our customers are non-recurrent in nature and there is no guarantee that we will be able to secure new projects

During the Track Record Period, we provide integrated design and building services to our customers on a project-by-project basis and our engagements with our customers are non-recurrent in nature. Therefore, our customers are under no obligation to continue to award contracts to us and there is no guarantee that we will be able to secure new contracts in the future. Accordingly, the number and scale of contracts and the amount of revenue that we are able to derive therefrom are affected by a series of factors including but not limited to changes in our customers’ businesses, poor market conditions and lack of funds on the part of project owners. Consequentially, our revenue may vary significantly from period to period, and it may be difficult to forecast the volume of our future business.

For each of FY2014/15, FY2015/16, FY2016/17 and for the period from 1 July 2017 and up to the Latest Practicable Date, the tenders and quotations success rate for our integrated design and building services was 78.3%, 75.0%, 72.0% and 49.5%, respectively. Our tenders and quotations success rate is affected by a range of factors including our pricing and tender strategy, competitors’ tender and pricing strategy, level of competition and our customers’ evaluation standards. There is no guarantee that we will be able to achieve a tenders and quotations success rate similar to those during the Track Record Period in the future. Depending on the then market condition and competitive landscape, we may have to lower our pricing or adjust our tender strategy in order to maintain the competitiveness of our tenders and quotations.

In the event that our Group fails to secure new projects from our customers of contract values, size and/or margins comparable to existing ones, our business and financial performance and results of operations will be materially and adversely affected.

Reduction in the level of Singapore Government’s spending on the construction of medical related buildings or facilities may materially and adversely affect our business and financial position

For each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, 45.5%, 57.7%, 51.0% and 58.6% of our total revenue was derived from providing integrated design and building services in public sector projects of which the project owners are the Singapore Government or statutory bodies. Therefore, a significant portion of our Group’s business is attributable to the Singapore Government’s policies and expenditure on the medical and healthcare sectors. There is no assurance that the Singapore Government will continue to commit to similar level of expenditure on the medical-related infrastructure or make comparable efforts in attracting investments in the medical and healthcare sectors.

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If the Singapore Government formulates policies which reduce its support for the medical and healthcare sectors, there may be a reduction in government expenditure on the medical-related infrastructure and/or a reduction in investments in new medical facilities, or upgrading or expansion of existing medical facilities. In the event of a reduced number of medical-related construction projects available for tender or quotation, our business and financial position and prospects could be materially and adversely affected.

Any significant cost overruns may materially and adversely affect our business operation and financial performance

Our revenue is largely derived from our integrated design and building projects. The contract sum quoted in the tender or quotation is determined after evaluation of our scope of work and taking into account all related costs involved including estimated costs for building and radiation shielding materials, manpower required and subcontracting services (if necessary). For further details on our pricing strategy, please refer to the paragraph headed “Business – Pricing strategy” in this document.

There is no specific clause in relation to price adjustment in our contracts with our customers which allow us to pass on any substantial increase in our cost of services to our customers. Our profitability is therefore dependent on our ability to obtain competitive quotations from our suppliers and/or subcontractors at or below our estimated costs, and our ability to execute the projects efficiently.

There is no assurance that our actual costs incurred will not exceed the estimated costs, due to under-estimation of costs, excessive wastage, inefficiency, damage or unforeseen additional costs incurred during the course of the contract. Any under-estimation of costs, delay or other circumstances resulting in cost overruns may adversely affect our profitability, business operation and financial performance.

Any defects in our radiation shielding works may adversely affect our industry reputation and relationships with our customers

Our radiation shielding works are generally undertaken for preventing leakage of radiation emitted by irradiating medical apparatus from medical facility rooms. The reliability of our radiation shielding works are affected by numerous factors including but not limited to (i) the radiation shielding materials sourced from our suppliers; (ii) the fabrication process undertaken by us; and (iii) the complexity of our customers’ requirements and specifications. In the event that our customers discover any defects with our radiation shielding works, it may adversely affect our reputation in the medical-related construction industry and our customers may decline to engage us in their future projects.

