

BUSINESS

BUSINESS OVERVIEW

We are a Singapore-based contractor specialised in the medical and healthcare sectors with expertise in performing radiation shielding works. We mainly provide integrated design and building services for hospitals and clinics in Singapore. In particular, we are experienced in undertaking turnkey solutions projects which comprise (i) preparation and consultation on building design and specifications, including in particular those involving irradiating medical equipment; (ii) performance of building works (mainly including radiation shielding works, M&E works and fitting-out works); and (iii) assisting to obtain statutory approvals and certifications for the building works. To a lesser extent, we are also engaged in providing maintenance and other services, as well as sales of tools and materials.

Our integrated design and building services are widely required in construction, refurbishment and upgrading projects for medical facilities in hospitals and clinics in Singapore. Our services are essential for (i) preventing leakage of radiation emitted by irradiating medical equipment from medical facility rooms; and (ii) facilitating the installation of different types of medical equipment at the medical facility rooms.

The following table sets forth a breakdown of our revenue and our gross profit margin during the Track Record Period by business operations:

	FY2014/15		FY2015/16			FY2016/17		Three months ended 30 September							
	Revenue S\$'000	% of total revenue	Gross profit margin %	Revenue S\$'000	revenue	Gross profit margin %	Revenue S\$'000	revenue	Gross profit margin %	2016		2017		Gross profit margin %	
										Revenue S\$'000	% of total revenue	Gross profit margin %	Revenue S\$'000		% of total revenue
Integrated design and building services	12,869	97.2	40.0	9,331	95.3	37.6	14,571	97.6	43.9	4,352	97.3	45.7	3,937	97.6	44.3
Maintenance and other services	324	2.4	35.9	367	3.7	19.3	330	2.2	30.2	114	2.5	32.8	93	2.3	35.1
Sales of tools and materials	51	0.4	20.0	95	1.0	24.7	36	0.2	29.2	8	0.2	29.0	5	0.1	21.5
Total	13,244	100.0	39.8	9,793	100.0	36.8	14,937	100.0	43.6	4,474	100.0	41.9	4,035	100.0	44.0

Our customers during the Track Record Period mainly included (i) multinational medical equipment vendors; (ii) medical service providers in Singapore including hospitals and clinics; and (iii) construction contractors engaged by project employers including the Singapore Government or medical service providers.

BUSINESS

In general, where a medical service provider has decided on the medical equipment required in its facilities proposed to be put into operation, it would normally invite medical equipment vendors to participate in project tenders. The selected vendor would typically be responsible for (i) supplying and installing the relevant medical equipment; and (ii) ensuring the completion of all the related design and building works to facilitate the installation and functioning of such equipment. As a common industry practice, the medical equipment vendor would arrange to supply and install the equipment on its own, and subcontract the entire design and building works to a construction contractor (such as our Group). From time to time, we were engaged directly by hospitals and clinics to provide integrated design and building services for the construction, refurbishment and upgrading of their medical facilities. We have also acted as subcontractor for other construction contractors in their medical-related construction projects.

The following table sets forth a breakdown of our revenue derived from our integrated design and building services during the Track Record Period by reference to the category of our customers:

	FY2014/15		FY2015/16		FY2016/17		Three months ended 30 September			
	S\$'000	%	S\$'000	%	S\$'000	%	2016		2017	
							(unaudited)			
							S\$'000	%	S\$'000	%
Medical equipment vendors	8,077	62.8	8,652	92.7	7,482	51.4	2,648	60.9	2,310	58.7
Medical service providers	4,310	33.5	306	3.3	3,383	23.2	758	17.4	620	15.7
Construction contractors	482	3.7	373	4.0	3,706	25.4	946	21.7	1,007	25.6
Total	12,869	100.0	9,331	100.0	14,571	100.0	4,352	100.0	3,937	100.0

Our revenue derived from medical equipment vendors slightly decreased in FY2016/17 mainly because of our strategy to expand our client base by allocating more resources for undertaking sizeable projects from other types of customers. In particular, our revenue derived from medical service providers increased significantly in FY2016/17 mainly because we have undertaken two sizeable projects (being the projects with the second and third largest revenue contribution to us in FY2016/17) from Customer I (as referred to in the paragraph headed “Customers – Top customers” below in this section) and a public hospital in Singapore, respectively. In addition, our revenue derived from construction contractors increased significantly in FY2016/17 mainly because we have undertaken a sizeable project (being the project with the largest revenue contribution to us in FY2016/17) from Penta-Ocean Construction Company Limited (as referred to in the paragraph headed “Customers – Top customers” below in this section). Meanwhile, the decrease in our revenue derived from medical service providers and construction contractors in FY2015/16 was mainly due to the slowdown of the construction of medical-related facilities in Singapore during 2016 as discussed in detail in the paragraph headed “Financial information – Period-to-period comparison of results of operation” in this document.

BUSINESS

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 including services provided by third party professionals (such as surveying services and testing services), transportation service and rental of lifting machinery and equipment.

We maintain a pool of workers to carry out our works. Depending on our available labour resources and the types of specialised works involved, we may engage other subcontractors to perform certain building works such as (i) M&E works relating to ACMV systems, chiller systems, and plumbing and sanitary systems; and (ii) fitting-out works involving carpentry works and other finishing works relating to ceilings, floors and walls. For FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, we incurred subcontracting charges of approximately S\$3.4 million, S\$2.6 million, S\$3.2 million and S\$1.2 million, respectively.

During the Track Record Period, we procured building and radiation shielding materials from suppliers in Singapore, the PRC, and the United States. The major types of materials that we purchased included lead and other shielding materials, gypsum boards, steel and other electrical components.

Our Group operates a self-owned workshop at our headquarters in Singapore where we carry out the fabrication process of our radiation shielding products. For further details, please refer to the paragraph headed “Description of our services and products” below in this document.

Our revenue represents income derived from providing integrated design and building services, maintenance and other services, and sales of tools and materials. Our cost of services mainly include subcontracting charges, costs of building and radiation shielding materials and staff salaries.

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 “L1” license issued by the RPNSD to possess for sale or deal in specified types of used ionising irradiating apparatus. For further details, please refer to the paragraph headed “Licences and registrations” below in this section.

BUSINESS

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

Expertise in undertaking turnkey solutions projects in hospitals and clinics

We take pride in our expertise in undertaking turnkey solutions projects in the medical and healthcare sectors which are tailored to our customers’ needs and requirements. Our scope of services in turnkey solutions projects comprise (i) preparation and consultation on building design and specifications, including in particular those involving irradiating medical equipment; (ii) performance of building works (mainly including radiation shielding works, M&E works and fitting-out works); and (iii) assisting to obtain statutory approvals and certifications for the building works.

In addition, our Group holds a number of licences and registrations which enable us to carry out turnkey solutions projects. 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 “L1” license issued by the RPNSD to possess for sale or deal in specified types of used ionising irradiating apparatus. For further details, please refer to the paragraph headed “Licences and registrations” below in this section.

Our Directors believe that our ability to carry out turnkey solutions projects provide the following advantages to our customers: (i) we ensure our works undertaken are in compliance with statutory requirements under the laws and regulations in Singapore by assisting to obtain statutory approval and certifications as required by relevant government authorities such as FSSD and BCA for the building works; (ii) our customers can engage us as a single contractor to perform all relevant works including the radiation shielding works, M&E works and fitting-out works required for the medical facilities, instead of engaging numerous contractors to handle different types of works; and (iii) during our preparation and consultation on building design, we generally offer feedbacks and recommendations to our customers in order to fulfil their technical requirements for the projects.

Furthermore, our Directors consider that turnkey solutions projects that involve radiation shielding works require specialised know-how and expertise in order to ensure, for instance, the prevention of radiation leakage and the proper and safe operation of the medical facilities.

BUSINESS

In view of the aforesaid, we believe that our expertise in undertaking turnkey solutions projects in medical-related building construction projects, including in particular those involving irradiating medical equipment, positions us favourably to take on a wide range of customers and business opportunities.

Established track record in the medical-related construction industry in Singapore

Hwa Koon, our principal operating subsidiary, has been operating in the medical-related construction industry in Singapore since 2000. Based on our long operating history, our Directors consider that we have an established presence in the medical-related construction industry and developed business relationships with key industry players including multinational medical equipment vendors and medical service providers in Singapore. As such, our established presence in the industry may give us an advantage in terms of maintaining existing customers and securing new business opportunities which is crucial to the sustainability and future business development of our Group.

During the Track Record Period, our Group provided integrated design and building services for different types of diagnostic, therapeutic and treatment facilities in hospitals and clinics in Singapore. During the Track Record Period, we derived a total revenue of S\$40.7 million from our integrated design and building projects. Given our established track record, our Directors believe that our Group is well positioned to capture expected growth in the industry in the foreseeable future.

Established relationships with some of our major customers

Our customers during the Track Record Period mainly included (i) multinational medical equipment vendors; (ii) medical service providers in Singapore including hospitals and clinics; and (iii) construction contractors engaged by project employers including the Singapore Government or medical service providers. Our Group has established long-standing relationships with some of our major customers. As at the Latest Practicable Date, our Group has business relationship with some of our major customers (including Customer A, Siemens Group, Customer C, Customer D and Canon Medical Systems Asia Pte. Ltd. as referred to in the paragraph headed “Customers – Top Customers” below in this section) ranging from eight to 11 years. Our Directors believe that our long-standing relationship with these major customers would increase our recognition and visibility in the medical-related construction industry in Singapore. Our Directors believe that our Group can leverage on our existing relationship with these major customers to further develop new business opportunities in the future.

BUSINESS

Stringent quality control and high safety standard and environmental impact control

We place emphasis on providing consistently high quality services. We have adopted and implemented a quality control system that complies with international standards. Since 2008, when we first obtained ISO 9001 certification, and up to the Latest Practicable Date, our management system has been in conformance with the requirements of ISO 9001.

We have set up an occupational health and safety system to promote safe working practice among all employees and to prevent the occurrence of accidents. Further, we have also set up an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from projects undertaken by us. Our health and safety management system has been certified to be in conformance with OHSAS 18001 since 2008, and our environmental management system has been certified to be in conformance with ISO 14001 since 2015.

Our Directors believe that our stringent quality assurance system and strong commitment to environmental and occupational health and safety management will allow us to be better positioned to deliver quality works on time and within budget, thereby strengthening our position as an established medical-related building contractor in Singapore.

Experienced and dedicated management team

Our Group has an experienced management team in the medical-related construction industry. Our management team is led by Mr. Koh, our executive Director and chief executive officer, who has over 21 years of experience in the medical-related construction industry. In addition, some of our senior management, including Ms. Ho Poh Ling and Ms. Ramirez Winnie Dainne Barit, have worked with our Group for periods ranging from six to eight years. For further information regarding the background and experience of our Directors and senior management, please refer to the section headed “Directors and senior management” in this document. Our Directors believe that based on the experience of our management team and their knowledge of the industry and especially in relation to radiation shielding works, our Group is able to deliver quality and satisfactory services to our customers, which is essential to our success and future development.

BUSINESS

BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our position as an established contractor specialised in the medical and healthcare sectors in Singapore. We intend to achieve our business objective by expanding our scale of operation through our intended effort in actively seeking opportunities in undertaking additional medical-related construction projects, from both our existing and potential new customers, on top of our present scale of operation and our current projects on hand.

According to the Ipsos Report, over the years, the Singapore Government progressively planned its healthcare facilities and infrastructure developments to meet the growing demand for healthcare needs in Singapore and to strengthen itself as a regional medical hub. In particular, various healthcare facilities construction projects that were planned to commence in 2017 are currently at their early stages of work and will span across the next two decades. For further details, please refer to the paragraph headed “Industry overview – Industry drivers” in this document. The total output value of the medical-related construction industry in Singapore is forecasted to grow at a CAGR of approximately 7.8% from approximately S\$2.3 billion in 2017 to approximately S\$3.1 billion in 2021.

Taking into consideration (i) our competitive strengths set out in the paragraph headed “Competitive strengths” above in this section; (ii) the increasing number of customers that we served during the Track Record Period; and (iii) our track record in undertaking turnkey solutions projects for medical-related facilities with expertise in performing radiation shielding works, our Directors believe that our Group would be able to capture the potential business opportunities associated with the forecasted increase in construction demand for medical-related facilities if we are to continue to increase our available resources.

In this connection, our key business strategies are as follows:

1. Acquiring an additional property for workshop and office use

As at the Latest Practicable Date, our Group operates a workshop at our headquarters where we carry out the fabrication process of our radiation shielding products. We also carry out our design works and other administrative affairs at our headquarters. Our headquarters, which is located at our owned property, has a gross floor area of approximately 482 sq.m.

BUSINESS

In light of the planned expansion of our manpower and machinery, and the forecasted increase in demand for integrated design and building services as discussed below, our Directors consider that we have the business needs to acquire an additional property with a gross floor area of approximately 900 to 1,000 sq.m. to support our business operations. Assuming the planned expansion of our manpower, machinery and equipment are fully implemented after the [REDACTED], our Directors estimate that our acquisition of an additional property with a gross floor area of approximately two times of our existing property will lead to (i) a maximum of two-fold increase in our fabrication capacity of radiation shielding products; and (ii) additional capacity for carrying out carpentry works. With reference to the respective proportion of area used for office and workshop in our existing property, we currently intend to designate approximately two-thirds of the gross floor area in the additional property for workshop use and storage of additional machinery and equipment planned to be acquired, with the remaining parts of the premises to be used for office purpose.

(i) Forecasted increase in demand for integrated design and building services

According to the Ipsos Report, demand for diagnostic imaging equipment is correlated to the demand for medical-related construction works in respect of radiation shielding works in Singapore. The total market value of the diagnostic imaging equipment industry in Singapore is expected to increase from approximately S\$126 million to approximately S\$163 million at a CAGR of about 6.6% from 2017 to 2021 due to the expected increase in number of new healthcare and medical-related facilities. In view of the aforesaid, our Directors consider that the expected growth in the diagnostic imaging equipment industry in Singapore will likely contribute to increase in future demand for integrated design and building works related to installation of such equipment, such as radiation shielding works, M&E works and fitting-out works.

BUSINESS

As at the Latest Practicable Date, there were 40 integrated design and building projects in our backlog with approximately S\$4.2 million yet to be recognised. During the Track Record Period, the duration of projects undertaken by our Group typically ranged from one month to one year. In view of the relatively short duration of our projects on average, our Directors consider that the amount of our backlog as at a particular date is unable to fully reflect the market demand for our integrated design and building services as the number of our projects on hand varies from time to time. Subsequent to 30 June 2017 and up to the Latest Practicable Date, our Group had submitted quotations and tenders in respect of a total of 95 projects, of which we were awarded with 47 projects and the results of 35 projects were still pending as at the Latest Practicable Date. For each of FY2014/15, FY2015/16 and FY2016/17, the monthly average number of projects awarded to us ^(Note) was approximately 3.9, 4.8 and 5.6 respectively. During the period from 1 July 2017 and up to the Latest Practicable Date, the monthly average number of projects awarded to us was approximately 6.7. In view of the aforesaid, our Directors consider that our tendering results for the period from 1 July 2017 and up to the Latest Practicable Date has recorded better performance than those for the Track Record Period. Based on the aforesaid, our Directors are confident that there is sufficient market demand for us to maintain our business growth in the foreseeable future. With our competitive strengths as set out in the paragraph headed “Competitive strengths” in this section, our Directors believe that our Group will be able to benefit from the expected growth in the medical-related construction works in respect of radiation shielding works in Singapore.

Note: The monthly average number of projects awarded to us is calculated by dividing the number of projects awarded in respect of the tenders or quotations submitted during the financial period over the number of full calendar months during that financial period.

According to the Ipsos Report, Hwa Koon is one of the six key active medical-related construction contractors in Singapore which are able to carry out radiation shielding or related works. Apart from our expertise in performing radiation shielding works, our Group also possesses the knowhow in carrying out other types of buildings works (including M&E works and fitting-out works) at medical-related facilities, as well as the experience in assisting our customers in preparing the building design and specifications and obtaining statutory approvals and certifications for such building works. Further, according to the Ipsos Report, from the published records of the BCA in respect of public and private medical-related building projects awarded to building works contractors in Singapore, those projects related to radiation shielding works were only awarded to Hwa Koon and another building contractor from 2011 to 2016, and 70% of such radiation shielding-related projects were awarded to Hwa Koon (in terms of the number of projects, where the percentage figure in terms of the contract sums of such projects is not available due to the lack of sufficient information available from the published records of the BCA).

BUSINESS

Based on the aforesaid, our Directors consider that the expansion in our workshop and office space will enable us to capture a greater market share in the medical-related construction industry because:

- During the Track Record Period, the majority of projects undertaken by us were small-to-medium scale projects. For FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, approximately 95.7%, 93.1%, 90.1% and 85.7% of our projects individually contributed less than S\$500,000 to our Group, respectively. With the expansion in our fabrication capacity and labour resources, our Directors are of the view that we would be in a stronger position to compete for sizeable medical-related projects, especially those involving radiation shielding and fitting-out works, which are expected to arise from the upcoming major health facilities developments and the forecasted industry growth as discussed in further details below.
- While our Group has taken up the majority (in terms of the number of projects) of the medical-related building projects in respect of radiation shielding works based on published records of the BCA, our Directors consider that there is further room for us to maintain our business growth as we are well positioned to benefit from (i) the expected rising future demand for integrated design and building works related to installation of diagnostic equipment, mainly driven by the growth in the diagnostic imaging equipment industry at a CAGR of about 6.6% from 2017 to 2021 as forecasted by Ipsos; and (ii) the forecasted increase in the total output value of the medical-related construction industry in Singapore at a CAGR of approximately 7.8% from 2017 to 2021. In particular, based on the Ipsos Report, numerous health facilities construction projects in Singapore that were planned to commence in 2017 are currently at their early stages of works, including the new national cancer centre, an integrated intermediate care hub at Jalan Tan Tock Seng, an extensive redevelopment for the Singapore General Hospital Campus and other new clean rooms and radiology-related facilities to be established in Singapore. We are of the view that these medical-related construction developments will present us with various potential business opportunities as they come into more advanced stages.

