The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's combined financial information as at the end of and for each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, including the notes thereto, included in Appendix I to this document. The financial statements have been prepared in accordance with IFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this document.

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.

During the Track Record Period, our revenue represented income derived from (i) the provision of integrated design and building services; (ii) the provision of maintenance and other services; and (iii) sales of tools and materials. 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 provided by third party professionals (such as surveying services and testing services), transportation services and rental of lifting machinery and equipment.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including, in particular, the following:

Our tenders and quotations success rate on integrated design and building projects

During the Track Record Period, our Group secured new businesses mainly through direct invitations for quotation or tender by customers. Our tenders and quotations success rate for our integrated design and building services was approximately 78.3%, 75.0%, 72.0% and 49.5% for each of FY2014/15, FY2015/16, FY2016/17 and for the period from 1 July 2017 and up to the Latest Practicable Date, respectively. Our tenders and quotations success rate depends on various factors, such as our pricing and tender strategy, competitors' tender and pricing strategy, the level of competition and our customers' evaluation standards. Our tenders and quotations success rate will affect our financial position and performance.

Pricing of our projects

Our pricing is generally determined based on certain mark-up over our estimated costs. We need to estimate our costs in order 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. There are a range of factors that we typically consider when determining our pricing, including but not limited to the scope of services, the estimated number and types of workers required, the complexity of the project and the prevailing market conditions, etc. For further details, please refer to the section headed "Business – Pricing strategy" in this document. Our pricing directly affects our revenue and cash flows.

Fluctuation in costs of services

Our cost of services mainly comprise (i) subcontracting charges; (ii) direct materials costs; and (iii) staff costs. Any material fluctuation in our cost of services may adversely impact our financial performance. Please refer to the section headed "Business – Suppliers" in this document for further details on our suppliers and subcontractors.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of subcontracting charges and direct materials costs (being the major components of our cost of services) on our profit before and after taxation during the Track Record Period. The hypothetical fluctuation rates for subcontracting charges are set at 1.2% and 15.7%, which correspond to the approximate minimum and maximum percentage changes in average monthly basic wages of local and foreign workforce in the construction industry in Singapore from 2013 to 2016 as stated in the Ipsos Report (see "Industry overview – Potential challenges – Labour shortage" in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis. The hypothetical fluctuation rates for direct materials costs are set at 0.5% and 8.7%, which correspond to the approximate minimum and maximum annual percentage changes in the cost of lead (a major type of material for radiation shielding) from 2013 to 2016 as stated in the Ipsos Report (see "Industry overview – Potential challenges – Fluctuating cost of materials" in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis.

Hypothetical fluctuations in our subcontracting charges	-1.2%	-15.7%	+1.2%	+15.7%
Increase/(decrease) in profit before taxation *(Note 1)*	*S$'000*	*S$'000*	*S$'000*	*S$'000*
FY2014/15	40	528	(40)	(528)
FY2015/16	31	412	(31)	(412)
FY2016/17	39	506	(39)	(506)
Three months ended 30 September 2017	15	195	(15)	(195)
Increase/(decrease) in profit after taxation *(Note 2)*				
FY2014/15	33	438	(33)	(438)
FY2015/16	26	342	(26)	(342)
FY2016/17	32	420	(32)	(420)
Three months ended 30 September 2017	12	162	(12)	(162)

Hypothetical fluctuations in our direct materials costs	-0.5%	-8.7%	+0.5%	+8.7%
Increase/(decrease) in profit before taxation *(Note 1)*	*S$'000*	*S$'000*	*S$'000*	*S$'000*
FY2014/15	13	224	(13)	(224)
FY2015/16	7	114	(7)	(114)
FY2016/17	13	218	(13)	(218)
Three months ended 30 September 2017	2	35	(2)	(35)
Increase/(decrease) in profit after taxation *(Note 2)*				
FY2014/15	11	186	(11)	(186)
FY2015/16	6	95	(6)	(95)
FY2016/17	11	181	(11)	(181)
Three months ended 30 September 2017	2	29	(2)	(29)

Notes:

1. Our profit before taxation was approximately S$4.1 million, approximately S$3.0 million, approximately S$6.1 million for each of FY2014/15, FY2015/16, FY2016/17 respectively. Our loss before taxation was approximately S$191,000 for the three months ended 30 September 2017.