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Failure to renew or any suspension or cancellation of any of our existing licences and registrations could materially affect our operations and financial performance

Hwa Koon, our principal operating subsidiary, is registered under the workheads of CW01 (General Building) with “C1” grade, ME01 (Air-Conditioning, Refrigeration and Ventilation Works) with “L2” grade and ME11 (Mechanical Engineering) with “L1” grade under the CRS maintained by the BCA. Hwa Koon also holds a GB1 Licence granted by the BCA and a license issued by the RPNSD to possess for sale or deal in specified types of used ionising irradiating apparatus.

Our ability to maintain our aforesaid licences and registrations is crucial to our business operation. There are certain financial, personnel, track record, certification and/or other requirements that we have to comply with in order to maintain such licences and registrations. For further details on our licences and registrations, please refer to the sections headed “Regulatory overview – Licensing regime for builders and contractors in Singapore” and “Business – Licences and registrations” and “Regulatory overview – Radiation protection” in this document.

If we fail to comply with the applicable requirements or any required conditions, our licences and registrations may be downgraded, suspended, cancelled or denied renewal upon their respective expiry. In such an event, we may be unable to tender for certain projects or undertake certain types of building works, thereby materially and adversely affecting our business, financial position, results of operations and prospect.

Our profitability and financial performance may be affected by our planned acquisition of an additional property as our workshop and office, if our revenue fails to increase proportionately

Our Group intends to apply approximately [REDACTED]% of our [REDACTED] from the [REDACTED] to acquire an additional property as our workshop and office so as to cater for the increase in space requirements associated with our planned expansion in our manpower, to further expand our fabrication capacity for radiation shielding products and to develop our in-house capacity for carpentry works. For further details on our future plans and intended use of the [REDACTED], please refer to the section headed “Future plans and [REDACTED]” in this document.

As a result of the aforesaid planned acquisition, it is expected that additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results. Based on the accounting policies adopted by our Group, it is estimated that additional depreciation expenses on properties of approximately S\$0.1 million will be incurred for each financial year as a result of such acquisition.

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Our planned acquisition of an additional property will increase our recurring costs (including depreciation expenses) and the overall valuation of our total assets, while there is no guarantee that our revenue will increase proportionately as a result of such investments. If we are unable to generate more revenue following such investments, our profitability and financial performance (including return on equity ratio and shareholders’ investment return) may be adversely affected.

Inability to attract and/or retain management staff and/or qualified personnel for our various licence and registrations with the BCA will adversely affect our operations and financial performance

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of our management team led by Mr. Koh, our executive Director and chief executive officer. Details of their background and experience of our management team are set out in the section headed “Directors and senior management” in this document.

Our key personnel together with their operational and management experience in the medical-related construction industry have provided significant contributions to various key aspects of our business, including maintenance of customer relationships, pricing strategy, technical skills involved in project execution, etc. We also rely on our experienced senior management team to ensure the smooth operation of our projects, including adhering to the quality and safety standards.

Further, in order to maintain our GB1 Licence and various registrations under the CRS with the BCA, we are required to appoint individuals with appropriate qualifications and/or experience for fulfilling the relevant personnel requirements. For further details of such requirements, please refer to the section headed “Regulatory Overview – Licensing regime for builders and contractors in Singapore” in this document.

There is no assurance that our existing qualified personnel will not resign or otherwise cease to serve our Group in the future. In such event, if we are unable to appoint appropriate individual as replacement in a timely manner or at all, our ability to maintain our GB1 Licence and/or various registrations under the CRS with the BCA will be adversely affected.

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Our Group’s success and growth therefore depends on our ability to identify, hire, train and retain suitable management staff and qualified personnel for our various licence and registrations with the BCA. If any of our management staff or qualified personnel ceases to serve our Group in the future and we are unable to find suitable replacements in a timely manner, our business, operations, financial performance and prospect will be materially and adversely affected.