BUSINESS

(ii) Operational needs for acquiring a new property for workshop and office use

During the Track Record Period, we have carried out the fabrication process of our radiation shielding products mainly at our self-owned workshop. As discussed in the paragraph headed “Description of our services and products – (A) Integrated design and building services” below in this section, the fabrication process of our radiation shielding products would require certain spaces for operation due to the size of materials involved in the process. In addition, we could ensure better protection of our technical know-how and expertise in radiation shielding works by performing the fabrication process of our radiation shielding products at our own workshop.

While the delivery and installation of our fabricated products such as radiation shielding doors and other related fitting-out works are performed at the relevant work sites of our customers, our Group generally conducts the fabrication process of our radiation shielding products at our own workshop. The fabrication process, which involves multiple rounds of cutting, layering and varnishing works and which is considered by our Directors to be sophisticated in nature as the process involves technical know-how so as to ensure the reliability of the fabricated products in terms of safety and effective radiation shielding, is carried out solely by our own workers under the guidance and supervision of our senior management team. Our Directors consider that our technical know-how for such fabrication works are acquired through our years of experience in performing radiation shielding works, familiarity with our major customers’ requirements and specifications and the technical expertise of our senior management team. In addition, as the fabrication process may take more than one week and involve the use of various tools and equipment, our Directors consider that it is more efficient to perform such process at our own workshop where we have better control over our work schedule and space arrangements.

BUSINESS

In light of the forecasted increase in demand for integrated design and building services for the medical and healthcare sectors in Singapore in the coming years, we expect that we will obtain a growth in the number of projects requiring radiation shielding works. Therefore, our Directors consider that it is crucial to have an additional property as our workshop so that: (i) there will be sufficient space to carry out fabrication for a larger quantity of radiation shielding products simultaneously, which in turn will enhance our operational efficiency and ability in meeting our customer’s work schedule; (ii) both our existing workers and additional workers planned to be recruited (as discussed below) will have adequate space in carrying out fabrication works as well as ACMV and carpentry works, which is crucial to our commitment in providing a safe working environment for all our employees; and (iii) we may have extra space in organising more regular in-house trainings for our new employees in different types of construction works required in undertaking our projects.

We believe that it is not entirely practicable to quantify the service capacity of our existing property by making reference to an objective and comparable scale or standard of measurement, given that our existing property has been applied for different purposes, including office use, storage use and being used as our workshop for fabrication works of various types and scales. Nevertheless, our Directors consider that our existing property has been fully utilised throughout the Track Record Period and up to the Latest Practicable Date because (i) currently, approximately half of the gross floor area of our workshop has been reserved for carrying out fabrication works, while the remaining workshop area has been used for storing our existing machinery and equipment. Typically, approximately four to five of our workers would be assigned to our workshop for performing fabrication works on a regular daily bases. Having considered (a) the size of the radiation shielding materials and other building materials involved, and (b) the space requirements of various tools and equipments required to be used in the fabrication process, we believe that it is crucial to provide our workers with adequate space to operate at our workshop in order to ensure their work safety and efficiency. Based on the aforesaid, we are of the view that, during the Track Record Period, our workshop area has been substantially occupied for providing sufficient spaces for our workers to carry out their daily operations and for storage of our existing machinery and equipment; (ii) currently there is no sufficient space at our workshop for housing the additional machinery and equipment planned to be acquired by us; and (iii) the office premises of our property have been fully occupied by our existing staff.

BUSINESS

In addition, as discussed in further details below, we intend to expand our manpower in order to cope with our future business development. Having considered the current number of our staff regularly stationed in our headquarters for handling design works and other administrative affairs, our Directors consider that the present floor size of our office would not be able to accommodate all of our existing staff as well as additional staff planned to be hired in the future. Further, our Group will also reserve certain spaces at the additional property for (i) setting up a showroom for displaying our typical radiation shielding products to potential customers; and (ii) storage of the machinery planned to be acquired by us, as discussed in further details below.

(iii) Commercial rationale for acquiring instead of leasing an additional property from third parties

Our Directors have considered the viability of leasing an additional property instead of making an acquisition. Nevertheless, our Directors had decided that it would be in the best interest of our Group to make the aforesaid acquisition because:

- (i) by having another self-owned property for workshop and office use, our Group can avoid the risk of substantial increase in rental expenses upon renewal of the leased property, as well as the risk of disruption to our business operations caused by potential premature termination or non-renewal of our lease by the relevant landlord. According to information published by a statutory body of the Singapore Government, the rental index of industrial space in Singapore has experienced an increase at a CAGR of 4.15% for the period from 2007 to 2017. Due to the increase in the new supply of industrial space since 2011, the rental index of industrial space had started to moderate during the period from 2014 to 2017. Based on the published information available, the new supply of industrial space is estimated to peak in 2017, followed by a significant decrease in 2018 and 2019. In particular, with reference to the research conducted by an independent property valuer on the property market in Singapore, our Directors noted several factors which are likely to result in an upward pressure on the rental of industrial properties in Singapore, including (i) the net demand for properties permitted for mixed use as workshop and office premises (“**mixed use premises**”), which are being classified as industrial properties in Singapore, is forecasted to be higher in 2018 as compared to 2016 and 2017, (ii) the net new supply of mixed use premises being classified as industrial properties is forecasted to drop by approximately 37.3% on a yearly basis in 2018, and (iii) the occupancy rate of mixed use premises being classified as industrial properties has maintained steadily above 87.0% from 2014 to 2016 and is expected to remain at similar level in 2017 and 2018. Our Directors are of the view that the aforesaid factors

BUSINESS

would likely lead to a rise in the rentals of mixed use premises being classified as industrial properties in Singapore. Therefore, having considered (i) the historical price trend of the rentals for industrial space over the past decade, (ii) the expected decrease in the new supply of mixed use premises being classified as industrial spaces in the foreseeable future, (iii) the potential costs and disruption that may be caused to our operation by any potential relocation of our new workshop and office in the case of using leased premises; and (iv) the other commercial rationale set out below, our Directors believe that it is prudent for our Group to acquire instead of leasing an additional property in order to minimise our exposure to the risk of rental increase when implementing our expansion plans;

- (ii) with reference to the current market rental of properties which are permitted for mixed use as workshop and office premises and located in vicinity of our existing self-owned property, it is estimated that the cost of leasing a property with gross floor area of approximately 900 to 1,000 sq.m. will be approximately S\$0.2 million for each financial year. By comparison, based on the acquisition cost of additional property (i.e. S\$6.0 million) and the accounting policies adopted by our Group, it is estimated that the annual depreciation expenses will be approximately S\$0.1 million in direct relation to such acquisition. As the annual rental cost for a property which fulfil our above criteria is expected to be approximately 50% higher than the depreciation expenses incurred in relation to the acquisition of such property, our Directors consider that it is more cost effective for our Group to acquire rather than lease an additional property;
- (iii) by using a leased property as our additional workshop and office, we are subject to the risks of relocation due to non-renewal or premature termination of our lease. Our current plan to set up a showroom for displaying our radiation shielding products to potential customers and the set up of workshop and office would require us to incur renovation and setup costs of approximately S\$0.7 million. As far as our Group is concerned, the renovation and setup works performed in respect of our showroom, workshop and office will become obsolete once we have to relocate to another leased location, and similar expenses would have to be incurred again for setting up our showroom, workshop and office at the new location. Moreover, landlords for industrial properties in Singapore generally require tenants to reinstate the leased properties to the original conditions before their handover. In such event, our Directors estimate that we would have to incur approximately S\$0.3 million as reinstatement costs.

BUSINESS

- (iv) the expansion in our self-owned workshop and office space is likely to give our customers greater confidence in our business operations as this would give them the impression that we have greater capacity in undertaking radiation shielding works and demonstrate the financial capacity of our Group. In particular, our ability to undertake radiation shielding works simultaneously for different projects largely depends on the sufficiency of our space to fabricate the relevant radiation shielding products. Our Directors consider that if we inform our existing and potential customers about the expansion in our in-house capacity in performing radiation shielding works, this would provide them with better assurance on our ability to undertake more additional sizeable projects, which, in turn, may lead to a larger number of invitations to our Group for quotations or tenders on their future projects; and
- (v) Besides, as mentioned above, we presently intend to reserve certain spaces at the additional property for setting up a showroom for displaying our radiation shielding products to potential customers. We believe that this would facilitate our sales and marketing efforts in promoting our know-how in radiation shielding works and increasing our corporate profile in the medical-related construction industry.

(iv) Identification of suitable property upon [REDACTED]

Upon [REDACTED], we will search for and identify suitable property based on the following criteria: (i) having a gross floor area of approximately 900 to 1,000 sq.m.; (ii) being located in an area which is close to our headquarters or otherwise suitable for our operational needs; (iii) being capable of being used as workshop and office; and (iv) being within the range of our estimated consideration of approximately HK\$[31.2] million to HK\$[34.0] million, which is determined with reference to the current cost of acquisition for similar type of premises as informed by property agent in Singapore. Based on the information provided by property agent, our Directors note that there are properties available for sale in the market in Singapore which fulfil the aforesaid criteria.

BUSINESS

Our Directors will make a final decision on the property to be acquired following the [REDACTED] after having regard to, among other things, (i) the premises available for sale in the market which fulfil the aforesaid criteria; (ii) the results of legal due diligence to be performed on the title of the premises; (iii) the results of our assessment on the overall suitability of the premises taking into consideration, among other factors, their size, physical condition, facilities, location and price; and (iv) the prevailing condition of the property market in Singapore.

We currently plan to finance our proposed acquisition of an additional property fully by using our [REDACTED] from the [REDACTED].

2. Strengthening our manpower

Building and construction works are labour-intensive in nature. Thus, our Directors consider that maintaining a team of skilled workers equipped with appropriate knowledge and experience in performing different types of building works is crucial to our continuing success. We intend to strengthen our manpower by recruiting additional staff including project management staff, site supervisors, quantity surveyors, interior designers and site workers to (i) increase our in-house capacity to perform ACMV and carpentry works; (ii) reduce our needs for subcontracting services which, in turn, will lower our subcontracting charges; and (iii) increase our efficiency in monitoring our work progress.

As at the Latest Practicable Date, Hwa Koon is registered under the CRS maintained by the BCA under the workhead of ME01, the scope of which includes the installation, commissioning, maintenance and repairs of air-conditioning, refrigeration, cold rooms, and ventilation systems. As advised by the Singapore Legal Adviser, save as the aforesaid registration under the CRS, our Group is not required to obtain any other licence, permit, certification or approval on its own to undertake ACMV and carpentry works in Singapore.

BUSINESS

As at the Latest Practicable Date, our Group had 15 project management and supervision staff and 23 site workers. Based on our current manpower resources, our Directors consider that it is necessary for us to increase our capacity by further strengthening our manpower in order to undertake additional integrated design and building services projects and to capture the potential business opportunities associated with the forecasted increase in construction demand for medical-related facilities as aforementioned. In this regard, our Directors intend to employ an additional of four project management staff, two site supervisors, one quantity surveyor and two interior designers, among which six of them are expected to be employed locally in Singapore and the remaining three of them are expected to be foreign workers. We also intend to hire 14 skilled workers for ACMV and carpentry works and four site workers, among which substantially all of such additional positions are expected to be taken up by foreign workers. Set out below is the proposed salary range of our additional manpower to be recruited by job positions:

Type of job position	Annual salary range (per person)
Project management staff	Approximately S\$41,000 – S\$50,000
Site supervisor	Approximately S\$38,000 – S\$46,000
Quantity surveyor	Approximately S\$38,000 – S\$46,000
Interior designer	Approximately S\$38,000 – S\$46,000
Skilled worker for ACMV and carpentry works	Approximately S\$38,000 – S\$46,000
Site workers	Approximately S\$30,000 – S\$37,000

With reference to (i) the salaries of our existing project management and supervision staff as well as site workers with comparable skills and experience; (ii) information publicly available from recruitment agents for similar types of job positions; and (iii) the prevailing conditions of the labour market in Singapore, our Directors consider that the proposed salary range of the additional staff is commensurate with their positions.

BUSINESS

During the Track Record Period, we have engaged other subcontractors to perform certain building works such as (i) M&E works relating to ACMV systems, chiller systems, and plumbing and sanitary systems; and (ii) fitting-out works involving carpentry works and other finishing works relating to ceilings, floors and walls. For each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, our Group incurred subcontracting charges of approximately S\$3.4 million, S\$2.6 million, S\$3.2 million and S\$1.2 million, respectively.

Our Directors consider that our Group would be able to achieve higher profitability by performing ACMV and carpentry works with our own manpower and reducing our needs for subcontracting services and the associated costs incurred therefrom, given that a profit mark-up is generally factored in the subcontracting fees charged by our subcontractors. Based on (i) the number of skilled workers and other general site workers planned to be hired; (ii) the timing of implementing our recruitment plan; and (iii) our past engagements with subcontractors for performing M&E works and fitting-out works, our Directors estimated that our subcontracting costs to be incurred would reduce by approximately S\$0.1 million and S\$0.5 million for the years ending 30 June 2018 and 2019, respectively. In relation to our manpower expansion plan, the subcontracting charges expected to be saved by us for the year ending 30 June 2019 would represent approximately 16.2% of our average annual subcontracting charges incurred during the Track Record Period. Besides, based on the timing of our implementation plan after the [REDACTED] as set out in the section headed “Future plans and [REDACTED]” in this document, only approximately 45.6% (i.e. 14 staff members) of the additional staff is expected to be hired in the remaining six months ending 30 June 2018 after the [REDACTED]. Therefore, our Directors estimate that the reduction in our subcontracting costs resulting from our manpower expansion plan could only be fully reflected in the year ending 30 June 2019. Further, we would be able to offer more competitive pricing to our customers as we could have better control on our operating costs, thereby strengthening our position of being awarded new contracts. Our Directors have considered the viability of arranging external trainings for our existing site workers on undertaking ACMV and carpentry works instead of hiring additional skilled workers in this regard. Nevertheless, our Directors had decided that it would be in the best interest of our Group to proceed with the recruitment plan because (i) based on the existing work schedule and workloads of our site workers, it would be difficult to request them to spare time to attend additional trainings during normal work hours; and (ii) even if our site workers have successfully completed the relevant trainings, it may take certain period of time for them to build up their skill sets in order to carry out ACMV and carpentry works up to the quality standard we normally required from our subcontractors.

BUSINESS

In addition, in light of the forecasted growth in the medical-related construction industry based on the Ipsos Report, our Directors believe that we will encounter more opportunities for sizeable public hospital projects in the future. As mentioned above, it is part of our business strategies to compete for sizeable medical-related projects especially those involving radiation shielding and fitting-out works in the future.

During the Track Record Period, we have placed emphasis in competing for medical-related construction projects which involve radiation shielding works as we believe that such projects would enable us to leverage on our competitive strength in designing and fabricating radiation shielding products tailored to our customers’ needs and requirements. Meanwhile, we have mainly outsourced certain types of building works, namely M&E works and fitting-out works, to other subcontractors.

According to the Ipsos Report, contractors providing integrated design and building services to medical-related facilities need to have the knowledge and skill sets. Contractors specializing in one or a limited types of buildings works may not be able to undertake sizeable projects that require a wide variety of skill sets. Following the implementation of our expansion plan, we believe that our Group will have greater in-house capacity in performing M&E works and fitting-out works with the additional skilled workers planned to be hired. Going forward, we target to pursue projects considerably involving radiation shielding works, M&E works and/or fitting-out works. Our Directors believe that these would enhance the overall prospects of our Group in securing more sizeable projects in the foreseeable future.

As at the Latest Practicable Date, based on our preliminary communication with potential customers, we have been informed about a total of five prospective projects which have an individual contract sum at or above S\$1.0 million. Our Directors presently intend to submit tenders and quotations for all of these five projects once their tendering period commence at later stage. Further, in respect of the 35 projects for which we have submitted tenders and quotations and which tendering results were pending as at the Latest Practicable Date, four of them are expected to have an individual contract sum at or above S\$1.0 million.

Based on the aforesaid, our Directors consider that there are opportunities available in the prevailing market for us in competing for sizeable projects in the medical-related construction industry. Our Directors also believe that we will be in a more competitive position to undertake various buildings works, including radiation shielding works, M&E works and fitting-out works, which are typically required in sizeable projects.

BUSINESS

In light of the anticipated increase in number and scale of medical-related construction projects commencing in the near future, our Directors consider that it is necessary for us to further strengthen our manpower in order to enhance our capacity to compete for these sizeable projects. As sizeable projects generally last for longer duration and involve different aspects of our building works (e.g. M&E works and fitting-out works) to be carried out simultaneously, we would have to deploy a relatively large number of workers to carry out such projects for an extended period of time. If we undertake several sizeable projects at the same time, our existing manpower capacity may be substantially occupied. Therefore, we may not have sufficient manpower to cater to the operational needs when the work schedule of such projects overlap.

In this regard, our Directors noted the possibility of undertaking such sizeable projects by outsourcing major parts of the building works to our subcontractors, but nevertheless decided that it would not be our preferred option because:

- (i) once we are awarded with a project, we usually form a project management team which consists of project manager, technical consultant, draftsman, architect planner and interior designer. Our project management team plays an essential role in our project performance as it is responsible for (a) arranging all necessary materials, equipment and labour resources required for the projects; (b) performing project coordination and supervision; and (c) managing the works performed by our subcontractors. Therefore, we place emphasis on ensuring that our project management teams are adequately staffed with personnel with appropriate skills and experience to closely monitor our projects. Based on our existing manpower, if we have to undertake several sizeable projects at the same time, this would mean that the work capacity of our project management team would be more occupied. As a result, this would reduce the time and attention spent on each project by our project management staff, and hence they might not be able to properly supervise and manage the works undertaken by us and our subcontractors. By recruiting additional project management staff, our Directors believe that our Group could undertake a larger number of sizeable project simultaneously, while preserving our project management efficiency and service quality. Further, it is also crucial for us to employ additional site supervisors to ensure that our site instructions and work safety measures are properly implemented on sites; and

BUSINESS

- (ii) our ability to engage subcontracting services depends largely on the schedule and availability of our subcontractors. As numerous major health facilities construction projects are planned to commence in 2017, the overall market demand for subcontracting services in the medical-related construction industry is expected to increase. Our Directors consider that, if those major construction projects are substantially implemented within the same time frame, there is no guarantee that our Group would be able to source quality subcontracting services reliably from our subcontractors to match with our work schedule. Therefore, by maintaining a larger pool of own workers, our Group could minimise the risk of disruption that may be caused by the possible unavailability of subcontracting services at commercially acceptable terms or at all. Further, by performing our works with our own workers, it would give us greater flexibility in matching appropriate employees with suitable work tasks based on their skills, work experience and trainings received.