2. Our profit after taxation was approximately S$3.5 million, approximately S$2.7 million and approximately S$5.2 million for each of FY2014/15, FY2015/16, FY2016/17 respectively. Our loss after taxation was approximately S$439,000 for the three months ended 30 September 2017.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Please refer to note 2 of the accountants' report set out in Appendix I to this document.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with accounting policies which conform with IFRSs. The significant accounting policies adopted by our Group are set forth in detail in note 4 to the accountants' report set out in Appendix I to this document.

Some of the accounting policies involve judgments, estimates, and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Further information regarding the key judgements made in applying our accounting policies are set forth in note 5 to the accountants' report set out in Appendix I to this document.

Revenue recognition

Our revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the future economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, during the Track Record Period, as further disclosed in note 4 to the accountants' report set out in Appendix I to this document.

IFRS 15 Revenue from contracts with customers and related amendments

Input method

Our Group expects to apply IFRS 15 at the date of initial application (i.e. 1 July 2018). Based on the current accounting policies adopted by our Group, the revenue from provision of integrated design and building services is recognised by reference to the percentage of completion of the contract activity at the end of each reporting period. The percentage of completion is measured by contract costs incurred to date as compared to the estimated total contract costs for integrated design and building services. In accordance with IFRS 15, input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation. Thus, the timing of revenue recognition based on IFRS 15 would not significantly affect the timing of revenue recognition under the current accounting policies. As set out on page I-17 to the accountants' report set out in Appendix I to this document, our Directors do not anticipate that the application of IFRS 15 will have a material impact on our Group's future financial statements based on those contracts with customers entered into by our Group outstanding as at 30 September 2017.

Uninstalled materials

As part of our business, we may have uninstalled materials. Our Directors do not consider that our uninstalled materials will have any material impact on our Group's historical financial information and upon the adoption IFRS 15 in the future for the following reasons:

Our Directors confirm that the timing and the amount of purchase of materials are assessed and determined by our project management teams from time to time with reference to the actual progress of each project undertaken by us. We will not purchase or commit to purchase all materials expected to be used by us at the beginning of each project, and the amount of purchase will only be confirmed by us as and when required taking into consideration the amount of the materials expected to be used, the prevailing market prices and the expected time required for delivery of the materials.

Our Directors further confirm that we will not maintain any significant amount of materials as part of our inventory and do not consider that the amount of uninstalled materials maintained by us from time to time will have any significant impact on our operating results based on the accounting policy adopted by our Group.

SUMMARY OF RESULTS OF OPERATIONS

The combined statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the accountants' report set out in Appendix I to this document:

	FY2014/15	FY2015/16	FY2016/17	Three months ended 30 September 2016	Three months ended 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
				(unaudited)	
Revenue	13,244	9,793	14,937	4,474	4,035
Costs of services/sales	(7,971)	(6,187)	(8,432)	(2,600)	(2,258)
Gross profit	5,273	3,606	6,505	1,874	1,777
Other income and other gains	23	50	182	48	8
Administrative expenses	(1,174)	(635)	(618)	(169)	(178)
Finance costs	(2)	–*	–	–	–
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Profit/(loss) before taxation	4,120	3,021	6,069	1,753	(191)
Income tax expense	(653)	(340)	(918)	(254)	(248)
Profit/(loss) for the year/period attributable to owners of the Company	3,467	2,681	5,151	1,499	(439)
Other comprehensive (expense)/ income					
Items that may be reclassified subsequently to profit or loss:					
Fair value change on available-for-sale financial assets, net of tax	–	(96)	223	28	–
Reclassified upon disposal of available-for-sale financial assets, net of tax	–	–	(128)	(29)	–
Total comprehensive income/ (expense) for the year/period	3,467	2,585	5,246	1,498	(439)

* *The amount was negligible.*

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was derived from (i) the provision of integrated design and building services; (ii) the provision of maintenance and other services; and (iii) sales of tools and materials. For detailed breakdowns of our revenue during the Track Record Period by our business operations, category of our customers, project nature (private or public projects), movement in number of projects and number of projects by range of revenue recognised, please refer to the section "Business – Business overview" and "Business – Projects undertaken during the Track Record Period" in this document.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of the change in the amount of our revenue during the Track Record Period.