We experienced a decline in our total revenue and gross profit in FY2015/16

Our total revenue decreased from approximately S\$13.2 million for FY2014/15 to approximately S\$9.8 million for FY2015/16, while our gross profit decreased from approximately S\$5.3 million for FY2014/15 to approximately S\$3.6 million for FY2015/16. Please refer to the paragraph headed “Financial information – Period-to-period comparison of results of operations” in this document for a detailed discussion on the reasons for such decline. There is no assurance that our operating and financial performance in the future will remain at a level comparable to those recorded during the Track Record Period and will not decline in the future. Our financial conditions and prospects may be adversely affected by any future decrease in our total revenue.

Approximately 56% of our workforce is made up of foreign labour and any difficulties in recruiting and/or retaining foreign labour could materially affect our operations and financial performance

As at the Latest Practicable Date, 25 out of 45 of our employees are foreign labour, representing approximately 56% of our total workforce. During the Track Record Period, we recruited our foreign labours from India, Malaysia, Bangladesh and the PRC. There is no assurance that we can continually recruit sufficient foreign labour to support our business operation for the following reasons:

- possible shortage in the supply of foreign labour;
- possible increase in the salaries and wages of foreign labour; and
- possible changes in the relevant laws and regulations relating to the employment of foreign labours in Singapore, such as (i) a substantial increase in foreign worker levy and security bond; (ii) decrease in dependency ceilings ratio for the construction industry; (iii) decrease in man year entitlements or work passes allocations from the MOM; and/or (iv) more stringent approval process for work passes by foreign labour.

The employment of foreign labour in Singapore is subject to the laws and regulations summarised in the section headed “Regulatory Overview – Employment – Employment of foreign employees in Singapore” in this document. Any material difficulties in recruiting and/or retaining foreign labour or any material adverse change in the relevant laws and regulations in relation to the employment of foreign labour in Singapore could significantly increase our recruitment and employment costs and hinder our recruitment of foreign labour, thereby materially affect our business and financial position and prospects.

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Failure to complete our projects on a reliable and timely basis could materially affect our reputation, our financial performance or may subject us to claim

The contracts with our customers generally contain a liquidated damages clause under which we are liable to pay liquidated damages to our customers if we are unable to deliver or perform the contractual works within the time specified in or in accordance with the purchase order or formal contract. Liquidated damages are generally determined on the basis of a fixed sum per day and/or according to certain damages calculating mechanism as stipulated under the contract on a per working day basis.

Delay in a project may occur from time to time due to various unforeseen factors such as shortage of manpower, delays by subcontractors, industrial accidents, and delay in delivery of building and radiation shielding materials. If there is any delay on our part in completion of a project, we may be liable to pay liquidated damages under the contract. There is no assurance that there will not be any delay in our existing and future projects resulting in claims in relation to liquidated damages, which in turn will have adverse impact on our reputation, business, financial condition and results of operations.

Unsatisfactory performance and/or unavailability of our suppliers (including subcontractors) may adversely affect our operations and profitability

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue carrying on our business mainly include (i) our subcontractors; (ii) suppliers of building and radiation shielding materials; and (iii) suppliers of other miscellaneous services.

In particular, there is no assurance that the quality of work of our subcontractors can meet the requirements of our Group or our customers. We may not be able to monitor the performance of our subcontractors as directly and efficiently as with our own labours. Therefore, the engagement of subcontractors exposes us to the risks associated with non-performance, late performance or sub-standard performance of our subcontractors. Since we remain accountable to our customers for the performance and quality of work rendered by our subcontractors, we may incur additional costs or be subject to liability under the relevant contracts between us and our customers for our subcontractors' unsatisfactory performance. Such events could adversely affect our reputation, business operation, and financial position. We generally do not require our subcontractors to indemnify our Group for the works performed by them. Therefore, if our Group suffers any loss or damages arising from the works performed by our subcontractors, we will have to proceed with general contractual and/or negligence claims against the subcontractors for recovering our compensations from the subcontractors.

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Further, we did not enter into any long-term contract or commit to any minimum purchases with our suppliers. As such, there is no assurance that our suppliers will continue to provide goods and services at prices acceptable to our Group. In the event that any of our major suppliers is unable to provide the goods and services required by our Group and we are unable to locate alternative suppliers on comparable terms and prices, our business, operating results and profitability may be adversely affected.