According to the Ipsos Report, the construction industry and medical-related construction industry in Singapore are experiencing labour shortage. By recruiting additional own workers, our Group can mitigate the risks of any difficulties in engaging readily available subcontractors and any abrupt increase in fees charged by our subcontractors. In addition, our Directors consider that it would be more efficient for us to monitor our work progress, and provide job instructions to our own site workers, as compared to engaging third party subcontractors.

3. Increasing our reserve for financing the issue of performance guarantees

For one sizeable project awarded by a public hospital in Singapore during the Track Record Period, we were required by the customer to provide performance guarantee issued by bank in the amount of 10% of the contract sum in favour of our customer. A pledged deposit is normally required to be placed with the bank which issues the performance guarantee. In respect of the aforesaid project, Mr. Ong, our executive Director and one of our Controlling Shareholders, had pledged his personal fixed deposits account for the relevant performance guarantee issued by the bank amounting to approximately S\$174,000 as at the Latest Practicable Date. For further details, please refer to the paragraph headed “Relationship with Controlling Shareholders – Independence from our Controlling Shareholders – Financial independence” in this document.

BUSINESS

During the Track Record Period, our Directors are prudent in tendering for sizeable projects which have requirements for performance guarantee given that it may result in our working capital being locked up as pledged deposits with the banks. Therefore, our ability to undertake sizeable projects with performance guarantee requirements is limited by the amount of our reserve capital available.

In light of the anticipated growth in our business and the growing demand for healthcare needs and the Singapore Government’s initiative to increase medical-related facilities supply in Singapore according to the Ipsos Report, our Directors expect that our Group would likely encounter more projects from public hospitals that would require us to provide performance guarantee as mentioned above. In particular, our Group has currently tendered for six projects from three different main contractors which impose performance guarantee requirements, with an aggregate contract sum of approximately S\$14.2 million. Our Directors believe that by increasing our reserve for financing the issue of performance guarantee, our Group would become more equipped to compete for additional sizeable projects in the future.

4. Enhancing our machinery and equipment

(i) Machinery for lifting and carpentry works

We plan to acquire two sets of machinery for carpentry works and three sets of lifting machinery. As mentioned above, it is part of our business strategies to expand our in-house capacity to perform ACMV and carpentry works and reduce our needs for subcontracting services. Therefore, our Directors believe that it is necessary for us to acquire two sets of machinery to facilitate our workers in performing cutting of wooden and other materials based on the needs of our projects. Further, we currently possess one set of machinery for lifting our radiation shielding products (such as radiation shielding doors) and other materials onto our motor vehicles for transportation. Such lifting machinery was acquired by us in 2010 and was fully depreciated as at the Latest Practicable Date. Our Directors consider that such lifting machinery has been fully utilised throughout the Track Record Period as it was used by us on a daily basis for lifting purpose within our own workshop. During the Track Record Period, the lifting machinery used by our Group at work sites is generally rented from our suppliers on a project by project basis.

BUSINESS

As we intend to acquire an additional property for workshop and office use, our Directors consider that we have the operational needs to acquire three additional sets of machinery for lifting purpose at our new workshop. Under our current plan, while one additional set of the lifting machinery would be stationed at the new workshop for daily use, our Group would arrange to deliver the other two additional sets of lifting machinery to our work sites to support our building works, where applicable. In doing so, our Directors believe that we would be able to have greater flexibility in handling the lifting operations at our work sites. Based on the past engagements with our suppliers, the cost of transporting a lifting machinery to our work sites for each financial year is estimated to be approximately S\$6,000.

With reference to (i) the fees charged by our suppliers for leasing of lifting machinery (inclusive of the rentals, delivery fees and charges for providing the operator to perform lifting operations), (ii) the depreciation expenses to be incurred in direct relation to acquiring our own lifting machinery, and (iii) the transportation costs for delivering our self-owned lifting machinery to the work sites, our Directors estimate that we would be able to reduce our rental costs of lifting machinery by approximately 85% in each financial year by making the aforesaid acquisitions.

(ii) Motor vehicles for transportation

As at the Latest Practicable Date, our Group owned four motor vehicles for transporting our workers, radiation shielding products and other materials to the relevant work sites. Our Directors currently plan to acquire six additional motor vehicles to accommodate the increase in our transportation needs associated with the planned expansion of our manpower and the expected growth in the demand for our services. Our Group generally arranges transportation for our site workers and relevant project management and supervision staff to and from the relevant work sites with our own motor vehicles. As at 30 June 2015, 2016, 2017 and 30 September 2017, the number of our site workers was 15, 18, 22 and 23 respectively, and the number of our project management and supervision staff was 12, 14, 14 and 15 respectively. Part of our project management and supervision staff, mainly including project managers and technical consultants, would also regularly visit the work sites to perform project coordination and supervision. Therefore, during Track Record Period, our Group purchased two motor vehicles to accommodate the transportation needs of our employees.

BUSINESS

We expect that our enlarged workforce will be assigned to carry out works at a larger number of work sites. The current capacity of our motor vehicles is unable to accommodate the increase in transportation needs and some of our workers may have to take public transportation to attend their relevant work sites as a result. Based on our past experience, building and construction sites of our customers generally commence works each day at around similar timeframe in the morning. Therefore, considering the number of locations involved in each lorry trip and our plan to recruit, among others, four project management staff, two site supervisors, one quantity surveyor, 14 skilled workers and four site workers in stages by the year ending 30 June 2020, it will be increasingly difficult for our Group to transport our relevant staff to their work sites on time with the current scale of our motor vehicles fleet. If our motor vehicles experience any material traffic disruption at any particular location, it may result in delay in transporting our staff to all subsequent work sites according to the schedule.

Further, some of our radiation shielding products such as radiation shielding doors are bulky in size and may weigh up to tonnes. As we intend to scale up our capacity for fabricating radiation shielding and carpentry products related to our projects, our Directors consider it necessary to have additional motor vehicles partly for delivering our products and other building materials to relevant work sites to facilitate our business operations. Our Directors believe that having additional motor vehicles will provide us with greater flexibility in arranging the transportation schedule of our workers and materials, which in turn will increase our overall work efficiency.

Our Directors considered the viability of acquiring the aforesaid machinery and motor vehicles through finance leases. Nevertheless, our Directors had decided that it would be in the best interest of our Group to finance such purchases with the [REDACTED] from the [REDACTED] given the uncertain interest rate movement which may expose our Group to increasing borrowing costs in the future if we proceed with finance lease arrangements for acquiring the additional machinery motor vehicles under our expansion plan.

With reference to (i) the quotations from potential suppliers for leasing of motor vehicles, and (ii) the depreciation expenses to be incurred in direct relation to acquiring our own motor vehicles according to the proposed timing of the implementation of our future plans, our Directors estimate that the expected rental costs of motor vehicles would be approximately 25.0% and 20.8% higher than our depreciation expenses for the aforesaid acquisitions in the years ending 30 June 2018 and 2019, respectively.

BUSINESS

5. Increasing our marketing effort

During the Track Record Period, our Group secured new businesses mainly through direct invitations for quotation or tender by customers. Our Directors consider that we can broaden our client base and attract more invitations from potential customers by increasing our marketing efforts to promote our brand awareness and market presence in the medical-related construction industry in Singapore.

Our planned marketing efforts include (i) setting up dedicated web pages for advertising our services; (ii) registration of our trademarks; (iii) placing advertisements in industry publications; (iv) sponsoring business events and charity functions organised by our customers or other key industry players in the medical and healthcare sectors; and (v) sending promotional booklets and other promotional materials for advertising our services.

Funding needs for implementing our business strategies

Our current available cash resources

As at 31 January 2018, our bank balances and cash, which represents our immediately available working capital, amounted to approximately S\$4.4 million, as set out in the section headed “Financial information – Net current assets” in this document. Our Directors consider that the amount of our bank balances and cash fluctuates from time to time, depending on the timing of (i) payment from our customers; and (ii) payment to our subcontractors and materials suppliers. Therefore, the amount of our bank balances and cash as at a particular date may not fully reflect our general liquidity position.

Further, based on the current scale of our operations and the costs incurred by us during the Track Record Period, our Directors estimate that currently we have to incur an average monthly expense of approximately S\$0.6 million, primarily comprising subcontracting charges, direct materials costs and staff costs, in order to sustain our daily operations.

In particular, as at 31 January 2018, we have current liabilities of approximately S\$2.5 million, which mostly consists of trade and other payables and amounts due to customers for construction works. There can be no assurance that we will receive payments from our customers before we are required to settle our suppliers’ invoices and other current liabilities, which may result in possible cash flow mismatch.

Furthermore, other risks set out in the section headed “Risk factors” in this document may also lead to unforeseen circumstances, such as customers’ default on payments, increase in foreign workers levy, and potential litigation and claims, which will result in an increase of liquidity needs and/or needs for the use of immediately available cash.

BUSINESS

From a prudent financial management perspective, our Directors consider that our Group should constantly maintain a sufficient amount of immediately available cash resources for meeting the payment obligations arising from our daily operations and our liquidity needs in case of unforeseen circumstances.

Cash flows from our operating activities

For FY2014/15, FY2015/16 and FY2016/17 our operating cash flow before movement in working capital amounted to approximately S\$4.2 million, S\$3.1 million and S\$6.0 million, respectively. For the three months ended 30 September 2017, we recorded operating cash outflow before movement in working capital of approximately S\$0.2 million. Our current available financial resources discussed above have already included, among other things, cash flows generated from our operating activities in the past.

Future cash flows to be generated from our operating activities are not likely to be fully and immediately available for the implementation of our business strategies as they will be needed and used for settling our trade payables, staff costs and other working capital needs. In addition, our Directors consider that future cash flows generated from our operating activities may be used for other purposes to sustain our daily operations, such as (i) the need to maintain a higher level of available cash resources to match with our planned expansion in scale of operations; (ii) payments of dividends (if any); and (iii) funding needed for further expansion upon the successful implementation of our business strategies.

Therefore, our Directors consider that if we solely rely on future cash flows generated from our operating activities for financing our business strategies, it will be difficult for us to formulate a comprehensive schedule for our expansion plans, since our plan will be largely subject to uncertainties in relation to the timing of generating sufficient cash from our operation for our expansion plans. Further, we may be required to modify our expansion plans from time to time depending on the amount of cash generated from our operation. As a result, we would have less control over the timing of implementing our business strategies, and may fail to fully capture the forecasted increase in demand for medical-related construction services as stated in the Ipsos Report.

Needs for an integral expansion plan

Under our expansion plan, we currently intend to (i) acquire an additional property for workshop and office use; (ii) recruit additional staff; (ii) increase our reserve for financing the issuance of performance guarantees in favour of our customers; (iv) acquire additional motor vehicles and machineries; and (v) increase our marketing efforts.

BUSINESS

Our Directors consider that each of the aforesaid objectives in our expansion plan are complementary to each other and represent an integral initiative to strengthen our service capacity so as to capture the forecasted growth in demand for medical-related construction services. In particular, the success of our expansion depends on whether these objectives could be executed simultaneously in a coordinated and scheduled manner because we would only be able to fully utilise the additional property acquired if such acquisition is matched by (i) an expansion in our manpower, motor vehicles and machinery; and (ii) our enhanced financial position in competing for sizeable projects, particularly those projects from public hospitals with performance guarantee requirements.

As the full implementation of our expansion plan would require a total sum of approximately S\$[13.1] million, Directors consider that we could not finance our expansion plan solely by our internal resources without adversely affecting our financial position and liquidity. Therefore, our Directors consider that it is necessary for our Group to raise external financing to ensure that the various objectives under our expansion plan can be carried out simultaneously.

[REDACTED] from the [REDACTED]

Having considered the aforesaid, our Directors are of the view that our Group is required to raise additional funding to facilitate the successful implementation of our business strategies. Therefore, our Directors consider that pursuing the [REDACTED] is in the interest of our Group.

It is the current intention of our Directors to apply the [REDACTED] from the [REDACTED] to be received by our Company (estimated to be approximately HK\$[REDACTED] million based on an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] per [REDACTED] to HK\$[REDACTED] per [REDACTED]) for the implementation of the business strategies as aforementioned. For further details, please refer to the section headed “Future plans and [REDACTED]” in this document.

DESCRIPTION OF OUR SERVICES AND PRODUCTS

(A) Integrated design and building services

Our principal activity is the provision of integrated design and building services for hospitals and clinics in Singapore. In particular, we are experienced in undertaking turnkey solutions projects which comprise (i) preparation and consultation on building design and specifications, including in particular those involving irradiating medical equipment; (ii) performance of building works (mainly including radiation shielding works, M&E works and fitting-out works); and (iii) assisting to obtain statutory approvals and certifications for the building works. Alternatively, our customers may engage us solely to perform building works according to their instructions or specifications.

BUSINESS

Set out below are the major scope of works in our turnkey solutions project:

(i) *Preparation and consultation on building design and specifications*

Based on the types of medical facilities and, if necessary, irradiating medical equipment involved, we will prepare the design and specifications in relation to our radiation shielding and other related building works, and submit them for our customers’ approval before commencement of the project. We may also provide recommendations to our customers on the interior design of the medical facilities. Depending on the nature of works to be carried out, our design and specifications may be submitted to registered professional engineer and/or licensed electrical worker for endorsement before project implementation.

(ii) *Building works*

Radiation shielding works

Our radiation shielding works generally refer to the building works undertaken for preventing leakage of radiation emitted by irradiating medical equipment from medical facility rooms. Our radiation shielding works typically involve: (i) procurement of appropriate radiation shielding materials according to customers’ specifications; (ii) fabrication of door frames and wall structures with the radiation shielding materials; and (iii) delivery and installation of the fabricated products at relevant work sites. Our radiation shielding products (such as radiation shielding doors) are designed and fabricated according to our customers’ requirements and specification on a case-by-case basis. The fabrication process is performed by our own workers under the supervision of our senior management team. The major types of radiation shielding materials used by us include lead sheets, lead glass and high density interlocking blocks, which are procured from suppliers in Singapore, the PRC, and the United States.

The fabrication process of our radiation shielding products are mainly performed at the workshop in our headquarters with our various tools and equipment. As the fabrication process may take more than one week, it will give us greater flexibility in our work schedule if the whole process is conducted at our own premises. Further, in view of the size and weight of the door frames and other materials involved, it may be difficult to request for sufficient space at our customer’s work sites for storage purpose. In addition, we could ensure better protection of our technical know-how and expertise in radiation shielding works by performing the fabrication process of our radiation shielding products at our own workshop.

BUSINESS

M&E works

Our M&E works typically refer to the supply, installation, testing and commissioning of various types of systems, including (i) ACMV system; (ii) chiller system; (iii) electrical system; (iv) plumbing, sanitary and drainage system; (v) medical gas and suction system; (vi) data communication system; and (vii) fire protection system.

Fitting-out works

Our fitting-out works typically refer to demolition works, carpentry works, structural works and other finishing works relating to ceiling, floor and walls, and are generally complementary to our radiation shielding works and M&E works as mentioned above.

(iii) Assisting to obtain statutory approvals and certifications for the building works

Part of our building works may require prior approvals from government authorities before the commencement of works under the Singapore laws and regulations. Pursuant to the contracts with our customers, we may assist our customers to apply for approvals from relevant government authorities for the works to be carried out by us prior to the commencement of work. For instance, we will engage third party professionals on a project-by-project basis to apply for approvals from (i) the BCA in relation to structural works; and (ii) the FSSD in relation to fire safety and ACMV works.

Normally, pursuant to the contracts with our customers, we will also assist our customers in handling the certification procedures for our building works done pursuant to the requirements under the Singapore laws and regulations. We generally submit a certificate of completion to the BCA after completion of our building works. Depending on the types of works involved, we may also engage third parties professionals (such as licensed electrical workers or registered inspectors) to conduct safety and quality certifications on building works done. Upon passing of such inspection, we will submit the relevant compliance certificates to our customers for their record.

BUSINESS

(B) Maintenance and other services

A minor portion of our revenue is derived from our maintenance and other services. Our maintenance services comprise conducting examinations, replacement of parts and repair works (if necessary) in relation to the radiation shielding works and M&E works completed by us for a fixed term typically on a yearly basis. Our other ancillary services generally include minor renovation and installation works, dismantling and disposal of used medical equipment, removal of construction waste materials, and cleaning of the work sites upon completion of building works. We also provide radiation shielding-related consultancy services which include provision of technical advice based on reports submitted to us by our customers for the testing results of their radiation shielding works.