Costs of services/sales

The table below sets forth a breakdown of our costs of services/sales during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		Three months ended 30 September 2016		Three months ended 30 September 2017	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*	*S$'000* (unaudited)	*%*	*S$'000*	*%*
Subcontracting charges	3,365	42.2	2,624	42.4	3,222	38.2	1,184	45.6	1,244	55.1
Direct materials costs	2,574	32.3	1,309	21.2	2,506	29.7	769	29.6	401	17.8
Staff costs	1,622	20.4	1,585	25.6	1,883	22.3	448	17.2	449	19.9
Rent	66	0.8	257	4.1	163	1.9	27	1.0	31	1.4
Consultancy fees	93	1.2	173	2.8	215	2.6	78	3.0	46	2.0
Depreciation	50	0.6	49	0.8	73	0.9	16	0.6	21	0.9
Other direct costs	201	2.5	190	3.1	370	4.4	78	3.0	66	2.9
Total	7,971	100.0	6,187	100.0	8,432	100.0	2,600	100.0	2,258	100.0

Our direct costs during the Track Record Period comprised:

(a) subcontracting fees, which are costs for engaging subcontractors for performing certain building works undertaken by us such as (i) M&E works relating to electrical systems, ACMV system, chiller systems, and plumbing and sanitary systems; and (ii) fitting-out works. As disclosed in the paragraph headed "Business – Suppliers – Reasons for subcontracting arrangement" of this document, 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;

(b) direct materials costs, which mainly represent costs for purchasing building and radiation shielding materials such as lead and other shielding materials, gypsum boards, steel and other electrical components;

(c) direct staff cost, which are salaries and benefits provided to our staff who are directly involved in our projects such as designers, site supervisors and site workers;

(d) rent, which mainly represents rental costs for renting lifting machinery and equipment and rental costs for foreign workers' dormitory (see "Business – Properties – Leased properties" in this document);

(e) consultancy fees, which mainly represents fees for surveying and testing services as required for our projects;

(f) depreciation, which represents depreciation charges for motor vehicles and machinery used in our projects; and

(g) other direct costs, which include various miscellaneous expenses such as transportation expenses for dismantled medical equipment.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our costs of services/sales.

Gross profit margin

For each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, our Group achieved gross profit margin of approximately 39.8%, 36.8%, 43.6% and 44.0% respectively. Our Directors consider the relatively higher gross profit margin of our Group is mainly attributable to our competitive strengths as set out below:

(i) our Group is able to pursue a pricing strategy that placed more emphasis on ensuring the reliability of our contract works and delivering high quality radiation shielding works, rather than focusing on the price competitiveness of our tenders or quotations to potential customers as our Group has been able to leverage on our long-standing working relationships with some of our customers and our track record in terms of service quality and reliability, which generated assurance among our customers over the years. In particular, our Group has established business relationships with certain key players in the medical equipment industry in Singapore ranging from eight to 11 years;

(ii) our Directors consider that our Group's ability to undertake turnkey solutions projects, as well as to design and fabricate radiation shielding products tailored to customers' need and requirements offer significant advantages to our customers, which in turn allows our Group to secure projects with more favourable pricing. For instance, hospitals and clinics can engage our Group as a single contractor to perform all relevant works relating to their medical facilities including radiation shielding works, M&E works and fitting-out works, instead of engaging numerous contractors to handle each different type of works. Further, our Group's self-owned workshop and technical know-how in fabrication works are crucial to our ability to charge a relatively higher prices for its projects because the radiation shielding products (e.g. radiation shielding doors, lead-lined cabinets and lead-lined ceiling boards) ordered by medical equipment vendors or medical service providers are normally required to be custom-made in order to cater to the unique specifications and features of the relevant medical facilities, ranging from size and shape of the products, types of radiations involved, the number of shielding layers required to the budget of the relevant customers. Therefore, it may require extra time and efforts for our Group's customers to successfully identify and engage other alternative contractors with similar qualifications and industry experience to undertake turnkey solutions projects in particular those involving irradiating equipment at comparable pricing. In addition, by assisting our customers to obtain statutory approvals and certifications from government authorities, our Group can provide assurance to our customers that, following the completion of our integrated building works, the medical facilities have complied with relevant regulatory requirements in Singapore, and are readily available for operation and/or installation of the requisite medical equipment. This helps to streamline the timeline of the medical service providers in putting their medical facilities into operations; and