We are subject to credit risk in relation to the collectability of our trade receivables from our top customers

The credit term granted by us to our customers generally ranged from approximately 30 to 90 days from the issue of invoices. There can be no assurance that our customers will settle our invoices on time and in full. As at 30 June 2015, 2016, 2017 and 30 September 2017, we recorded trade receivables (excluding retention receivables and unbilled revenue) of approximately S\$1.8 million, S\$2.3 million, S\$3.3 million and S\$4.2 million respectively, of which approximately S\$0.5 million, S\$0.2 million, S\$1.3 million and S\$2.2 million respectively have been past due but not impaired. In particular, approximately 89%, 96%, 73% and 70% of our total trade receivables outstanding at 30 June 2015, 2016, 2017 and 30 September 2017, respectively, were due from top five customers. Further, for each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, our trade receivables turnover days were approximately 53.9 days, 75.8 days, 68.6 days and 85.7 days respectively. Any difficulty in collecting a substantial portion of our trade receivables from our top customers could materially and adversely affect our cash flows and financial position.

We recorded net operating cash outflow for the three months ended 30 September 2016

We recorded net cash used in operating activities of approximately S\$0.3 million for the three months ended 30 September 2016. The negative operating cash flow was mainly attributable to (i) the increase in unbilled revenue for services rendered in late September 2016 which we have not yet issued the relevant invoices to our customers as at 30 September 2016, and (ii) the increase in our trade receivables of approximately S\$1.4 million as at 30 September 2016 compared to 30 June 2016. The increase in our trade receivables was mainly caused by the fluctuation of the amount and timing of receipts from our customers.

We cannot guarantee that we will be able to generate positive cash flows from operating activities in the future. In particular, we cannot predict the amount and timing of receipts from our customers for our trade receivables. Negative operating cash flows may materially and adversely affect our liquidity and financial conditions, and hence may require us to obtain sufficient external financing to meet our financial needs and obligations. If we rely on external financing to generate additional cash, we will incur financing costs and we cannot assure you that we will be able to obtain external financing on terms acceptable to us, or at all.

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We face liquidity risks in relation to working capital requirements and possible failure by customers to make timely or full payments

There are often time lags between making payment to our suppliers and receiving payment from our customers when undertaking integrated design and building projects, resulting in possible cash flow mismatch. Depending on contract terms with our customers, we may receive deposits for a certain percentage of the total contract sum. Other than that, throughout the execution of the project, we generally receive payments after the performance of our services and works, for which we would have incurred costs (including costs of labours, supplies and/or subcontracting services) that are required to be paid from our available financial resources. In addition, contracts undertaken by us may have performance guarantee and retention money requirements, which also affect our liquidity position. If we fail to properly manage our cash flows and liquidity position, our cash flows, business operation, and financial position may be materially and adversely affected.

If we fail to properly manage our liquidity position in view of the possible cashflow mismatch associated with undertaking integrated design and building projects and provision of performance guarantee, our cash flow and financial position could be materially and adversely affected.

Our business plan may not be implemented successfully which may adversely affect our prospect

Our Directors are of the view that the future plan of our Group has been prepared after due enquiry by reference to the expected future prospect of the medical-related construction industry and policies of the Singapore Government and the continuation of our competitive advantages and other factors considered relevant. Some of our future business strategies are based on certain assumptions, as discussed in the section headed “Future plans and [REDACTED]” in this document. The successful implementation of our business plan may be affected by a number of factors including the availability of sufficient funds, Singapore Government policies relevant for our industry, the economic conditions, our ability to maintain our existing competitive advantages, our relationships with our customers, the threat of substitutes and new market entrants as well as other factors disclosed elsewhere in this section headed “Risk factors”. There is no assurance that our business plan can be successfully implemented. Should there be any material adverse change in our operating environment which results in our failure to implement our business plan or any part thereof, our business and financial position and prospect may be adversely affected.