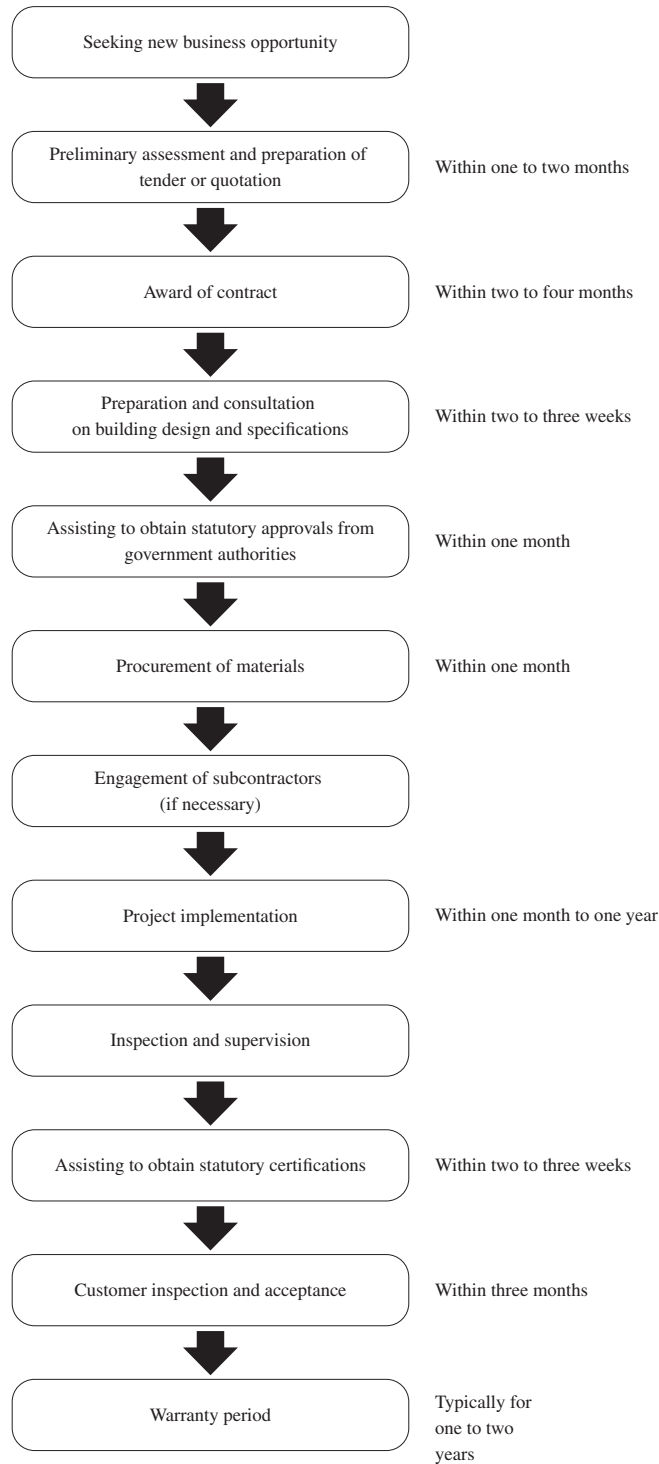
(C) Sales of tools and materials

A minor portion of our revenue is also derived from the sale of tools and materials (such as radiation shielding products fabricated by us, signage boards, lead sheet and lead glass) mainly to medical service providers and medical equipment vendors on a case-by-case basis.

BUSINESS

Operation flow

Set out below is a flowchart summarising the principal steps of our workflow in a turnkey solutions project under our integrated design and building services:



BUSINESS

Seeking new business opportunity

During the Track Record Period, we secured new businesses mainly through direct invitation for tender or quotation by medical equipment vendors, medical services providers and other construction contractors. Please refer to the paragraph headed “Sales and marketing” below in this section for further details.

Preliminary assessment of the project

The tender documents and project details provided by our customers generally contain brief descriptions of the works required, expected commencement date, contract period and timeframe for submitting the tender or quotation.

Upon receiving the tender documents and/or project details from our customers, we would conduct an internal evaluation on the feasibility of undertaking the project, taking into account various factors including the technical requirements, project size and commencement date, the estimated profitability of the construction project, the availability and capacity of our manpower, as well as the prevailing market conditions.

Preparation of tender or quotation

Our tendering team, comprising our executive Directors and quantity surveyor, is responsible for the preparation of tender or quotation. Our tendering team may conduct site visit to the place at which the project is to be undertaken so as to have a better assessment of the complexity of the works involved.

Our tender or quotation generally includes the scope of our services, a schedule of rates which set out the rates charged for each type of works on unit basis, descriptions of proposed materials to be used, payment terms, warranty period, and duration of the project. Our tender or quotation will be approved and endorsed by our executive Directors before submission to our customers.

We estimate the costs to be incurred in the project based on our past experience and the recent price trends for the types of materials and services required by us. For further information, please refer to the paragraph headed “Pricing strategy” below in this section.

Our customers may arrange interviews with us after receiving our tender or quotation in order to have a better understanding of our personnel, expertise and experience. We may be required to answer queries in relation to our tender or quotation.

BUSINESS

Award of contract

Medical equipment vendors and medical service providers generally confirm our engagement by placing purchase orders with us. For projects awarded by construction contractors, we may be required to enter into a formal contract with them. Our contracts typically set out our scope of services, the contract sum, payment terms, project duration and other standard terms of services. For details, please refer to the paragraph headed “Customers – Principal terms of engagement” below in this section.

The following table sets forth the number of projects for which we have submitted quotations, the number of projects awarded and the success rate during the Track Record Period and up to the Latest Practicable Date:

	FY2014/15	FY2015/16	FY2016/17	From 1 July 2017 to the Latest Practicable Date
Number of projects for which we have submitted quotations	57	74	89	93
Number of projects awarded ^(Note 1)	44	55	64	45
Success rate (%) ^(Note 1)	<u>77.2%</u>	<u>74.3%</u>	<u>71.9%</u>	<u>48.4%</u> ^(Note 2)

Notes: (1) In the above table, success rate for a financial year/period is calculated based on the number of projects awarded (whether awarded in the same financial year/period or subsequently) in respect of the quotations submitted during that financial year/period.

(2) Out of the 93 quotations submitted during the period from 1 July 2017 to the Latest Practicable Date, the results of 35 projects were pending as at the Latest Practicable Date.

BUSINESS

The following table sets out the number of projects for which we have submitted tenders, the number of projects awarded and the success rate during the Track Record Period and up to the Latest Practicable Date:

	FY2014/15	FY2015/16	FY2016/17	From 1 July 2017 to the Latest Practicable Date
Number of projects for which we have submitted tenders	3	2	4	2
Number of projects awarded ^(Note)	3	2	3	2
Success rate (%) ^(Note)	<u>100.0%</u>	<u>100.0%</u>	<u>75.0%</u>	<u>100.0%</u>

Note: In the above table, success rate for a financial year/period is calculated based on the number of projects awarded (whether awarded in the same financial year/period or subsequently) in respect of the tenders submitted during that financial year/period.

Our Directors consider that the decrease in the tender and quotation success rate for the period from 1 July 2017 to the Latest Practicable Date (the “**Relevant Period**”) does not reflect negatively on our Group’s ability to obtain new projects for the following reasons:

- out of the 95 projects for which our Group submitted quotations and tenders during the Relevant Period, the results of 35 projects (i.e. 36.8%) remained to be pending as at the Latest Practicable Date;
- our Group had submitted quotations and tenders for 95 projects during the Relevant Period (as compared to 60 projects for FY2014/15, 76 projects for FY2015/16 and 93 projects for FY2016/17). Our Directors consider that the increase in the number of our quotations and tenders submitted during the Relevant Period, as compared to the Track Record Period, is mainly attributable to our strategy to further enhance our market presence through actively responding to our customers’ invitations for projects of various scale, in light of our planned expansion in our service capacity following the [REDACTED];
- our Group was awarded with 47 projects during the Relevant Period (as compared to 47 projects in FY2014/15, 57 projects in FY2015/16 and 67 projects in FY2016/17). Such number of projects awarded to us during the Relevant Period represents more than 82.5% of the yearly average number of projects awarded to us for the three financial years ended 30 June 2017 (i.e. 57 projects). Based on our tendering results during the Relevant Period and the prevailing conditions in the medical-related construction industry, our Directors expect that there is continuous demand for integrated design and building services to sustain our growth in the foreseeable future; and

BUSINESS

- for each of FY2014/15, FY2015/16 and FY2016/17, the monthly average number of projects awarded to our Group was approximately 3.9, 4.8 and 5.6, respectively, whereas the monthly average number of projects awarded to our Group during the Relevant Period was approximately 7.5. Therefore, our Directors consider that our tendering result during the Relevant Period has recorded better performance than the three financial years ended 30 June 2017.

In considering the submission of tenders or quotations, our Group takes into account, among others, (i) our service capacity in performing additional works concurrently with our projects on hand based on our human resources available; (ii) the costs to be incurred for subcontracting certain parts of our works; (iii) the level of our interest in the relevant projects in terms of expected profitability; and (iv) the marketing effects in undertaking the project.

During the Track Record Period, our Group had from time to time received invitations for quotations or tenders when our available resources were occupied by other projects on hand. Nonetheless, it was our strategy to respond to our customers’ invitations by submitting tenders or quotations instead of turning them down. In such circumstances, our Directors would take a more prudent approach in costs estimation by factoring a higher profit margin even though it may cause our fee quotation or tender price to become less competitive than those submitted by our competitors.

Our Directors believe such strategy allows us to (i) maintain our relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends which are useful for tendering projects in the future. Due to such strategy and subject to the tender strategy of our competitors from time to time, we may experience fluctuations in our overall tender success rates from period to period. Given our tender strategy and in view of our performance over the Track Record Period, our Directors consider that our overall success rate for being awarded integrated design and building services projects during the Track Record Period has been satisfactory in general.

In light of the anticipated growth in construction demand for medical-related facilities in Singapore, our Directors believe that our Group will be able to submit tenders or quotations for a larger number of available projects after the planned expansion in our service capacity following the [REDACTED].

BUSINESS

Preparation and consultation on building design and specifications

Based on the types of medical facilities and, if necessary, irradiating medical equipment involved, we will prepare building design and specifications in relation to our radiation shielding and other related building works, and submit them for our customers’ approval before commencement of the project. We may also provide recommendations to our customers on the interior design of the medical facilities. Depending on the nature of works to be carried out, our design and specifications may be submitted to registered professional engineer and/or licensed electrical worker for endorsement before project implementation.

Our design team, which comprises interior designers, architect planner, quantity surveyor and senior draftsman, is responsible for preparing the space planning works, operational work flow, building design and specifications according to the needs and requirements of our customers. Our design team will modify the drawings and specifications upon receiving feedbacks from our customers.

Assisting to obtain statutory approvals from government authorities

Part of our building works may require prior approvals from government authorities before the commencement of our works under the Singapore laws and regulations. Pursuant to the contracts with our customers, we may assist our customers to apply for approvals from relevant government authorities for the works to be carried out by us prior to the commencement of work. For further details, please refer to the paragraph headed “Description of our services and products – (A) Integrated design and building services” above in this section.

Procurement of materials

We are generally responsible for procuring building and radiation shielding materials required for our works at our own cost. Our building and radiation shielding materials are purchased on an as-needed basis in accordance with our project requirements. For further details, please refer to the paragraph headed “Suppliers” below in this section.

BUSINESS

Engagement of subcontractors (if necessary)

Depending on our available labour resources and the types of specialised works involved, we may engage other subcontractors to perform certain building works such as (i) M&E works relating to ACMV systems, chiller systems, and plumbing and sanitary systems; and (ii) fitting-out works involving carpentry works and other finishing works relating to ceilings, floors and walls. For further details, please refer to the paragraph headed “Suppliers” below in this section.

Project implementation

We usually form a project management team which consists of project manager, technical consultant, draftsman, architect planner and interior designer. Our project management team is generally responsible for (i) arranging all necessary materials, equipment and labour resources required for the projects; and (ii) performing project coordination and supervision. Our project management team communicates with our customers from time to time to ensure the works performed meet our customers’ requirements, and are completed on schedule, within budget and in compliance with applicable statutory requirements.

Inspection and supervision

We carry out in-house quality inspection and supervision throughout the project in accordance with our in-house quality management systems which are in conformity with the requirements of the ISO 9001 standards. For further information regarding our quality management systems, please refer to the paragraph headed “Quality control” below in this section.

Assisting to obtain statutory certifications

Pursuant to the contracts with our customers, normally we will also assist our customers in handling the certification procedures for our building works done pursuant to the requirements under the Singapore laws and regulations. For further details, please refer to the paragraph headed “Description of our services and products – (A) Integrated design and building services” above in this section.

BUSINESS

Customer inspection and acceptance

Our customers will conduct inspection to check if our works done have complied with their requirements and specifications under the contracts. For instance, our customers would arrange inspection on our radiation shielding works to ensure compliance with the statutory requirements of the RPNSD. After passing our customers’ inspection, we will receive notifications or handover certificates from them to indicate our completion of the project. Upon completion of the project, we may be required to submit (i) a set of drawings showing the final conditions of our building works; and (ii) operation and maintenance manuals for our customers’ records.

Warranty period

We are generally required to provide a warranty period for one year following the completion date of the project, during which we are responsible to (i) ensure that our works done and materials supplied have complied with the approved specifications and drawings; and (ii) repair or rectify any defects discovered. If so requested by our customers, we may extend the warranty period of our M&E works to two years at additional charges. Our Group did not incur any warranty expenses during the Track Record Period.

Variation orders (if any)

Our customers may request additional or alteration of works beyond the scope of the contract during project implementation. The value of the variation works will be separately negotiated, or determined by reference to the contracted works should the nature and scope be similar. A variation order is usually placed by way of a purchase order by our customer describing the detailed works to be performed as a result of such variation order.

For FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, our revenue attributable to the variation orders amounted to S\$24,000, S\$0.1 million, S\$0.7 million and S\$0.4 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material disputes with our customers on the amount of the variation orders.

BUSINESS

Retention money (if necessary)

For projects awarded by construction contractors, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Retention money is normally equivalent to 10% of the value of works done and subject to a maximum of 5% of the total contract sum. Typically, half of the retention money is released upon the completion of the project and the remaining half is released upon expiry of the warranty period.

As at 30 June 2015, 2016, 2017 and 30 September 2017, our retention receivables amounted to approximately S\$156,000, S\$16,000, S\$145,000 and S\$145,000 respectively. Please refer to the section headed “Financial information – Discussion on selected balance sheet items – Trade receivables” in this document for a further discussion and analysis regarding our trade receivables.

Seasonality

Our Directors believe that the medical-related construction industry in Singapore does not exhibit any significant seasonality as building and construction works related to medical facilities generally take place throughout the year in Singapore based on the experience of our Directors.

LICENCES AND REGISTRATIONS

Our Group holds a number of licences and registrations which enable us to carry on our business. The following table sets out the details of the licences and registrations of Hwa Koon as at the Latest Practicable Date:

Relevant authority/ organisation	Relevant list/Category	Registration/ Licence/Grading	Date of expiry
BCA	General Builder – Class 1	GB1	16 June 2018
BCA	CW01 – General Building	C1 ^(Note)	1 September 2019
BCA	ME01 – Air-Conditioning, Refrigeration & Ventilation Works	L2 ^(Note)	1 September 2019
BCA	ME11 – Mechanical Engineering	L1 ^(Note)	1 September 2019
RPNSD	Licence to possess for sale and deal in specified types of ionising irradiating apparatus	L1	31 December 2019

Note: The differences in BCA gradings relate to the tendering limits for Singapore public sector projects. As at the Latest Practicable Date, L1 refers to S\$650,000, L2 refers to S\$1.3 million and C1 refers to S\$4.0 million.

BUSINESS

Our Directors are of the view that our aforesaid licences and registrations are adequate for our business needs. Our Directors confirm that our Group has obtained all necessary licences, permits and registrations which are required to carry on our principal business activities in Singapore as at the Latest Practicable Date.

Requirements for maintaining our licences and registrations

Our ability to maintain our aforesaid licences and registrations is crucial to our business operations. Please refer to the section headed “Risk Factors – Failure to renew or any suspension or cancellation of any of our existing licences and registrations could materially affect our operations and financial performance” in this document for details of the associated risks in this regard.

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. Please refer to the sections headed “Regulatory overview – Licensing regime for builders and contractors in Singapore” and “Regulatory overview – Radiation protection” in this document for further information.

In relation to the personnel requirements of our licence and registrations with the BCA, there are alternative individuals under our employment who possess the relevant qualifications and experience to become the qualified personnel of our Group, in case of departure of our existing qualified personnel from our Group. In addition, as part of our expansion plan, we expect that at least two of the additional project management staff to be hired will possess the relevant qualifications and experience of being a qualified personnel of our Group.

The Singapore Legal Adviser advised that it does not presently foresee any legal impediments in the renewal of the above licences and registrations by our Group.

BUSINESS

PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

Revenue by project nature

Public sector projects refer to projects of which the project employers are Singapore Government or statutory bodies, while private sector projects refer to projects that are not public sector projects. The following table sets out a breakdown of our revenue derived from integrated design and building services by project nature and number of projects with revenue contribution to us during the Track Record Period:

	FY2014/15			FY2015/16			FY2016/17			Three months ended 30 September					
	No. of projects (Notes)	Revenue S\$'000	% of total revenue	No. of projects (Notes)	Revenue S\$'000	% of total revenue	No. of projects (Notes)	Revenue S\$'000	% of total revenue	No. of projects (Notes)	Revenue S\$'000 (unaudited)	% of total revenue	No. of projects (Notes)	Revenue S\$'000	% of total revenue
Public sector	41	5,850	45.5	38	5,381	57.7	33	7,426	51.0	11	1,744	40.1	15	2,309	58.6
Private sector	29	7,018	54.5	20	3,950	42.3	38	7,146	49.0	12	2,608	59.9	13	1,628	41.4
Total	70	12,869	100.0	58	9,331	100.0	71	14,571	100.0	23	4,352	100.0	28	3,937	100.0

Notes:

1. Out of the 58 projects which contributed revenue to the FY2015/16, one project also contributed revenue to the FY2014/15.
2. Out of the 71 projects which contributed revenue to the FY2016/17, four projects also contributed revenue to the FY2015/16.
3. Out of the 28 projects which contributed revenue to the three months ended 30 September 2017, 11 projects also contributed revenue to FY2016/17.