(iii) according to Ipsos Report, there are only six key active medical-related construction contractors in Singapore which are able to carry out radiation shielding or related works. Our Directors consider that there are limited number of contractors who are both willing and able to undertake turnkey solutions projects in relation to radiation shielding works, as such projects typically involve specific building design and specifications which require know-how in order to ensure the prevention of radiation leakage and the proper and safe operation of the medical facilities. This entry barrier partly reduced the competition faced by our Group which in turn enables our Group to achieve a relatively higher profit margin.

Other income and other gains

The table below sets forth a breakdown of our other income and other gains during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	Three months ended 30 September 2016	Three months ended 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000* (unaudited)	*S$'000*
Other income					
Dividend income from available-for-sale financial assets	–	40	27	15	–
Government grants	23	10	14	1	1
Interest income	–	–	–*	–	2
Others	–	–	8	3	5
Total	23	50	49	19	8
Other gains					
Gain arising on disposal of property, plant and equipment	–	–	5	–	–
Gain arising on disposal of available-for-sale financial assets	–	–	128	29	–
Total	–	–	133	29	–

* *The amount was negligible.*

Our other income and other gains during the Track Record Period mainly comprised:

(a) dividend income from available-for-sale financial assets, which was derived from certain listed equity investments in Singapore, which was classified as available-for-sale financial assets during the Track Record Period;

(b) government grants, which mainly included wage credits granted under the Wage Credit Scheme (see "Regulatory overview – Employment matters – Wage Credit Scheme" in this document) and payments under the Productivity and Innovation Credit Scheme (see "Regulatory overview – Singapore taxation – Productivity and Innovation Credit Scheme" in this document) and payments under Temporary Employment Credit Scheme (see "Regulatory overview – Singapore taxation – Temporary Employment Credit" in this document);

(c) interest income, which represented interests of S$118 and S$2,511 earned on bank deposits during FY2016/17 and for the three months ended 30 September 2017 respectively;

(d) gain arising on disposal of property, plant and equipment, which mainly represented gain on disposal of motor vehicles due to replacement during FY2016/17; and

(e) gain arising on disposal of available-for-sale financial assets, which represented gain on disposal of certain listed equity investments in Singapore, which was classified as available-for-sale financial assets during FY2016/17.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our other income and other gains.

Administrative expenses

The table below sets forth a breakdown of our administrative expenses during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		Three months ended 30 September 2016		Three months ended 30 September 2017	
	S$'000	%	S$'000	%	S$'000	%	S$'000	%	S$'000	%
							(unaudited)			
Depreciation	28	2.4	27	4.3	26	4.2	6	3.6	9	5.1
Entertainment and travelling	95	8.1	32	5.0	20	3.2	9	5.3	10	5.6
Insurance	28	2.4	24	3.8	29	4.7	22	13.0	5	2.8
Staff costs, including directors' remuneration	897	76.4	446	70.2	447	72.3	113	66.9	123	69.1
Utilities and office expenses	33	2.8	30	4.7	27	4.4	10	5.9	12	6.7
Other expenses	93	7.9	76	12.0	69	11.2	9	5.3	19	10.7
	1,174	100.0	635	100.0	618	100.0	169	100.0	178	100.0

Our administrative expenses during the Track Record Period comprised:

(a) depreciation, which include depreciation of land and leasehold properties, computer and office equipment, and furniture and fittings;

(b) entertainment and travelling expenses, which mainly represent costs in relation to the relationship building with existing and potential customers;

(c) insurance, which represent insurance premiums for insurance policies maintained by us;

(d) staff costs (including directors' emoluments), which include salaries, Central Provident Fund and benefits provided to our Directors and our administrative and back office staff;

(e) utilities and office expenses, which include utilities, telecommunications, printing and stationery; and

(f) other expenses, which mainly include expenses incurred for miscellaneous staff welfare and repair and maintenance of our owned property.