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We may be involved in personal injury or other civil claims, legal and other proceedings arising from our operations from time to time and may face significant legal liabilities as a result

We may be involved in disputes with our customers, suppliers, subcontractors, employees or other third parties from time to time in respect of various matters, including delay or failure in making payments, personal injury claims, possible complaints about the quality of our services and other matters arising from our daily operation.

During the Track Record Period and up to the Latest Practicable Date, we were involved in four concluded legal cases, including one contractual claim taken by us against a customer, two motor accident claims against us and one work injury claim filed by an injured worker against us. For further details, please refer to the paragraph headed “Business – Litigation and claims” in this document.

Should any future claims against us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely affected. Regardless of the merits, legal proceedings can be time-consuming and costly, and may divert our management’s attention away from our business operation, thereby adversely affecting our business operation and financial position. Legal proceedings which result in unfavourable judgment against us may cause financial losses and damages to our reputation and prospects of securing future contracts, thereby materially and adversely affecting our business, financial position, results of operations and prospect.

The security bonds furnished by us may be forfeited if our foreign employees are missing or in breach of any conditions of their work permits

For each non-Malaysian foreign worker who 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 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. The security bonds furnished by us may be forfeited if, among other things, our foreign employees go missing or violate any of the conditions of the work permits.

We have implemented internal control measures to manage our foreign employees. Please refer to the section headed “Business – Risk management and internal control systems” in this document for details. However, we cannot assure that our foreign employees, who are subject to the aforesaid security bonds requirements, will not go missing or violate the conditions in their work permits. Occurrence of any of the aforesaid events may result in forfeiture of security bonds furnished by us in respect of the relevant workers, which in turn may adversely affect our business and financial performance.

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Our insurance coverage may not be sufficient to cover all losses or potential claims and insurance premiums may increase

Certain risks disclosed elsewhere in this section such as risks in relation to our ability to maintain and renew our licences and registrations, our ability to obtain new contracts, our ability to retain and attract personnel, customer concentration, performance of subcontractors, project and cost management, credit risk and liquidity risk, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Insurance policies covering losses from acts of war, terrorism, or natural catastrophes are also either unavailable or cost prohibitive.

We have taken out third party liability insurance on our motor vehicles and contractors’ all risks insurance policy to cover against loss or damage to materials and third party liability for accidental bodily injury in connection with the performance of the contract. We have also maintained the required insurance policies for our staff, including work injury compensation insurance and foreign worker medical insurance. Even so, we may be subject to liabilities against which we are not insured adequately or at all or liabilities against which cannot be insured. Should any significant liabilities arise due to accidents, natural disasters, or other events which are not covered or are inadequately covered by our insurance, our business may be adversely affected, potentially lead to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

Although we believe our insurance coverage is sufficient for the needs of our operations and appropriate for our current risk profile, we cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. In addition, we cannot guarantee that we can renew our policies or can renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, results of operations and prospect.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

There has been a slowdown in the construction industry in Singapore in 2016

Our Group is a Singapore-based contractor specialised in the medical and healthcare sectors. There is no assurance that the demand for our integrated design and building services from the medical-related construction industry in Singapore will be maintained or continue to grow. According to the Ipsos Report, the total output value of medical-related facilities decreased from S\$2.2 billion in 2015 to S\$2.1 billion in 2016, which was mainly due to the slight delay of construction activities onsite. If such slowdown persists, the availability of new medical-related construction contracts in the market may decrease, which may adversely affect the demand for our integrated design and building services. Any fall in demands from our customers may affect our Group’s business, financial condition and results of operations.

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We are dependent on the capital expenditure of medical service providers in Singapore

Most of our revenue during the Track Record Period was derived from providing integrated design and building services for hospitals and clinics in Singapore. Consequentially, our business would be adversely affected should there be any slowdown in the growth and development of the medical sector in Singapore, resulting in a reduction in capital expenditure and budgets of medical service providers in Singapore on medical-related building services projects, thereby adversely affecting our business, financial condition, results of operations and prospects.