BUSINESS

Movement in our number of projects

The following table sets out movement in the number of our integrated design and building projects with revenue contribution to us and those that have been awarded to us but not yet commenced during the Track Record Period, with breakdown of new projects awarded to us during the year/period and project completed during the year/period:

	FY2014/15	FY2015/16	FY2016/17	Three months ended 30 September 2017
Projects brought forward from prior year	23	1	4	11
New projects awarded to us during the year/period	47	57	67	17
Number of projects completed during the year/period	<u>69</u>	<u>54</u>	<u>60</u>	<u>9</u>
Projects carried forward to next year/period	<u>1</u>	<u>4</u>	<u>11</u>	<u>19</u>

Number of projects by range of revenue recognised

For each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, there were 70, 58, 71 and 28 integrated design and building projects which contributed approximately S\$12.9 million, S\$9.3 million, S\$14.6 million and S\$3.9 million, respectively, to our revenue. Set out below is a breakdown of such projects based on their respective range of revenue recognised during the Track Record Period:

	FY2014/15 <i>No. of projects</i>	FY2015/16 <i>No. of projects</i>	FY2016/17 <i>No. of projects</i>	Three months ended 30 September 2017 <i>No. of projects</i>
Revenue recognised				
S\$1,000,000 or above	1	1	3	–
S\$500,000 to below S\$1,000,000	2	3	4	4
S\$100,000 to below S\$500,000	25	23	21	5
S\$50,000 to below S\$100,000	21	10	14	3
Below S\$50,000	<u>21</u>	<u>21</u>	<u>29</u>	<u>16</u>
Total	<u>70</u>	<u>58</u>	<u>71</u>	<u>28</u>

BUSINESS

Top projects undertaken during the Track Record Period

The following tables set out the details of our top five integrated design and building projects for each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017 in terms of revenue contribution to our Group:

FY2014/15

Rank	Project awarded by	Original contract sum <i>S\$'000</i>	Private/public sector	Date of commencement and completion of our works	Amount of revenue recognised for the year <i>S\$'000</i>	% of total revenue of our Group %
1	Customer A ^(Note)	3,198	Private	Commencement: July 2014; Completion: September 2014	3,083	23.3
2	Customer C ^(Note)	796	Public	Commencement: October 2014; Completion: November 2014	796	6.0
3	Customer C ^(Note)	779	Public	Commencement: June 2014; Completion: September 2014	772	5.8
4	Farrer Park Hospital Pte. Ltd. ^(Note)	751	Private	Commencement: February 2014; Completion: September 2014	485	3.7
5	Siemens Group ^(Note)	467	Private	Commencement: February 2015; Completion: March 2015	467	3.5

Note: For background information, please refer to the paragraph headed “Customers – Top customers” below in this section.

BUSINESS

FY2015/16

Rank	Project awarded by	Original contract sum S\$'000	Private/ public sector	Date of commencement and completion of our works	Amount of revenue recognised for the year S\$'000	% of total revenue of our Group %
1	Customer D ^(Note)	1,203	Private	Commencement: October 2015; Completion: April 2016	1,203	12.3
2	Customer C ^(Note)	633	Private	Commencement: September 2015; Completion: December 2015	633	6.5
3	Siemens Group ^(Note)	567	Private	Commencement: March 2016; Completion: June 2016	567	5.8
4	Customer C ^(Note)	550	Public	Commencement: October 2015; Completion: December 2015	550	5.6
5	Siemens Group ^(Note)	359	Public	Commencement: October 2015; Completion: December 2015	359	3.7

Note: For background information, please refer to the paragraph headed “Customers – Top customers” below in this section.

FY2016/17

Rank	Project awarded by	Original contract sum S\$'000	Private/ public sector	Date of commencement and completion of our works	Amount of revenue recognised for the year S\$'000	% of total revenue of our Group %
1	Penta-Ocean Construction Company Limited ^(Note)	2,988	Public	Commencement: August 2016; Ongoing	2,301	15.4
2	Customer I ^(Note)	1,725	Private	Commencement: July 2016; Completion: February 2017	1,725	11.5
3	Customer J ^(Note)	1,744	Public	Commencement: June 2017; Completion: November 2017	1,113	7.5
4	Siemens Group ^(Note)	709	Private	Commencement: July 2016; Completion: October 2016	745	5.0
5	Customer D ^(Note)	636	Public	Commencement: September 2016; Completion: December 2016	636	4.3

Note: For background information, please refer to the paragraph headed “Customers – Top customers” below in this section.

BUSINESS

Three months ended 30 September 2017

Rank	Project awarded by	Original contract sum S\$'000	Private/ public sector	Date of commencement and completion of our works	Amount of revenue recognised for the period S\$'000	% of total revenue of our Group
1	Penta-Ocean Construction Company Limited ^(Note)	2,988	Public	Commencement: August 2016; Ongoing	909	22.5
2	Canon Medical Systems Asia Pte. Ltd. ^(Note)	939	Public	Commencement: June 2017; Ongoing	637	15.8
3	Customer D ^(Note)	2,014	Private	Commencement: September 2017; Ongoing	570	14.1
4	Customer J ^(Note)	1,744	Public	Commencement: June 2017; Completion: November 2017	543	13.5
5	Siemens Group ^(Note)	483	Private	Commencement: August 2017; Ongoing	228	5.7

Note: For background information, please refer to the paragraph headed “Customers – Top customers” below in this section.

Backlog

As at 30 June 2015, 2016, 2017, 30 September 2017 and the Latest Practicable Date, we had a total of 1, 4, 11, 19 and 40 integrated design and building projects in our backlog (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced), with revenue derived or expected to be derived from such projects as follows:

	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017	As at 30 September 2017	As at the Latest Practicable Date
Number of projects in our backlog	1	4	11	19	40
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Total contract sum in respect of such projects	395	1,428	7,129	12,271	15,479
Total revenue attributable to such projects					
– recognised on or before the date indicated	85	1,038	4,708	7,181	11,268
– yet to be recognised as at the date indicated	<u>310</u>	<u>390</u>	<u>2,421</u>	<u>5,090</u>	<u>4,211</u>
	<u>395</u>	<u>1,428</u>	<u>7,129</u>	<u>12,271</u>	<u>15,479</u>

BUSINESS

PROJECTS ON HAND

The aggregate number of our integrated design and building projects on hand as at 1 October 2017 (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) and projects that were awarded to us from 1 October 2017 to the Latest Practicable Date was 49. Our Directors estimated that these projects will be completed in 2019 and all remaining revenue to be derived from these projects will be recognised in 2019. The following sets forth a full list of our projects on hand as at 1 October 2017 as well as projects that have been awarded to us from 1 October 2017 up to the Latest Practicable Date:

No.	Customer	Total contract sum S\$'000	Actual/expected commencement date of works	Actual/expected date of completion of works	Amount of revenue recognised during the Track Record Period S\$'000	Amount of revenue expected to be recognised from 1 October 2017 to 30 June 2018 S\$'000	Amount of revenue expected to be recognised from 1 July 2018 to 30 June 2019 S\$'000
1	Penta-Ocean Construction Company Limited	3,370	August 2016	April 2018	3,210	160	-
2	Customer J	1,744	June 2017	November 2017	1,656	88	-
3	Canon Medical Systems Asia Pte. Ltd.	939	June 2017	March 2018	709	230	-
4	A construction contractor	120	June 2017	March 2018	80	40	-
5	Customer D	2,014	September 2017	May 2018	649	1,365	-
6	Customer D	581	September 2017	May 2018	187	394	-
7	Siemens Group	1,318	July 2017	May 2018	64	1,254	-
8	Customer C	288	September 2017	May 2018	5	283	-
9	Customer C	65	September 2017	May 2018	1	64	-
10	Customer C	211	September 2017	May 2018	4	207	-
11	Customer C	93	September 2017	May 2018	1	92	-
12	Siemens Group	483	August 2017	April 2018	228	255	-
13	Customer C	388	August 2017	April 2018	155	233	-
14	Siemens Group	323	September 2017	February 2018	103	220	-
15	A medical service provider	170	August 2017	April 2018	77	93	-
16	A construction contractor	53	August 2017	April 2018	19	34	-
17	Customer D	45	August 2017	November 2017	21	24	-
18	Customer D	26	August 2017	November 2017	7	19	-
19	Customer D	40	August 2017	November 2017	5	35	-
20	Customer D	647	October 2017	March 2018	-	647	-
21	Customer D	555	November 2017	May 2018	-	555	-
22	Canon Medical Systems Asia Pte. Ltd.	94	November 2017	April 2018	-	94	-
23	Siemens Group	167	November 2017	April 2018	-	167	-

BUSINESS

No.	Customer	Total contract sum S\$'000	Actual/expected commencement date of works	Actual/expected date of completion of works	Amount of revenue recognised during the Track Record Period S\$'000	Amount of revenue expected to be recognised from 1 October 2017 to 30 June 2018 S\$'000	Amount of revenue expected to be recognised from 1 July 2018 to 30 June 2019 S\$'000
24	Siemens Group	90	November 2017	April 2018	-	90	-
25	Customer C	917	November 2017	April 2018	-	917	-
26	A construction contractor	144	November 2017	March 2018	-	144	-
27	A medical equipment vendor	15	October 2017	November 2017	-	15	-
28	A construction contractor	3	December 2017	December 2017	-	3	-
29	A construction contractor	7	December 2017	December 2017	-	7	-
30	A medical service provider	52	January 2018	February 2018	-	52	-
31	Canon Medical Systems Asia Pte. Ltd.	86	April 2018	June 2018	-	86	-
32	Siemens Group	53	January 2018	March 2018	-	53	-
33	A construction contractor	47	April 2018	June 2018	-	47	-
34	A medical equipment vendor	34	March 2018	May 2018	-	34	-
35	Customer D	309	January 2018	May 2018	-	309	-
36	A construction contractor	37	January 2018	May 2018	-	37	-
37	A construction contractor	1,117	June 2018	June 2019	-	86	1,031
38	A medical service provider	2	March 2018	April 2018	-	2	-
39	A medical service provider	2	March 2018	May 2018	-	2	-
40	A medical service provider	2	March 2018	April 2018	-	2	-
41	Siemens Group	28	January 2018	April 2018	-	28	-
42	QST Technologies Pte. Ltd.	30	July 2018	October 2018	-	-	30
43	QST Technologies Pte. Ltd.	45	July 2018	September 2018	-	-	45
44	Siemens Group	144	July 2018	October 2018	-	-	144
45	Siemens Group	38	July 2018	November 2018	-	-	38
46	Siemens Group	62	July 2018	November 2018	-	-	62
47	Siemens Group	340	July 2018	October 2018	-	-	340
48	Canon Medical Systems Asia Pte. Ltd.	182	February 2018	March 2018	-	182	-
49	Canon Medical Systems Asia Pte. Ltd.	214	March 2018	June 2018	-	214	-

BUSINESS

Note:

- (1) Project No. 1 to No. 19 represented projects in our backlog as at 1 October 2017.
- (2) Project No. 1, No. 3 to No. 13, No. 15 to No. 16, No. 20 to No. 26, No. 32, No. 35 to No. 36, No. 41 and No. 48 represented projects in our backlog which have been commenced but not completed as at the Latest Practicable Date.
- (3) Project No. 31, No. 33 to No. 34, No. 37 to No. 40, No.42 to No. 47 and No. 49 represented the 14 projects in our backlog which had been awarded to us but not yet commenced as at the Latest Practicable Date.

CUSTOMERS

Characteristics of our customers

Our customers during the Track Record Period mainly included (i) multinational medical equipment vendors; (ii) medical service providers in Singapore including hospitals and clinics; and (iii) construction contractors engaged by project employers including the Singapore Government or medical service providers.

The number of customers for our integrated design and building services with revenue contribution to our Group was 46, 51, 63 and 13 for FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, respectively. During the Track Record Period, most of our customers were located in Singapore and our revenue derived from Singapore-based customers represents 99.3%, 98.8%, 97.5% and 100% of our total revenue for FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, respectively. A minor portion of our revenue was derived from customers in Southeast Asian countries (such as Malaysia) for (i) our radiation shielding-related consultancy services, as discussed in further details in the paragraph headed “Description of our services and products – (C) Sales of tools and materials” above in this section; and (ii) sales of our radiation shielding products fabricated by us at our workshop. During the Track Record Period, our revenue derived from customers in Singapore was mainly denominated in Singapore dollars, while our revenue derived from overseas customers was mainly denominated in US dollars.

BUSINESS

Medical equipment vendors

Medical equipment vendors mainly include local branches of multinational medical equipment manufacturers and other distributors of medical equipment in Singapore.

In general, where a medical service provider has decided on the medical equipment required in its facilities proposed to be put into operation, it would normally invite medical equipment vendors to participate in project tenders. The selected vendor would typically be responsible for (i) supplying and installing the relevant medical equipment; and (ii) ensuring the completion of all the related design and building works to facilitate the installation and functioning of such equipment. As a common industry practice, the medical equipment vendor would arrange to supply and install the equipment on its own, and subcontract the entire design and building works to a construction contractor (such as our Group).

Medical service providers

We have from time to time been engaged directly by medical service providers in Singapore to provide integrated design and building services for the construction, refurbishment and upgrading of their medical facilities. Our customers of this category vary in scale and include (i) public and private hospitals which provide comprehensive medical services; and (ii) clinics such as dental clinics, imaging centres, surgical and other treatment centres.

Construction contractors

During the Track Record Period, we have also been engaged by other construction contractors in Singapore. After these construction contractors have successfully tendered for a project, they may engage us as their subcontractor and subcontracted certain parts of the building works to us.

Principal terms of engagement

We provide integrated design and building services to our customers on a project-by-project basis, instead of entering into long-term contracts. Our Directors consider such arrangement is in line with the construction industry practice in Singapore.

Medical equipment vendors and medical service providers generally confirm our engagement by placing purchase orders with us. For projects awarded by construction contractors, we may be required to enter into a formal contract with them.

BUSINESS

The principal terms of our engagement with customers are summarised as follows:

(A) Integrated design and building services

Scope of work

The contracts normally set out the scope of services to be carried out by our Group and other project specifications or requirements. Our customers generally require us to complete our works within a specified period and in accordance with their specified work schedule.

Duration

The contract usually specifies the commencement date and duration of the project implementation, typically ranging from one month to one year.

Contract sum

In general, our contracts set out a lump sum fixed price for carrying out the scope of works pursuant to the specification, drawings and technical requirements of the customers. Some of our contracts are remeasurement contracts under which the final contract sum will be determined based on the agreed unit rates and the actual quantities of work done. There is no specific clause in relation to price adjustment in our contracts with our customers.

Payment terms

The payment terms with our customers vary from project to project, depending on the customer type and scale of the projects.

For projects awarded by medical equipment vendors, our Group would generally receive deposits of a certain percentage of the total contract sum upon receipt of the purchase orders. Our Group would submit an interim payment application to our customers by stages in accordance with the pre-agreed percentage of works as stated in the purchase orders and/or upon formal completion of works. For projects awarded by medical services providers or construction contractors, our Group would generally submit to our customer an interim payment application on a monthly basis with reference to the amount of works completed. Upon receiving our payment application for progress payments, our customer or its authorised person will examine and certify our works done by endorsing on our payment application or issuing a payment certificate to us.

The credit term granted by us to our customers generally ranged from approximately 30 to 90 days from the issue of invoices.

BUSINESS

Insurance

In general, we are required to procure and maintain contractors’ all risk insurance and work injury compensation insurance for the project. For further details, please refer to the paragraph headed “Insurance” below in this document. Where we undertake a project as subcontractor for other construction contractor, pursuant to the contract term, the construction contractor would normally take out the aforesaid insurance policies covering its liabilities as well as our liabilities as its subcontractor.

Procurement of materials

We are generally responsible for procuring the relevant building and radiation shielding materials required for the project at our own costs.

Warranty period

For details regarding our warranty period, please refer to the paragraph headed “Operation flow” above in this section.

Variation orders

For details regarding our variation orders, please refer to the paragraph headed “Operation flow” above in this section.

Performance guarantee

For a sizeable project awarded by a public hospital in Singapore during the Track Record Period, we were required to provide performance guarantee issued by bank in the amount of 10% of the contract sum (i.e. approximately S\$174,000) in favour of our customer. Such arrangement serves to secure our due and timely performance of work and compliance with the contract. If we fail to perform according to the requirements in the contract, our customer would be entitled to guaranteed compensation for any monetary loss up to the amount of the performance guarantee.

When arranging with bank for the issuance of performance guarantee in favour of our customer, a pledged deposit is normally required to be placed with the bank.

During the Track Record Period and up to the Latest Practicable Date, the aforesaid performance guarantee had not been called by our customer by reason of non-performance of the contract undertaken by us.

BUSINESS

Liquidated damages

Liquidated damages clause may be included in the contracts to protect our customers against late completion of work. We may be 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 contract. Liquidated damages are generally calculated on the basis of a fixed sum per day and/or according to certain damages calculating mechanism as stipulated under the contract on per working day basis.

During the Track Record Period and up to the Latest Practicable Date, no liquidated damages had been claimed by our customers against us.

Employment of foreign workers

Our Group shall ensure that no illegal immigrants shall be employed by us or our subcontractors in the execution of the project. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any employment of illegal workers and no legal action has been taken against us in connection with any employment of illegal workers. Please refer to the paragraph headed “Employees” in this section for further information regarding our employment of foreign workers.

Occupational health and safety measures

Our Group shall undertake to comply with occupational health and safety rules and regulations in Singapore as well as standards and guidelines specified by our customers. Besides, we shall be responsible for providing protective equipment and ensuring that they were properly worn by our workers.

Indemnities

Our Group shall indemnify our customers mainly for all losses, damages and liabilities which our customers may suffer in connection with our breach of, or failure to perform our obligations under the contracts.

Termination

Our customers typically may terminate our contracts if, among other things, we fail to execute the agreed scope of works, or if we become bankrupt or insolvent. During the Track Record Period and up to the Latest Practicable Date, none of our contracts were terminated pursuant to the termination clause.

BUSINESS

(B) Maintenance and other services

Scope of work

Our scope of services in relation to maintenance services typically include conducting examination, replacement of parts and repair works (if necessary) in relation to the radiation shielding works and M&E works completed by us for a fixed term, typically on a yearly basis. Depending on the term of our maintenance services, we may visit our customers’ premises on a monthly or quarterly basis to conduct examination.

We also provide other ancillary services to our customers, details of which are discussed in the paragraph headed “Description of our services and products” above in this section.

Payment terms

Depending on the term of our maintenance services, our customers generally pay us on a quarterly basis in advance or upon completion of each round of examination. In respect of our other ancillary services, we generally receive payments from our customers after completion of our services.

Top customers

For each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, the percentage of our total revenue attributable to our top customer amounted to approximately 23.3%, 30.3%, 24.2% and 22.5% respectively, while the percentage of our total revenue attributable to our top five customers combined amounted to approximately 83.6%, 82.0%, 68.2% and 85.3%, respectively.