Finance costs

Our finance costs during the Track Record Period represented interest expenses on finance leases of our motor vehicles, details of which are disclosed in the paragraph headed "Indebtedness" in this section.

Income tax expense

Since our operation is based in Singapore, our Group is subject to corporate income tax in accordance with the tax regulations of Singapore. The prevailing corporate tax rate in Singapore is 17%. In addition, the partial tax exemption scheme applies on the first S$300,000 of normal chargeable income; and specifically 75% of up to the first S$10,000 of a company's normal chargeable income, and 50% of up to the next S$290,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17%. Further, companies will be granted a corporate income tax rebate of 50%, 50% and 20% of the tax payable for the Years of Assessment 2016, 2017 and 2018, subject to a cap of S$20,000, S$25,000 and S$10,000 respectively per year of assessment. Income tax expenses of our Group amounted to approximately S$0.7 million, S$0.3 million, S$0.9 million and S$0.2 million for each of the three years ended 30 June 2015, 2016 and 2017 and for the three months ended 30 September 2017.

The statutory corporate tax rate in Singapore was 17% throughout the Track Record Period. The taxation for the Track Record Period can be reconciled to the profit before taxation as follows:

	FY2014/15	FY2015/16	FY2016/17	Three months ended 30 September 2016	Three months ended 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000* (unaudited)	*S$'000*
Profit/(loss) before taxation	4,120	3,021	6,068	1,753	(191)
Tax at applicable tax rate of 17%	700	514	1,032	298	(32)
Tax effect of expenses not deductible for tax purpose	3	3	2	–*	306
Tax effect of income not taxable for tax purpose	–	(7)	(26)	(7)	–
Effect of tax concessions and partial tax exemption	(50)	(170)	(90)	(37)	(26)
Taxation for the year/period	653	340	918	254	248

* *The amount was negligible.*

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three months ended 30 September 2017 compared with three months ended 30 September 2016

Revenue

Our revenue decreased from approximately S$4.5 million for the three months ended 30 September 2016 to approximately S$4.0 million for the three months ended 30 September 2017, representing a decrease of approximately 9.8%. Such decrease was mainly because of the different stages of the projects and our actual works progress under different project contracts:

(i) Although the total number of projects for the three months ended 30 September 2017 (i.e. 28 projects) were similar to the total number of projects for the three months ended 30 September 2016 (i.e. 23 projects), the majority of projects for the three months ended 30 September 2017 were brought forward from FY2016/17 (i.e. 11 projects) with significant amount of revenue recognised in FY2016/17.

(ii) The majority of new projects awarded during the three months ended 30 September 2016 were either completed or over 70% completed during the period while the majority of new projects awarded during the three months ended 30 September 2017 were at their initial startup stage from which substantial amount of revenue was expected to be recognised closer to completion during the remaining nine months of FY2017/18.

Costs of services/sales

Our costs of services/sales decreased from approximately S$2.6 million for the three months ended 30 September 2016 to approximately S$2.3 million for the three months ended 30 September 2017, representing a decrease of 13.2%, which was higher than the decrease in our revenue by approximately 3.4 percentage points (and thus resulted in our higher gross profit margin). The following is a discussion of the changes in the key components of our costs of services/sales for the three months ended 30 September 2017 as compared to the three months ended 30 September 2016:

(i) Our subcontracting charges increased from approximately S$1.18 million for the three months ended 30 September 2016 to approximately S$1.24 million for the three months ended 30 September 2017, representing an increase of approximately 5.1%. Such increase was mainly due to the increase in amount of works outsourced to subcontractors as a result of the increase in the amount of works required for M&E works and fitting-out works as specified in the project contracts for the three months ended 30 September 2017 as compared to that for the three months ended 30 September 2016.

(ii) Our costs of direct materials decreased from approximately S$769,000 for the three months ended 30 September 2016 to approximately S$401,000 for the three months ended 30 September 2017, representing a decrease of approximately 47.9%. Such decrease was mainly due to the decrease in volume of construction materials used for projects for the three months ended 30 September 2017 as compared to that for the three months ended 30 September 2016 based on the specific requirements of different projects.