We are affected by the Singapore Government policies in relation to the medical sector

According to the Ipsos Report, the healthcare system in Singapore is highly attributable to the continuous efforts and commitment of the Singapore Government in planning and developing its healthcare facilities and infrastructure. There is no assurance that the Singapore Government will continue to pursue development and continual support in the medical sector. If the Singapore Government reduces its expenditure or continual support on the medical sector, our business, results of operations and prospects may be adversely affected.

There is a shortage of labour in the construction industry in Singapore

According to the Ipsos Report, one of the challenges to the construction industry (including the medical-related construction industry) in Singapore is the shortage of labour. Even without such shortage, we generally compete with similar businesses for such workers. We are in a labour intensive industry and we rely on our workers for our business operations. If we are unable to recruit or retain sufficient workers, we may be forced to increase our reliance on subcontractors or otherwise be unable to maintain the quality of our services. We cannot assure you that we will be able to maintain a sufficient labour force necessary for us to execute our business, nor can we guarantee that our staff costs will not increase in order to attract or retain workers. If this occurs, it could have a material and adverse effect on our results of operations and inhibit our future growth and expansion plans.

Any changes in existing laws, regulations and Singapore Government policies in relation to employment of foreign workers, such as any further increases in foreign workers levy, may cause us to incur additional expenditure

Recruitment of foreign workers in Singapore is governed by various laws and regulations and Singapore Government policies. Under the Singapore laws, employers of the construction sector are required to pay prescribed foreign worker levies according to the qualification of the foreign workers employed. The current monthly levy rate for basic skilled and higher skilled workers is S\$700 and S\$300, respectively. There is no guarantee that the Singapore Government will not further increase the foreign worker levy rate in the future, thereby increases our costs and adversely affects our operating results and financial position.

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The requirements in respect of the granting and/or renewal of work permits, quota and other legal requirements in relation to the employment of foreign workers may change from time to time, and there is no assurance that we will be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operation.

There is no guarantee that regulatory requirements applicable to the industries in which we operate will not change in the future

Our operations are subject to laws and regulations that relate to matters such as contractors’ licensing and registrations, employment of foreign workers, workplace health and safety, and environmental public health and environmental pollution control. In order to comply with such laws and regulations, we have established relevant risk management and internal control systems, as disclosed in the section headed “Business – Risk management and internal control systems” in this document. Nevertheless, there is no guarantee that regulatory requirements applicable to our operation will not change in the future. For instance, there will be an increase in the foreign worker levy as discussed in the paragraph headed “Risk factors – Risks relating to our business – Approximately 56% of our workforce is made up of foreign labour and any difficulties in recruiting and/or retaining foreign labour could materially affect our operations and financial performance” above. Any changes in applicable laws and regulations may result in time-consuming and costly changes to our risk management and internal control systems and may increase our cost and burden in order for us to comply with them, thereby adversely affecting our business and financial position and prospect.

There is no assurance that competition in the industry will not increase

In respect of the construction industry in Singapore, there were 331, 78 and 455 contractors in Singapore registered under the workheads of CW01 (General Building) with “C1” grade, ME01 (Air-Conditioning, Refrigeration and Ventilation Works) with “L2” grade and ME11 (Mechanical Engineering) with “L1” grade under the CRS as at the Latest Practicable Date according to the BCA, respectively.

Registrations under the aforesaid workheads are subject to certain financial, personnel, track record, certification and other requirements, which are set forth in detail in the section headed “Regulatory overview – Licensing regime for builders and contractors in Singapore” in this document. Firms meeting such requirements may enter the market and compete for medical-related construction contracts in Singapore. There is no assurance that competition in the industry will not increase in the future. Increased competition may result in an adverse impact on our business and financial position and prospect.

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Failure to refine our know-how in response to technological advancements in the medical-related construction industry may render our services obsolete

We believe that our success is partly attributable to our know-how in carrying out radiation shielding works in our integrated design and building projects, which ensure the prevention of radiation leakage and the proper and safe operation of the medical facilities. The major types of radiation shielding materials used by us include lead sheets, lead glass and high density interlocking blocks, which are procured from our suppliers.