BUSINESS

FY2014/15

Rank	Customer	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					SS'000	%
1	Customer A	A Singapore company being a wholly-owned subsidiary of a company listed on the Bursa Malaysia and the Singapore Stock Exchange, the principal activities of which include operation of clinics and provision of general western medical services	Since 2006	60 days; by cheque	3,083	23.3
2	Siemens Healthcare Pte. Ltd.; Siemens Pte. Ltd. (the “Siemens Group”) or Customers B	Singapore companies being wholly-owned subsidiaries of a company listed on the Frankfurt Stock Exchange, the principal activities of which include, among others, sales of medical, scientific and precision equipment	Since 2006	60 days; by bank transfer	3,067	23.2
3	Customer C	A Singapore company being a subsidiary of a company listed on the New York Stock Exchange, London Stock Exchange, Euronext Paris, the SIX Swiss Exchange and the Frankfurt Stock Exchange, the principal activities of which include, among others, sales of healthcare products and medical equipment	Since 2006	60 days; by bank transfer	2,442	18.4
4	Customer D	A Singapore company being a wholly-owned subsidiary of a company listed on the New York Stock Exchange and Euronext Amsterdam, the principal activities of which include, among others, sales of healthcare products and medical equipment	Since 2006	30 days; by bank transfer	1,651	12.5
5	Farrer Park Hospital Pte. Ltd.	A private company in Singapore, the principal activities of which mainly include operation of hospitals	Since 2014	30 days; by cheque	826	6.2
Top five customers combined					11,069	83.6
All other customers					<u>2,176</u>	<u>16.4</u>
Total revenue					<u><u>13,245</u></u>	<u><u>100.0</u></u>

BUSINESS

FY2015/16

Rank	Customer	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer S\$'000 %	
1	Customer D	A Singapore company being a wholly-owned subsidiary of a company listed on the New York Stock Exchange and Euronext Amsterdam, the principal activities of which include, among others, sales of healthcare products and medical equipment	Since 2006	90 days; by bank transfer	2,968	30.3
2	Customer C	A Singapore company being a subsidiary of a company listed on the New York Stock Exchange, London Stock Exchange, Euronext Paris, the SIX Swiss Exchange and the Frankfurt Stock Exchange, the principal activities of which include, among others, sales of healthcare products and medical equipment	Since 2006	60 days; by bank transfer	2,050	20.9
3	Siemens Group or Customer B	Singapore companies being wholly-owned subsidiaries of a company listed on the Frankfurt Stock Exchange, the principal activities of which include, among others, sales of medical, scientific and precision equipment	Since 2006	60 days; by bank transfer	2,036	20.8
4	Canon Medical Systems Asia Pte. Ltd. (previously known as Toshiba Medical Systems Asia Pte. Ltd.) or Customer F	A Singapore company being a subsidiary of a company listed on the Tokyo Stock Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange, Sapporo Stock Exchange and New York Stock Exchange, the principal activities of which include, among others, sales of medical, scientific and precision equipment	Since 2009	30 days; by cheque	645	6.6
5	QST Technologies Pte. Ltd.	A private company in Singapore, the principal activities of which mainly include sales of healthcare products and provision of healthcare solutions	Since 2014	30 days; by cheque	334	3.4
Top five customers combined					8,033	82.0
All other customers					<u>1,760</u>	<u>18.0</u>
Total revenue					<u><u>9,793</u></u>	<u><u>100.0</u></u>

BUSINESS

FY2016/17

Rank	Customer	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					US\$'000	%
1	Siemens Group or Customer B	Singapore companies being wholly-owned subsidiaries of a company listed on the Frankfurt Stock Exchange, the principal activities of which include, among others, sales of medical, scientific and precision equipment	Since 2006	60 days; by bank transfer	3,618	24.2
2	Penta-Ocean Construction Company Limited or Customer H	A Japanese company listed on the Tokyo Stock Exchange and Nagoya Stock Exchange, the principal activities of which include, among others, provision of civil engineering services and building construction services	Since 2016	30 days; by bank transfer	2,487	16.7
3	Customer I	A Singapore company being a wholly-owned subsidiary of a company listed on the New York Stock Exchange, the principal activities of which include operation of hospitals	Since 2016	30 days; by cheque	1,725	11.5
4	Customer D	A Singapore company being a wholly-owned subsidiary of a company listed on the New York Stock Exchange and Euronext Amsterdam, the principal activities of which include, among others, sales of healthcare products and medical equipment	Since 2006	90 days; by bank transfer	1,222	8.2
5	Customer C	A Singapore company being a subsidiary of a company listed on the New York Stock Exchange, London Stock Exchange, Euronext Paris, the SIX Swiss Exchange and the Frankfurt Stock Exchange, the principal activities of which include, among others, sales of healthcare products and medical equipment	Since 2006	90 days; by bank transfer	1,139	7.6
Top five customers combined					10,191	68.2
All other customers					<u>4,746</u>	<u>31.8</u>
Total revenue					<u><u>14,937</u></u>	<u><u>100.0</u></u>

BUSINESS

Three months ended 30 September 2017

Rank	Customer	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					US\$'000	%
1	Penta-Ocean Construction Company Limited or Customer H	A Japanese company listed on the Tokyo Stock Exchange and Nagoya Stock Exchange, the principal activities of which include, among others, provision of civil engineering services and building construction services	Since 2016	30 days; by bank transfer	909	22.5
2	Customer D	A Singapore company being a wholly-owned subsidiary of a company listed on the New York Stock Exchange and Euronext Amsterdam, the principal activities of which include, among others, sales of healthcare products and medical equipment	Since 2006	90 days; by bank transfer	873	21.6
3	Canon Medical Systems Asia Pte. Ltd. (previously known as Toshiba Medical Systems Asia Pte. Ltd.) or Customer F	A Singapore company being a subsidiary of a company listed on the Tokyo Stock Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange, Sapporo Stock Exchange and New York Stock Exchange, the principal activities of which include, among others, sales of medical, scientific and precision equipment	Since 2009	30 days; by cheque	703	17.4
4	Customer J	A public hospital in Singapore	Since 2012	30 days; by bank transfer	556	13.8
5	Siemens Group or Customer B	Singapore companies being wholly-owned subsidiaries of a company listed on the Frankfurt Stock Exchange, the principal activities of which include, among others, sales of medical, scientific and precision equipment	Since 2006	60 days; by bank transfer	401	9.9
Top five customers combined					3,442	85.3
All other customers					<u>593</u>	<u>14.7</u>
Total revenue					<u><u>4,035</u></u>	<u><u>100.0</u></u>

None of our Directors, their close associates or any Shareholders who owned more than 5% of the number of the issued shares of our Company as at the Latest Practicable Date had any interest in any of our top five customers during the Track Record Period.

BUSINESS

Further information on our top customers

Customer A is a wholly-owned subsidiary of a company (the “**Customer A Holdco**”) whose shares are listed on the Bursa Malaysia and the Singapore Stock Exchange with a market capitalisation ranging from HK\$98.6 billion to HK\$98.8 billion as at the Latest Practicable Date. According to the latest annual report of Customer A Holdco, the principal activities of its subsidiaries include (i) operation of hospitals and provision of healthcare services in Asia, Central and Eastern Europe, Middle East and North Africa; (ii) provision of medical and health sciences education services in Malaysia; and (iii) real estate investment in Singapore, Malaysia and Japan. Based on the latest annual report of Customer A Holdco, its revenue generated from the operation of hospitals and provision of healthcare services in Asia amounted to approximately HK\$9.4 billion and HK\$11.2 billion for the years ended 31 December 2015 and 2016, respectively.

Siemens Group consists of two wholly-owned subsidiaries of a company (the “**Siemens Group Holdco**”) whose shares are listed on the Frankfurt Stock Exchange with a market capitalisation of approximately HK\$888.1 billion as at the Latest Practicable Date. According to the latest annual report of Siemens Group Holdco, the principal activities of its subsidiaries include provision of (i) healthcare services; (ii) power, gas and renewables; (iii) energy management services; (iv) building products and services; (v) passenger and freight transportation services; (vi) product portfolio and system solutions used in manufacturing industries; (vii) products and services for measuring and controlling mass flows; and (viii) financial services. Based on the latest annual report of Siemens Group Holdco, its revenue generated from the provision of healthcare services amounted to approximately HK\$119.8 billion and HK\$125.4 billion for the years ended 30 September 2015 and 2016, respectively.

Customer C is a subsidiary of a company (the “**Customer C Holdco**”) whose shares are listed on the New York Stock Exchange, London Stock Exchange, Euronext Paris, the SIX Swiss Exchange and the Frankfurt Stock Exchange with a market capitalisation ranging from HK\$985.4 billion to HK\$1,019.6 billion as at the Latest Practicable Date. According to the latest annual report of Customer C Holdco, the principal activities of its subsidiaries include the provision of (i) healthcare services; (ii) aviation design and production of aircraft components; (iii) oil, gas, power and renewable energy; (iv) transportation services; (v) energy connections and lighting services; and (vi) financial services. Based on the latest annual report of Customer C Holdco, its revenue generated from the provision of healthcare services amounted to approximately HK\$137.2 billion and HK\$142.3 billion for the years ended 31 December 2015 and 2016, respectively.

BUSINESS

Customer D is a subsidiary of a company (the “**Customer D Holdco**”) whose shares are listed on the New York Stock Exchange and Euronext Amsterdam with a market capitalisation ranging from HK\$284.6 billion to HK\$285.8 billion as at the Latest Practicable Date. According to the latest annual report of Customer D Holdco, the principal activities of its subsidiaries include the provision of (i) personal health services; (ii) diagnosis and treatment solutions; (iii) healthcare informatics solutions and services; and (iv) lighting services. Based on the latest annual report of Customer D Holdco, its revenue generated from the provision of healthcare related services amounted to approximately HK\$156.3 billion and HK\$162.4 billion for the years ended 31 December 2015 and 2016, respectively.

Farrer Park Hospital Pte. Ltd. is a private company incorporated in 2011 in Singapore, the principal activities of which include the operation of hospitals. According to the public information available at the Singapore Accounting and Corporate Regulatory Authority, its total paid up issued capital is approximately S\$72 million. Farrer Park Hospital Pte. Ltd. is not a listed company and therefore its operational and financial information is not publicly available.

Canon Medical Systems Asia Pte. Ltd. (previously known as Toshiba Medical Systems Asia Pte. Ltd.) is a subsidiary of a company (the “**Canon Medical Holdco**”) whose shares are listed on the Tokyo Stock Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange, Sapporo Stock Exchange and New York Stock Exchange with a market capitalisation ranging from HK\$384.8 billion to HK\$399.5 billion as at the Latest Practicable Date. According to the latest annual report of Canon Medical Holdco, the principal activities of its subsidiaries include sales of (i) industry and other products which include medical equipment; (ii) imaging system products; and (iii) office products. Based on the latest annual report of Canon Medical Holdco, its revenue generated from the sales of industry and other products amounted to approximately HK\$37.3 billion and HK\$41.6 billion for the years ended 31 December 2015 and 2016, respectively.

QST Technologies Pte. Ltd. is a private company incorporated in 2005 in Singapore, the principal activities of which include sales of healthcare products and provision of healthcare solutions. According to the public information available at the Singapore Accounting and Corporate Regulatory Authority, its total paid up issued capital is approximately S\$0.1 million. QST Technologies Pte. Ltd. is not a listed company and therefore its operational and financial information is not publicly available.

BUSINESS

Penta-Ocean Construction Company Limited is a Japanese company whose shares are listed on the Tokyo Stock Exchange and Nagoya Stock Exchange with a market capitalisation ranging from HK\$15.5 billion to HK\$16.3 billion as at the Latest Practicable Date. According to the latest annual report of Penta-Ocean Construction Company Limited, its principal activities include (i) provision of civil engineering services; (ii) provision of building construction services; and (iii) real estate development. Based on the latest annual report of Penta-Ocean Construction Company Limited, its revenue amounted to approximately HK\$29.8 billion and HK\$34.4 billion for the years ended 31 March 2015 and 2016, respectively.

Customer I is a subsidiary of a company (the “**Customer I Holdco**”) whose shares are listed on the New York Stock Exchange with a market capitalisation of approximately HK\$0.88 billion as at the Latest Practicable Date. According to the latest annual report of Customer I Holdco, the principal activities of its subsidiaries include (i) leasing of radiotherapy and diagnostic imaging equipment; (ii) provision of management services to hospitals; and (iii) hospital operations in the PRC and Singapore. Based on the latest annual report of Customer I Holdco, its revenue amounted to approximately HK\$733.9 million and HK\$541.7 million for the years ended 31 December 2015 and 2016, respectively.

Customer concentration

For each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, the percentage of our total revenue attributable to our top five customers combined amounted to approximately 83.6%, 82.0%, 68.2% and 85.3% respectively. The percentage of our total revenue attributable to our top customer amounted to approximately 23.3%, 30.3%, 24.2% and 22.5% respectively for the same periods. Our Directors consider that our Group’s business model is sustainable despite such customer concentration due to the following factors:

- According to the Ipsos Report, the medical equipment industry in Singapore is dominated by a limited number of multinational medical equipment vendors which include, among others, Siemens Group, Customer C, Customer D and Canon Medical Systems Asia Pte. Ltd. (collectively, the “**Major Medical Equipment Vendors**”). Given the landscape of the medical equipment industry, it is common for a contractor specialising in the medical and healthcare sector to rely on such medical equipment vendors and such customer concentration is not uncommon in the industry.
- We have developed long-term business relationship with the Major Medical Equipment Vendors ranging from eight to 11 years. We believe that our experience in undertaking turnkey solutions projects for these customers has given us competitive advantages in the industry. Our established relationships with these customers can be regarded as a credit of our quality services.

BUSINESS

- Our ability to undertake turnkey solutions projects is also beneficial to the Major Medical Equipment Vendors as it enables them to focus on their core business activities (i.e. supply and installation of medical equipment) and save up management attention and resources that would otherwise be required for developing know-how and expertise in handling the aforesaid design and building works including radiation shielding works. Further, our proven track record as a contractor specialised in the medical and healthcare industry could also provide assurance to our customers in ensuring that their projects are executed on time and in accordance with their requirements. As such, we consider that we have developed a mutual and complementary relationship with the Major Medical Equipment Vendors.
- All of our top five customers during the Track Record Period (except Farrer Park Hospital Pte. Ltd., QST Technologies Pte. Ltd. and Customer J (being a public hospital in Singapore)) are either listed company or subsidiaries of listed companies in various stock markets. Our Directors consider that group members of listed companies generally have better performance in terms of credit ratings and financial resources, as compared to privately-owned entities.
- The Major Medical Equipment Vendors are the key players in the medical equipment industry in Singapore. Our engagements with these medical equipment vendors have facilitated us in enhancing our services quality as well as keeping ourselves abreast of the evolving market needs and the latest industry trend.
- We undertake jobs of considerably different scales. If we undertake a project with large contract sum, it may contribute a substantial amount to our revenue in a particular period, resulting in the relevant customer becoming one of our top customers in terms of revenue contribution to us.
- Even if any of our major customers substantially reduce the number of contracts with us or terminate the business relationship with us, our Directors consider that we would have extra capacity to handle other potential projects from other existing or new customers in view of the expected growth in the medical-related construction industry in Singapore and our competitive strengths as detailed in the paragraph headed “Competitive strengths” above in this section. According to the Ipsos Report, the total output value of the construction of medical-related facilities in Singapore is forecasted to increase from approximately S\$2.3 billion in 2017 to approximately S\$3.1 billion in 2021, representing a CAGR of approximately 7.8%.

BUSINESS

- We have made consistent effort in expanding and diversifying our customer base. The number of customers for our integrated design and building services which generated revenue to us increased from 46 in FY2014/15 to 51 in FY2015/16 and further increased to 63 in FY2016/17. Further, the percentage of revenue derived from our top five customers have decreased considerably from 83.6% in FY2014/15 to 82.0% in FY2015/16, and further decreased to 68.2% in FY2016/17.

Top customers who were also our suppliers

Customer A, Siemens Group, Customer C, Farrer Park Hospital Pte. Ltd., Canon Medical Systems Asia Pte. Ltd. and Penta-Ocean Construction Company Limited were our top customers during the Track Record Period. We occasionally made insignificant purchases of certain building and radiation shielding raw materials from these customers or their associated companies for use in our respective projects with them. Our purchase from these customers, in aggregate, amounted to approximately S\$74,000, S\$58,000, S\$13,000 and nil for each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, respectively.

PRICING STRATEGY

Our pricing is generally determined based on certain mark-up over our estimated costs. We estimate our costs to be incurred in a project to determine our fee quotation or tender price and there is no assurance that the actual amount of costs would not exceed our estimation during the performance of our projects. Please refer to the paragraph headed “Risk factors – Any significant cost overruns may materially and adversely affect our business operation and financial performance” in this document for further details of the associated risks in this regard. Nevertheless, during the Track Record Period and up to the Latest Practicable Date, we did not encounter any material project delay or cost overrun, nor did we experience any loss-making projects as a result of material inaccurate estimation or cost overruns.

In order to minimise the risk of inaccurate estimate and cost overrun, the pricing of our services are overseen by our executive Directors, whose background and experience are disclosed in the section headed “Directors and senior management” in this document, based on our pricing strategy described in the following paragraphs.

Pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the scope of services; (ii) the estimated number and types of workers required; (iii) the price trend of the types of materials required; (iv) the complexity of the project; (v) the estimated number and types of machinery and equipment required; (vi) the availability of our manpower and resources; (vii) the completion time requested by customers; (viii) any subcontracting which is expected to be necessary; and (ix) the prevailing market conditions.

BUSINESS

We then prepare our tender or quotation based on a certain percentage of mark-up over our estimated cost. The percentage of mark-up may vary substantially from project to project due to factors such as (i) the size of the project; (ii) the prospect of obtaining future contracts from the customer; (iii) any possible positive effect of our Group’s image in the medical-related construction industry; (iv) the amount of the portion of work undertaken by any subcontractor; (v) the likelihood of any material deviation of the actual cost from our estimation having regard to the price trend of key cost components; and (vi) the general market condition.