Gross profit and gross profit margin

Our gross profit and gross profit margin for three months ended 30 September 2016 and three months ended 30 September 2017 respectively were as follows:

	Three months ended 30 September 2016			Three months ended 30 September 2017		
	Gross profit	% of total gross profit	Gross profit margin	Gross profit	% of total gross profit	Gross profit margin
	S$'000		*%*	*S$'000*		*%*
Integrated design and building services	1,834	97.9	45.7	1,743	98.1	44.3
Maintenance and other services	38	2.0	32.8	33	1.8	35.1
Sales of tools and materials	2	0.1	29.0	1	0.1	21.5
Total	1,874	100.0	41.9	1,777	100.0	44.0

Our gross profit margin of integrated design and building projects by project scale for three months ended 30 September 2016 and three months ended 30 September 2017 as follows:

	Three months ended 30 September 2016	Three months ended 30 September 2017
Larger scale projects *(note)*	38.3%	43.9%
Smaller scale projects *(note)*	47.0%	46.3%
Overall	45.7%	44.3%

Note: Larger scale projects represented projects with revenue contribution of S$500,000 or above in each financial period while smaller scale projects represented projects with revenue contribution less than S$500,000 in each financial period.

Our gross profit amounted to approximately S$1.9 million and approximately S$1.8 million for three months ended 30 September 2016 and three months ended 30 September 2017 respectively, representing a decrease of approximately 5.3%, while our gross profit margin increased from approximately 41.9% for three months ended 30 September 2016 to approximately 44.0% for three months ended 30 September 2017. The decrease in our gross profit for three months ended 30 September 2017 was primarily due to the decrease in our revenue due to reasons discussed above. The increase in our gross profit margin for three months ended 30 September 2017 was primarily due to (i) we set our quotations and tender prices based on a relatively higher expected margin in three months ended 30 September 2017 in view of the increased demand for our services; and (ii) the higher gross profit margin for the larger scale projects (i.e. with revenue contribution of S$500,000 or above in each financial period) for the three months ended 30 September 2017 as there was variation order performed for one of our major projects where the pricing was set with a relatively higher gross profit margin due to the tight schedule of works for such variation order.

Other income and other gains

Our other income and other gains decreased from approximately S$48,000 for the three months ended 30 September 2016 to approximately S$8,000 for the three months ended 30 September 2017, representing a decrease of approximately 83.3%. Such decrease was mainly due to dividend income from available-for-sale financial assets of approximately S$15,000 and one-off gain on disposal of available-for-sale financial assets of approximately S$29,000 were recognised during the three months ended 30 September 2016 while no such dividend income and no such gain was recognised during the three months ended 30 September 2017.

Administrative expenses

Our administrative expenses increased from approximately S$169,000 for the three months ended 30 September 2016 to approximately S$178,000 for the three months ended 30 September 2017, representing an increase of approximately 5.3%. Such increase was mainly due to the increase in staff costs as the headcount under administration and finance was higher for the three months ended 30 September 2017 as compared to that for the three months ended 30 September 2016.

[REDACTED] expenses

Our **[REDACTED]** expenses increased from **[REDACTED]** for the three months ended 30 September 2016 to approximately S$**[REDACTED]** million for the three months ended 30 September 2017, which were non-recurring expenses relating to the **[REDACTED]**.

Income tax expense

For the three months ended 30 September 2016 and 2017, our income tax expense amounted to approximately S$254,000 and S$248,000 respectively, representing a decrease of approximately 2.4%. Such decrease was primarily due to the net effect of (i) the decrease in our revenue and gross profit as discussed above; and (ii) the tax effect of the non-deductible **[REDACTED]** expenses incurred for the three months ended 30 September 2017.

Profit/loss and total comprehensive income/expense for the period

As a result of the aforesaid and in particular the recognition of **[REDACTED]** expenses as discussed above, our profit and total comprehensive income for the period attributable to owners of our Company decreased from approximately S$1.5 million for the three months ended 30 September 2016 to loss and total comprehensive expense for the period attributable to owners of our Company of approximately S$439,000 for the three months ended 30 September 2017.