In light of potential future technological advancements in the medical-related construction industry, there may be new alternative radiation shielding practices and/or new types of radiation shielding materials which offer higher reliability or are available at lower pricing. If we fail to respond timely to such development by refining our know-how, our practice in radiation shielding works may be rendered obsolete, which in turn will adversely affect our competitiveness and ability to secure new projects. In such event, our financial performance and business prospect will be materially and adversely affected.

RISKS RELATING TO THE [REDACTED]

Investors will experience immediate dilution

Given the [REDACTED] of our Shares is higher than the combined net tangible assets per Share immediately prior to the [REDACTED], investors of our Shares in the [REDACTED] will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible assets value to approximately HK\$[REDACTED] per Share and HK\$[REDACTED] per Share, respectively, based on the indicative [REDACTED] range of HK\$[REDACTED] per [REDACTED] to HK\$[REDACTED] per [REDACTED].

There has been no prior [REDACTED] market for the Share and the liquidity, market price and trading volume of the Share may be volatile

Prior to the [REDACTED], there is no [REDACTED] market for the Shares. The [REDACTED] of, and the [REDACTED], the Shares on the Stock Exchange do not guarantee the development of an active [REDACTED] market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group’s revenues, earnings and cash flows, acquisitions made by our Group or our competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuations in the market prices for the services provided or supplies required by our Group, the liquidity of the market for the Shares, and the general market sentiment regarding the medical related construction industry in Singapore could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group’s control and unrelated to the performance of our Group’s business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the [REDACTED] or at all.

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Granting options under the Share Option Scheme may affect our Group’s result of operation and dilute Shareholders’ percentage of ownership

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options on the date on which they are granted with reference to the valuer’s valuation will be charged as share-based compensation, which may adversely affect our Group’s results of operation. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the paragraph headed “Other information – 1. Share Option Scheme” in Appendix IV to this document.

Any disposal by our Controlling Shareholders of a substantial number of Shares in the [REDACTED] market could materially and adversely affect the market price of the Shares

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the [REDACTED]. Our Group cannot predict the effect, if any, of any future sales of the Shares by any Controlling Shareholders, or that the availability of the Shares for sale by any Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

The [REDACTED] is entitled to terminate the [REDACTED]

Prospective investors should note that the [REDACTED] (for itself and on behalf of other [REDACTED]) is entitled to terminate its obligations under the [REDACTED] by giving notice in writing to us upon the occurrence of any of the events set out in the section headed “[REDACTED] – Grounds for termination” in this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Such event may include, without limitation, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out.

RISK FACTORS

The interest of our Controlling Shareholders may not always coincide with the interest of our Group and those of our other Shareholders

Upon completion of the [REDACTED], our Controlling Shareholders will own [REDACTED] of our Shares. Our Controlling Shareholders will therefore, have a significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporation actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group’s business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders may be adversely affected as a result.

Investors may experience difficulties in enforcing their shareholders’ rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraph headed “Cayman Islands Company Law – Protection of minorities and shareholders’ suits” in Appendix III to this document.

Future issues, offers or sales of Shares may adversely affect the prevailing market price of the Shares

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issue or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

RISK FACTORS

There can be no assurance that we will declare or distribute any dividend in the future

Subject to the Companies Law and the Articles, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by our Board. Our Board may also from time to time pay to our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company, and may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant by our Board. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

RISKS RELATING TO THIS DOCUMENT

Statistics and industry information contained in this document may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section headed “Industry overview” and elsewhere in this document relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by Singapore Government departments or independent third parties. In addition, certain information and statistics set forth in that section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry related sources in this document. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources were prepared on a comparable basis or that such information and statistics were stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications.

RISK FACTORS

Our Group’s future results could differ materially from those expressed or implied by the forward-looking statements

Included in this document are various forward-looking statements that are based on various assumptions. Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” in this document. Investors should read this entire document carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the [REDACTED] including, in particular, any financial projections, valuations or other forward-looking statements.

Prior to the publication of this document, there may be press or other media which contains information referring to us and the [REDACTED] that is not set out in this document. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED], or the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the [REDACTED] has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this document or is inconsistent or conflicts with the information contained in this document, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the [REDACTED]. You should rely only on the information contained in this document.