SALES AND MARKETING

Our marketing strategies

During the Track Record Period, we secured new businesses mainly through direct invitations for tender or quotation by customers. Our Directors consider that due to our proven track record and our relationship with existing customers, we are able to leverage our existing customer base and our reputation in the medical-related construction industry in Singapore such that we do not rely heavily on marketing activities other than liaising with existing and potential customers from time to time for relationship building and management.

Proposed collaboration with Asian American Radiation Oncology Pte Ltd

In August 2015, Hwa Koon and Asia American Radiation Oncology Pte Ltd (“**AARO**”), a wholly-owned subsidiary of Asian American Medical Group Limited (“**AAMG**”) which is listed on the Australian Securities Exchange, entered into a memorandum of understanding (the “**MOU**”). The principal business of AAMG includes offering radiation oncology clinical, consultancy and management services. Mr. Ang is a substantial shareholder (holding approximately 15.5% interest of the total issued share capital) of AAMG as at the Latest Practicable Date. Pursuant to the MOU, both parties agree to explore collaborations relating to setting up radiotherapy centre and/or undertaking medical-related projects. In particular, Hwa Koon will provide technical advice on the building specifications for medical centres set up by AARO. Hwa Koon will also allow its name to be used in marketing materials developed by AARO and AAMG. The MOU does not create any obligations on the part of Hwa Koon, nor is Hwa Koon committed to any investment or capital contribution in any potential project. No transaction has taken place between our Group and AAMG during the Track Record Period and up to the Latest Practicable Date.

Our Directors believe that such collaboration with AARO is beneficial to our Group as it (i) assists us in promoting our reputation as an established contractor in the medical-related construction industry in Singapore; and (ii) reflects the confidence in our Group’s expertise in providing integrated design and building services for medical service providers.

BUSINESS

SUPPLIERS

Characteristics of our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) our subcontractors; (ii) suppliers of building and radiation shielding materials; and (iii) suppliers of other miscellaneous services such as services provided by third party professionals (such as surveying services and testing services), transportation service and rental of lifting machinery and equipment. Our purchase amount from our suppliers was mainly denominated in Singapore dollars and, to lesser extent, US dollars or Malaysia Ringgit. Our suppliers usually grant us a credit term of 14 to 90 days or require payment upon delivery.

The following table sets forth a breakdown of our purchases of goods and services during the Track Record Period by type of suppliers:

	FY2014/15		FY2015/16		FY2016/17		Three months ended 30 September 2017	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Subcontracting services	3,365	53.4	2,624	57.6	3,222	49.7	1,244	69.5
Building and radiation shielding materials	2,574	40.9	1,309	28.8	2,506	38.7	401	22.4
Miscellaneous services ^(Note)	360	5.7	621	13.6	748	11.6	144	8.1
Total	6,299	100.0	4,554	100.0	6,476	100.0	1,789	100.0

Note: These miscellaneous services mainly included services provided by third party professionals (such as surveying services and testing services), transportation service and rental of lifting machinery and equipment.

Please refer to the paragraph headed “Financial information – Key factors affecting our results of operations and financial condition” in this document for a discussion of the fluctuation in our purchases from our suppliers during the Track Record Period as shown in the above table as well as the relevant sensitivity analyses in this connection.

During the Track Record Period, we did not experience any material shortage or delay in the supply of goods and services that we required. Our Directors consider that we are generally able to pass on any substantial increase in purchase costs to our customers as we generally take into account our overall cost of providing our services to customers when determining our pricing.

BUSINESS

Principal terms of engagement

Subcontractors

Depending on our available labour resources and the types of specialised works involved, we may engage other subcontractors to perform certain building works such as (i) M&E works relating to ACMV systems, chiller systems, and plumbing and sanitary systems; and (ii) fitting-out works involving carpentry works and other finishing works relating to ceilings, floors and walls.

We have not entered into any long-term agreement or committed to any minimum purchase amount with our subcontractors. Our subcontractors generally charge us for a fixed price based on a schedule of rates.

Suppliers of building and radiation shielding materials

We generally place orders for building and radiation shielding materials such as lead and other shielding materials, gypsum boards, steel and other electrical components from our suppliers on an as-needed basis, taking into account the estimated amount of building materials required for the project. Our purchase orders generally specify the volume, size, delivery date, product specification and types of materials we required.

We have not entered into any long-term agreement or committed to any minimum purchase amount with our suppliers of building materials. In general, our building materials suppliers charge us based on the total quantity of our purchase.

Suppliers of miscellaneous services

In undertaking our turnkey solutions projects, we have from time to time engaged third party professionals to provide surveying services and testing services. In addition, we mainly rely on our suppliers to carry out transportation of dismantled medical equipment. We also leased lifting machinery and equipment from our suppliers. Our purchase orders generally specify the scope of services, the total purchase price and delivery date. We have not entered into any long-term agreement or committed to any minimum purchase amount with our suppliers of miscellaneous services.

BUSINESS

Top suppliers

For each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, the percentage of our total purchases from our top supplier amounted to approximately 19.9%, 7.7%, 14.4% and 12.6% respectively, while the percentage of our total purchases from our top five suppliers combined amounted to approximately 39.9%, 28.0%, 40.4% and 47.2% respectively.

The following tables set out information of our top five suppliers for each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017:

FY2014/15

Rank	Supplier	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						S\$'000	%
1	Supplier A	A private company in the United States, the principal activities of which mainly include, among others, sales of radiation shielding materials	Supply of radiation shielding materials	Since 2014	Payment upon delivery; by bank transfer	1,253	19.9
2	Supplier B	A sole proprietor in Singapore, the principal activities of which mainly include acting as renovation contractor	Subcontracting of carpentry works	Since 2012	Payment upon delivery; by cheque	423	6.7
3	Supplier C	A private company in Singapore, the principal activities of which mainly include acting as building contractor for ACMV works	Subcontracting of ACMV works	Since 2009	30 days; by cheque	363	5.8
4	Supplier D	A private company in Singapore, the principal activities of which mainly include acting as building contractor for ACMV works	Subcontracting of ACMV works	Since 2006	Payment upon delivery; by cheque	245	3.9
5	Supplier E	A private company in Singapore, the principal activities of which mainly include acting as renovation contractor and manufacturing of furniture and fixtures	Subcontracting of carpentry works	Since 2010	Payment upon delivery; by cheque	225	3.6
Top five suppliers combined						2,509	39.9
All other suppliers						<u>3,790</u>	<u>60.1</u>
Total purchases						<u><u>6,299</u></u>	<u><u>100.0</u></u>

Note: Mr. Ong was formerly a director and a shareholder (holding 33.33% of the total issued share capital) of Supplier C. In March 2017, Mr. Ong resigned from his directorship and sold all his shareholdings in Supplier C to an independent third party.

BUSINESS

FY2015/16

Rank	Supplier	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						S\$'000	%
1	Supplier B	A sole proprietor in Singapore, the principal activities of which mainly include acting as renovation contractor	Subcontracting of carpentry works	Since 2012	Payment upon delivery; by cheque	351	7.7
2	Supplier F	A partnership in Singapore, the principal activities of which mainly include sales of metal and radiation shielding materials	Supply of radiation shielding materials	Since 2006	90 days; by cheque	295	6.5
3	Supplier C ^(Note)	A private company in Singapore, the principal activities of which mainly include acting as building contractor for ACMV works	Subcontracting of ACMV works	Since 2009	30 days; by cheque	223	4.9
4	Supplier G	A sole proprietor in Singapore, the principal activities of which mainly include provision of transportation services for machinery	Transportation service	Since 2009	30 days; by cheque	204	4.5
5	Supplier H	A private company in Singapore, the principal activities of which mainly include acting as general contractor for building construction and sales of construction materials and related products	Subcontracting of fitting-out works	Since 2010	30 days; by cheque	199	4.4
					Top five suppliers combined	1,272	28.0
					All other suppliers	<u>3,282</u>	<u>72.0</u>
					Total purchases	<u><u>4,554</u></u>	<u><u>100.0</u></u>

Note: Mr. Ong was formerly a director and a shareholder (holding 33.33% of the total issued share capital) of Supplier C. In March 2017, Mr. Ong resigned from his directorship and sold all his shareholdings in Supplier C to an independent third party.

BUSINESS

FY2016/17

Rank	Supplier	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						S\$'000	%
1	Supplier F	A partnership in Singapore, the principal activities of which mainly include sales of metal and radiation shielding materials	Supply of radiation shielding materials	Since 2006	90 days; by cheque	931	14.4
2	Supplier C <i>(Note)</i>	A private company in Singapore, the principal activities of which mainly include acting as building contractor for ACMV works	Subcontracting of ACMV works	Since 2009	30 days; by cheque	743	11.5
3	Supplier I	A private company in Singapore, the principal activities of which include, among others, acting as building contractor for M&E works	Subcontracting of sanitary system related works	Since 2017	Payment upon delivery by cheque	451	7.0
4	Supplier B	A sole proprietor in Singapore, the principal activities of which mainly include acting as renovation contractor	Subcontracting of carpentry works	Since 2012	Payment upon delivery; by cheque	296	4.6
5	Supplier J	A private company in Singapore, the principal activities of which mainly include manufacture of metal materials	Supply of building materials	Since 2009	30 days; by cheque	185	2.9
Top five suppliers combined						2,606	40.4
All other suppliers						<u>3,870</u>	<u>59.6</u>
Total purchases						<u><u>6,476</u></u>	<u><u>100.0</u></u>

Note: Mr. Ong was formerly a director and a shareholder (holding 33.33% of the total issued share capital) of Supplier C. In March 2017, Mr. Ong resigned from his directorship and sold all his shareholdings in Supplier C to an independent third party.

BUSINESS

Three months ended 30 September 2017

Rank	Supplier	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						S\$'000	%
1	Supplier F	A partnership in Singapore, the principal activities of which mainly include sales of metal and radiation shielding materials	Supply of radiation shielding materials	Since 2006	90 days; by cheque	225	12.6
2	Supplier I	A private company in Singapore, the principal activities of which include, among others, acting as building contractor for M&E works	Subcontracting of sanitary system related works	Since 2017	Payment upon delivery; by cheque	188	10.5
3	Supplier K	A private company in Singapore, the principal activities of which mainly include acting as building contractor for ACMV works	Subcontracting of ACMV works	Since 2012	30 days; by cheque	184	10.3
4	Supplier L	A private company in Singapore, the principal activities of which mainly include acting as building contractor for ACMV works	Subcontracting of ACMV works	Since 2014	30 days; by cheque	136	7.6
5	Supplier M	A private company in Singapore, the principal activities of which include, acting as building contractor for M&E works	Subcontracting of M&E related works	Since 2017	30 days; by cheque	111	6.2
					Top five suppliers combined	844	47.2
					All other suppliers	<u>945</u>	<u>52.8</u>
					Total purchases	<u><u>1,789</u></u>	<u><u>100.0</u></u>

Save as disclosed above, none of our Directors, their close associates or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the top five suppliers of our Group during the Track Record Period.

BUSINESS

Top supplier who was also our customer

Supplier C is a building contractor for ACMV works in Singapore. Mr. Ong was formerly a director and a shareholder (holding 33.33% of the total issued share capital) of Supplier C. In March 2017, Mr. Ong resigned from his directorship and sold all his shareholdings in Supplier C to an independent third party. Supplier C was one of our major suppliers during the Track Record Period which provided subcontracting services to us. During the Track Record Period, we subcontracted certain ACMV works to Supplier C, resulting in subcontracting charges of approximately S\$0.4 million, S\$0.2 million, S\$0.7 million and S\$0.1 million for each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, representing approximately 5.8%, 4.9%, 11.5% and 5.4% of our total purchases, respectively. Mr. Ong became a shareholder and director of Hwa Koon in July 2015 and hence our Group’s transactions with Supplier C were regarded as related party transactions only since July 2015 (i.e. FY2015/16 and FY2016/17). For further details, please refer to the section headed “Financial information – Related party transactions” in this document.

During the Track Record Period, Supplier C was also one of our customers who engaged us for certain fitting-out works for each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017 which contributed nil, S\$8,900, S\$9,350 and nil of revenue to our Group, respectively.

Our Directors believe that Supplier C engaged us to perform fitting-out works due to the limitation in their labour resources as they focus on carrying out works related to ACMV system. On the other hand, we engaged Supplier C to perform ACMV works during the Track Record Period as this is consistent with our usual subcontracting practice as discussed in the paragraphs headed “Reasons for subcontracting arrangement” and “Basis of selecting suppliers” below. Following Mr. Ong’s resignation from his directorship in Supplier C, Supplier C has continued to provide subcontracting services to our Group and we have continued to perform fitting-out works for Supplier C. In addition, there has been no material change in the terms of engagements between our Group and Supplier C (being either our customer or supplier). In view of the aforesaid, our Directors consider that Mr. Ong’s resignation from his directorship in Supplier C does not have adverse impact on our business relationship with Supplier C.

BUSINESS

Reasons for subcontracting arrangement

Our Directors confirm that subcontracting of works is a usual practice in the Singapore construction industry. As our integrated design and building services involve certain kinds of specialised works (such as works related to ACMV systems, chiller systems, and plumbing and sanitary systems), it may not be cost effective for us to directly undertake each of the works involved. In addition, subcontractors can provide additional labours with different skills without the need for us to keep them under our employment. As such, we may subcontract some of our works to other subcontractors, depending on the availability of our labour resources and the types of specialised works involved.

In such subcontracting arrangements, we generally require our subcontractors to bear the cost of the relevant labours, building materials, machinery and equipment for the relevant parts of the works, while we will take a supervisory role to regularly monitor the works performed by the subcontractors.

Basis of selecting suppliers

Selection of subcontractors

We evaluate subcontractors taking into account their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating our requests and reputation. Based on these factors, we maintain an internal list of approved subcontractors and such list is updated on a continuous basis. As at the Latest Practicable Date, there were more than 175 approved subcontractors on our internal list. When subcontractors are needed for a particular project, we typically obtain quotations from different suitable subcontractors for comparison and select our subcontractors based on their experience relevant to the particular project as well as their availability and fee quotations.

Selection of materials suppliers

We generally obtain quotations from different suitable suppliers for comparison. In selecting our suppliers of materials, we take into account various factors, including pricing, quality of material or equipment provided, timeliness of delivery and ability to comply with our requirements and specifications. We maintain a list of approved suppliers who we have procured from in the past, and will review and update such list from time to time. We occasionally made insignificant purchases of certain building and radiation shielding materials from our major customers or their associated companies for use in our respective projects with them. For further details, please refer to the paragraph headed “Customers – Top customers who were also our suppliers” above in this section.

BUSINESS

Control over subcontractors

We remain accountable to our customers for the performance and quality of work rendered by our subcontractors. In general, works performed by our subcontractors are inspected and monitored by our project management team based on our quality management system, environmental management and occupational health and safety management system which are in conformity with the requirements of ISO 9001, ISO 14001 and OHSAS 18001 standards respectively.

We have implemented the following measures to monitor the quality and progress of works outsourced to our subcontractors so as to ensure the compliance with our contract specifications:

- (i) all of our subcontractors are classified into different categories depending on their expertise to ensure that they are capable of undertaking works of corresponding quality and risk environments;
- (ii) our project management team conducts regular meetings with subcontractors' responsible personnel at the work sites to review their performance and resolve any issues encountered in the course of their works; and
- (iii) our subcontractors are required to follow our guidelines and instructions on workplace safety. Our project management team will inspect the site conditions and closely monitor the on-site safety performance of our subcontractors.

QUALITY CONTROL

Our Directors consider that our commitment to quality services is crucial to our reputation and continued success. We place strong emphasis on service quality by implementing a comprehensive quality control system. Hwa Koon obtained certification in 2008 certifying its quality management to be in conformance with the requirements of ISO 9001:2008 standard. We have adopted the following quality control measures to ensure our service quality:

Feedbacks from customers

Our senior management team regularly communicates with our customers and conducts site visits to collect feedbacks from our customers. We would follow up and respond to their feedbacks in a timely manner with a view to maintain our service standard. Throughout the project implementation, we may from time to time be invited to attend inspection sessions and progress meetings held by our customers and/or the project employers.

BUSINESS

Procurement of materials

Our Group maintains an approved list of suppliers which is updated on a regular basis. We typically arrange sample inspection on the materials upon their arrival. Please refer to the paragraph headed “Suppliers – Selection of materials suppliers” for our procurement policies of building and radiation shielding materials. Our suppliers are responsible for replacing any materials which do not meet the relevant specifications or standards, and bearing any associated costs incurred.

Works performed by subcontractors

Our Group maintains an approved list of subcontractors which we selected based on their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating our requests and reputation. Please also refer to the paragraph headed “Suppliers – Control over subcontractors” above in this section for further details in this regard.

INVENTORY

In general, building and radiation shielding materials are procured by us on a project-by-project basis in accordance with the project specifications. Therefore, we do not maintain any inventory during the Track Record Period.

INSURANCE

During the Track Record Period, we have taken out the insurance policies as set out in the following paragraphs. Our Directors consider that our insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice.

Work injury compensation insurance

Pursuant to section 23 of the Work Injury Compensation Act (“WICA”), every employer is required to insure and maintain insurance under one or more approved policies with an insurer against all liabilities which he may incur under the provisions of the WICA in respect of all employees employed by him, unless specifically exempted.

We maintain work injury compensation policies for all our manual workers and non-manual workers earning less than S\$1,600 per month, as stipulated by the MOM, in the form of specific work injury compensation policies obtained in respect of the various projects which our manual workers are being deployed to, as well as a general work injury compensation policy, renewed annually, for our other workers who are not covered under the aforesaid specific policies.

BUSINESS

Insurance for security bonds

For each non-Malaysian foreign employee whom we were successfully granted with a work permit, a security bond of S\$5,000 in the form of a banker’s guarantee or insurance guarantee is required to be furnished to the Controller of Work Passes under the Employment of Foreign Manpower Act. For further details, please refer to the paragraph headed “Regulatory overview – Employment matters” in this document.

Under the aforesaid requirement under the Employment of Foreign Manpower Act, we have taken out insurance in guarantee of our obligations to furnish security bonds for our non-Malaysian foreign employees, pursuant to which insurance companies would issue guarantees to MOM in security for our payment obligations for the security bonds in respect of the relevant workers. The insurance companies typically charge us an insurance premium of S\$80.0 for each security bond of S\$5,000 to be furnished to the Controller of Work Passes.

Foreign worker medical insurance

Since 1 January 2010, employers are required to purchase and maintain a minimum medical insurance coverage of S\$15,000 for inpatient care and day surgery for each of their employees who is a work permit holder during their stay in Singapore.

Our Group maintains a foreign worker medical policy in respect of any illness or injury suffered by our foreign employees with a coverage of up to S\$15,000 per worker.

Contractors’ all risk insurance

Pursuant to the contracts with our customers, our Group generally maintains 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.

Other insurance coverage

We have also taken out third party liability insurance on our motor vehicles.

Uninsured risks

Certain risks disclosed in the “Risk factors” section of this document, such as risks in relation to our ability to obtain new contracts, our ability to retain and attract personnel, 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. Please refer to the paragraph headed “Risk management and internal control systems” below in this section for further details regarding how our Group manages certain uninsured risks.

BUSINESS

EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had a total of 45 employees (including our two executive Directors but excluding our non-executive Director and [three] independent non-executive Directors), of whom 20 were local employees and 25 were foreign employees. All our employees were stationed in Singapore. The following table sets out a breakdown of our employees by function:

	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017	As at 30 September 2017	As at the Latest Practicable Date
General management	3	3	2	2	2
Administration and finance	2	2	2	4	5
Project management and supervision	12	14	14	15	15
Site workers	<u>15</u>	<u>18</u>	<u>22</u>	<u>22</u>	<u>23</u>
	<u>32</u>	<u>37</u>	<u>40</u>	<u>43</u>	<u>45</u>

Recruitment policies and foreign workers

We generally recruit our local employees from the open market. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and determines whether additional personnel is required to cope with our business development from time to time.

Our foreign workers are sourced and recruited through recruiting agencies. During the Track Record Period, we employed foreign employees from India, Malaysia, Bangladesh and the PRC. The employment of foreign workers is subject to various rules and regulations in Singapore, including but not limited to (i) the dependency ceilings based on the ratio of local to foreign workers; (ii) the quotas based on man year entitlements in respect of workers from NTS and the PRC; and (iii) security bonds requirements for non-Malaysian foreign workers. For further details, please refer to the section headed “Regulatory Overview – Employment matters” in this document.

Our administration and finance department is primarily responsible for ensuring our compliance with the applicable laws, rules and regulations in relation to employment of foreign workers.

BUSINESS

Set out below are the measures adopted by our Group in complying with the various rules and regulations in connection with the employment of foreign workers:

(i) Legality of the source of foreign workers

Pursuant to the Employment of Foreign Manpower Act and Immigration Act, employers must obtain a valid work pass from the MOM for their foreign employees. Our administration and finance department works closely with our recruiting agencies to ensure that (i) our foreign workers have obtained in-principle approvals prior to their arrivals in Singapore; and (ii) the requisite security bonds have been furnished for such foreign workers. Prior to the commencement of employment with our foreign workers, our administration and finance department normally inspects and takes copies of the originals of the identification documents and work permits of such foreign workers.

To mitigate the risk of our subcontractors engaging illegal workers while undertaking our subcontracted works, our Group has adopted the following measures: (i) we conduct preliminary background check on new subcontractors prior to our engagement with them to ascertain whether they had been involved in any incidents of hiring illegal workers in the past; and (ii) where our project management staff suspects that illegal workers may have been engaged by our subcontractors, we will request such subcontractors to provide copies of the work passes for such workers before allowing them to continue with their works.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any employment of illegal workers and no legal action has been taken against us in connection with any employment of illegal workers.

(ii) Dependency ceilings

Under the rules of the MOM, the dependency ceiling quota for companies in the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers. Based on the latest information available from the MOM database as at the Latest Practicable Date, our operating subsidiary, Hwa Koon, has utilised 23 of the quota balance for foreign workers. 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 126, which means that we still have available quota to hire 103 additional foreign workers based on the dependency ceilings. Our Directors consider that our existing quota balance for foreign workers are sufficient to cater to the employment of our existing foreign workers and those who are planned to be recruited by us after the [REDACTED].

BUSINESS

To facilitate our compliance with the dependency ceiling quota requirement, our administration and finance department has maintained a list of our employees which sets out their personal information including nationality, position, qualification, skill levels (i.e. higher/basic-skilled workers, if applicable) and date of joining our Group, etc. The list of employees is reviewed on a regular basis to ensure it presents the latest information. Whenever there is any staff who enters into employment with or departs from our Group, our responsible staff will update our list of employees and assess its impact on our available quota balance for foreign workers. In addition, as a general practice, prior to hiring any additional foreign employee, our responsible staff will check the official records of the MOM’s database to determine if it is in compliance with the relevant requirements of our dependency ceilings.

(iii) Minimum percentage of higher-skilled workers

Pursuant to the rules of the MOM, at least 10% of a construction company’s work permit holders must be higher-skilled construction workers before the company can hire any new basic-skilled construction workers. As at the Latest Practicable Date, approximately 44.4% of the work permit holders hired by us are higher-skilled construction workers.

To ensure the number of our higher-skilled construction workers constitutes at least 10% of our overall work permit holders, our administration and finance department would review our list of employees at regular intervals to ascertain the proportion of our higher-skilled construction workers to our basic-skilled construction workers. In addition, as a general practice, prior to hiring any additional foreign employee, our responsible staff will ascertain the skill categories of such worker and check official records of the MOM’s database to determine if it is in compliance with the relevant requirements of the MOM.

(iv) Security bonds requirements

For each non-Malaysian foreign employee for whom we were successfully granted with a work permit, a security bond of S\$5,000 in the form of a banker’s guarantee or insurance guarantee is required to be furnished to the Controller of Work Passes under the Employment of Foreign Manpower Act. During the Track Record Period and up the Latest Practicable Date, our Group has complied with the aforesaid requirements by taking out insurance in guarantee of our obligations to furnish security bonds for our non-Malaysian foreign employees, pursuant to which insurance companies would issue guarantees to MOM in security for our payment obligations for the security bonds in respect of the relevant workers.

BUSINESS

Staff costs and remuneration policy

In general, our Group determines employees’ salaries based on their qualifications, position and seniority. In order to attract and retain valuable employees, our Group reviews the performance of our employees annually which will be taken into account in annual salary review and promotion appraisal.

Employee training

We provide on-the-job trainings for all employees to equip them with the skills and knowledge pertinent to each type of work. We also send our employees to attend external courses in relation to work safety, quality assurance and risk management conducted by organisations such as the BCA.

Employee relationship

Our Directors believe that we have maintained a good relationship with our employees. We have not experienced any significant problems with our employees or any disruption to our operations due to labour disputes nor have we experienced any material difficulties in the recruitment and retention of experienced core staff or skilled personnel during the Track Record Period. There has not been any trade union set up for our employees.

Central Provident Fund

Our Group has participated in the Central Provident Fund for all of our local employees in accordance with the Central Provident Fund Act under the laws of Singapore. Our Group has paid the relevant contributions to the Central Provident Fund in accordance with the relevant laws and regulations.

ENVIRONMENTAL COMPLIANCE

Our Group’s operations are subject to certain environmental requirements pursuant to the laws in Singapore, primarily in relation to disposal and treatment of industrial waste and public nuisances. For details of the regulatory requirements, please refer to the section headed “Regulatory overview – Environmental laws and regulations” in this document.

Environmental management system

We are committed to minimising any adverse impact on the environment resulting from our business activities. In order to comply with the applicable environmental protection laws, we have established an environmental management system in conformance with ISO 14001 international standard since 2015. Our environmental management system includes measures and work procedures governing environmental protection compliance that are required to be followed by our employees and our subcontractors.

BUSINESS

Disposal of construction waste and dismantled medical equipment

We usually engage third party waste handling companies, which possess general waste collector’s licence, to dispose of construction wastes. We also engage third party licensed toxic industrial waste collector to dispose of building debris containing lead materials. In relation to dismantled medical equipment and accessories, if so requested by our customers, we would arrange to dispose of the used medical equipment and provide disposal certificate to our customer as evidence of disposal.

For each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, we incurred approximately S\$34,000, S\$20,000, S\$67,000 and S\$6,000 respectively, in relation to compliance with applicable environmental rules and regulations, which primarily consisted of construction waste disposal charges. We estimate that our annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with our business growth.

OCCUPATIONAL HEALTH AND WORK SAFETY

Our safety measures and management system

We place emphasis on occupational health and work safety. Since 2008, we have established a safety management system which follows OHSAS 18001 standard in order to provide our employees with a safe and healthy working environment. 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.

Our Group has put in place an internal safety manual which is reviewed from time to time to incorporate the best practices and to address and improve specific areas of our safety management system. We require our employees and our subcontractors’ employees to follow our workplace safety rules as set out in the safety manual. Our workplace safety rules identify common safety and health hazards and recommendations on prevention of workplace accidents. Pursuant to the workplace Safety and Health (Risk Management) Regulations, we have from time to time conducted risk assessment in relation to the safety and health risks at our work site.

Our Group provides suitable personal protective equipment such as safety helmet and safety boots to our employees based on the type of works undertaken by them. We also arrange relevant external trainings (such as scissor lift operator courses and supervisors safety courses) for our employees with reference to their expertise, work experience and work requirements.

BUSINESS

Workplace accident during the Track Record Period

We maintain an internal record of accidents. During the Track Record Period and up to the Latest Practicable Date, we recorded one workplace accident resulting in injury to our workers. The workplace accident involved a worker who suffered injury to his left hand in the course of works. The aforesaid workplace accident was reported to the MOM and subsequently settled in the amount of approximately S\$4,800, which was covered by our insurance.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers' safety. Our Directors believe that the safety management system of our Group is adequate and effective, considering that (i) there was only one workplace accident recorded during the Track Record Period and up to the Latest Practicable Date, which was an isolated incident; and (ii) our safety management system is certified to be in accordance with the requirements of OHSAS 18001 standard.

To the best of our Directors' knowledge, information and belief, no official industry accident rate, industry fatality rate and lost times injuries frequency rate is available in respect of the medical-related construction work or radiation shielding works industry in Singapore.

PROPERTIES

Owned property

The following table summarises information regarding our owned property as at the Latest Practicable Date:

Address	Gross floor area	Usage	Net book value as at 30 September 2017
10 Admiralty Street, #02-47, North Link Building, Singapore 757695	Approximately 482 sq.m.	Workshop and general office use	S\$490,027

BUSINESS

Leased properties

As at the Latest Practicable Date, we rented certain spaces at the following dormitory premises from third-party dormitory operators who are independent third parties for housing our foreign employees, details of which are as follows:

Address	Monthly rental and other service charges	Term
Cochrane Lodge 2, 49 Admiralty Road West 757444, Singapore	S\$3,600	One year, from June 2017 to June 2018
880C Sembawang Road 758475, Singapore	S\$3,200	Two years, from November 2016 to October 2018

As at 30 September 2017, our Group had no single property with a carrying amount of 15% or more of our Group’s total assets. On this basis, our Group is not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance in respect of the requirements for a valuation report with respect to interests in land or buildings.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group is the registered owner of a domain name and has applied for the registration of two trademarks in Singapore. For further information, please refer to the section headed “Statutory and general information – B. Further information about the business – 2. Intellectual property rights of our Group” in Appendix I to this document.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or against any members of our Group in relation to any material infringement of intellectual property rights of third parties.

BUSINESS

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group has been involved in a number of claims and litigations, which were all concluded as at the Latest Practicable Date. As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

Concluded cases

During the Track Record Period and up to the Latest Practicable Date, our Group was involved in the following concluded claims and litigations:

- (i) one contractual claim commenced by us against our customer in relation to the recovery of payment overdue for the sum of S\$77,000;
- (ii) two negligence claims commenced by independent third parties in relation to two motor vehicle accidents which involved the alleged negligence of our workers whilst driving our motor vehicles, causing the accidents and resulting in death and/or injury to the independent third parties. In one of the motor vehicle accidents which was fatal, the negligence claim was commenced by the administrator of the deceased. It was alleged that, in April 2012, one of our then employees knocked into the deceased while driving a motor vehicle owned by Hwa Koon. In April 2015, the claim was settled by court order against such employee and Hwa Koon in the amount of approximately S\$25,000. The other negligence claim involving personal injury to a third party was in relation to a motor vehicle accident that took place in August 2011 and was settled in April 2015 at the amount of S\$38,000. Each of the two aforesaid claims was covered by our insurance policies; and
- (iii) one work injury claim filed by an injured worker against us in relation to a workplace accident, which was settled in the amount of approximately S\$4,800 and covered by our insurance policy. For further details on the accident that led to such work injury claim, please refer to the paragraph headed “Occupational health and management system – Workplace accident during the Track Record Period” above in this section.

COMPLIANCE WITH LAWS AND REGULATIONS

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance that is material or systemic in nature.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed “Risk factors” in this document. The following sets out the key measures adopted by our Group under our risk management and internal control system for managing the more particular operational and financial risks relating to our business operation:

(i) Customer concentration risk

Please refer to the paragraph headed “Customers – Customer concentration” above in this section.

(ii) Risk of cost overruns

We estimate our costs to be incurred in a project to determine our fee quotation or tender price and there is no assurance that the actual amount of costs we incur would not exceed our estimation during the course of project implementation. We therefore manage the risk of cost overruns by taking the following measures: (i) taking into consideration any possible inflation and cost increases during the term of the contract when submitting quotation or tender; (ii) obtaining quotations from different suitable suppliers and/or subcontractors for comparison when placing purchase orders; and (iii) pricing of our services are overseen by our executive Directors.

(iii) Credit risk management

We are subject to risks in relation to the collectability of our trade receivables, details of which are summarised in the section headed “Risk factors – We are subject to credit risk in relation to the collectability of our trade receivables from top customers”.

For the purpose of mitigating our exposure to credit risk, our accounting and finance staff are responsible for conducting individual credit evaluations on our customers on a regular basis. Prior to accepting work orders from new customers, our accounting and finance staff would check on the background of the potential customer in order to assess their credibility. Credit limits attributed to our customers are reviewed once a year, taking into account the payment history and years of business relationship with our customers and current economic environment.

Material overdue payments are closely monitored and evaluated on a case-by-case basis in order to deduce the appropriate follow-up actions having regard to our business relationship with the customer, its history of making payments, its financial position as well as the general economic environment. During the Track Record Period, our follow-up actions for recovering long overdue payment mainly included active communications and conducting follow up calls with the customers.

BUSINESS

We generally grant our customers a credit term of 30 to 90 days from the invoice date. As at 30 June 2015, 2016, 2017 and the three months ended 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. 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.

To ensure timely identification of doubtful or irrecoverable debts, our accounting and finance staff would report to our chief financial officer on the collection status and ageing analysis of outstanding payments on a regular basis. Trade receivables overdue for 90 days are identified as doubtful which will have to be reviewed by our chief financial officer and, if appropriate, provisions for impairment of trade receivables will be made accordingly.

(iv) Liquidity risk management

There are often time lags between making payment to our suppliers and receiving payment from our customers when undertaking contractual works, resulting in possible cash flow mismatch. Further, our customer may require us to take out performance guarantee, thereby locking up a portion of our capital for a prolong period of time.

In order to manage our liquidity position in view of the aforementioned working capital requirement and the possible cash flow mismatch associated with undertaking contractual works, we have adopted the following measures:

- our chief financial officer is responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet our liquidity requirements;
- as a general policy, we only procure building and radiation shielding materials on an as-needed basis according to the requirement and schedule of the project to prevent excessive purchases; and
- we closely monitor our working capital to ensure that our financial obligations can be fulfilled when due, by, among other things (i) ensuring healthy bank balances and cash for payment of our short-term working capital needs; (ii) performing monthly review of our trade receivables and aging analysis, and following up closely to ensure prompt receipt of amounts due from our customers; and (iii) performing monthly review of our trade payables and aging analysis to ensure that payments to our suppliers are made on a timely basis.

BUSINESS

(v) *Regulatory risk management*

We keep ourselves abreast of any changes in government policies, regulations, and licensing requirements in relation to our business operations, as well as relevant environmental, safety and recruitment of foreign labour requirements. We will ensure that all any changes of the above are closely monitored and communicated to our management and supervisory team members for proper implementation and compliance.

(vi) *Occupational health and work safety*

Please refer to the paragraph headed “Occupational health and work safety” above in this section.

(vii) *Risk relating to missing workers and forfeiture of security bonds*

For each non-Malaysian foreign employee from whom we were successfully granted with a work permit, a security bond of S\$5,000 in the form of a banker’s guarantee or insurance guarantee is required to be furnished to the Controller of Work Passes under the Employment of Foreign Manpower Act. The security 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 work closely with recruiting agencies and have put in place a screening and recruitment process with a view to carefully reviewing and assessing the personal information and background of candidates before making any employment decision so as to minimise our risk in relation to missing workers and forfeiture of security bonds.

We generally arrange transportation for our foreign workers to and from their respective work sites with our own motor vehicles. This enables us to be closely informed about the whereabouts of our foreign employees. In addition, under our typical employment contracts, we forbid our foreign employees from working for anyone other than our Group without our consent, failing which their employments will be determined.

(viii) *Quality control system*

Please refer to the paragraph headed “Quality control” above in this section.

(ix) *Environmental management system*

Please refer to the paragraph headed “Environmental compliance” above in this section.

BUSINESS

(x) *Corporate governance measures*

Our Company will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors and senior management – Board committees” in this document. In particular, one of the primary duties of our Audit Committee is to review the effectiveness of our Company’s internal audit activities, internal controls and risk management systems. Our Audit Committee consists of our non-executive Director and two of our independent non-executive Directors, whose backgrounds and profiles are set out in the section headed “Directors and senior management” in this document. In addition, to avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with Controlling Shareholders – Corporate governance measures to safeguard the interest of shareholders” in this document. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after [REDACTED].