FY2016/17 compared with FY2015/16

Revenue

Our revenue increased from approximately S$9.8 million for FY2015/16 to approximately S$14.9 million for FY2016/17, representing an increase of 52.0%. Such increase was mainly because:

(i) We increased our efforts in pursuing projects of relatively larger scale and higher income. We recorded an increase in the number of integrated design and building projects with revenue contribution to us and an increase in our revenue derived from integrated design and building projects of relatively larger scale (i.e. with revenue contribution over S$500,000 in each financial year) and higher income as illustrated in the table below:

	FY2015/16	**FY2016/17**
	No. of projects	*No. of projects*
Revenue recognised		
S$1,000,000 or above	1	3
S$500,000 to below S$1,000,000	3	4
Below S$500,000	54	64
	58	71

The number of projects of relative larger scale and higher income increased from 4 in FY2015/16 to 7 in FY2016/17, which contributed revenue amounting to approximately S$3.0 million in FY2015/16 and S$7.5 million in FY2016/17, respectively.

(ii) We experienced an increase in demand for our integrated design and building services. According to the Ipsos Report, the total output value of the construction of medical-related facilities (i.e. hospitals, medical centres and clinics) increased from approximately S$2.1 billion in 2016 to approximately S$2.3 billion as estimated for 2017 and was driven by the Singapore Government's progressive planning of its healthcare facilities developments to meet growing demands for healthcare needs, in particular the redevelopment projects of medical-related facilities.

Costs of services/sales

Our direct costs increased from approximately S$6.2 million for FY2015/16 to approximately S$8.4 million for FY2016/17, representing an increase of 35.5%, which was lower than the increase in our revenue by approximately 16.5 percentage points (and thus resulted in our higher gross profit margin). The following is a discussion of the changes in the key components of our costs of services/sales in FY2016/17 as compared to FY2015/16:

(i) Our subcontracting charges increased from approximately S$2.6 million to approximately S$3.2 million, representing an increase of approximately 23.1%. Such increase was mainly due to the increase in amount of works outsourced to subcontractors as a result of our growth in business in FY2016/17 as illustrated by the increase in our revenue as discussed above.

(ii) Our cost of direct materials increased from approximately S$1.3 million to approximately S$2.5 million, representing an increase of approximately 92.3%. The significant increase in our cost of direct materials was mainly because of the increase in volume of construction materials used for projects in FY2016/17 as compared to that in FY2015/16 due to the size of the project sites, in particular our Group had undertaken the radiation shielding works for the Sengkang General Hospital and also due to the increase in the price of lead in FY2015/16. According to the Ipsos Report, the price of lead in the global market increased from US$1,831.4 per tonne in 2015 to US$1,991.0 per tonne in 2016, representing an increase of approximately 8.7%.

(iii) Our direct staff costs increased from approximately S$1.6 million to approximately S$2.0 million, representing an increase of approximately 25.0%. Such increase was mainly due to the increase in the number of site workers in FY2016/17 compared with FY2015/16 in order to increase our overall capacity and efficiency and to cope with our business growth.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2015/16 and FY2016/17 respectively were as follows:

	FY2015/16			FY2016/17		
	Gross profit	% of total gross profit	Gross profit margin	Gross profit	% of total gross profit	Gross profit margin
	S$'000		*%*	*S$'000*		*%*
Integrated design and building services	3,511	97.4	37.6	6,395	98.3	43.9
Maintenance and other services	71	2.0	19.3	100	1.5	30.2
Sales of tools and materials	24	0.6	24.7	10	0.2	29.2
Total	3,606	100.0	36.8	6,505	100.0	43.6

Our gross profit margin of integrated design and building projects by project scale for FY2015/16 and FY2016/17 as follows:

	FY2015/16	**FY2016/17**
Larger scale projects *(note)*	35.7%	38.0%
Smaller scale projects *(note)*	41.2%	47.6%
Overall	37.6%	43.9%

Note: Larger scale projects represented projects with revenue contribution of S$500,000 or above in each financial year while smaller scale projects represented projects with revenue contribution less than S$500,000 in each financial year.

Our gross profit amounted to approximately S$3.6 million and approximately S$6.5 million for FY2015/16 and FY2016/17 respectively, representing an increase of approximately 80.6%, while our gross profit margin increased from approximately 36.8% in FY2015/16 to approximately 43.6% in FY2016/17. The increase in our gross profit and the increase in our gross profit margin for FY2016/17 were primarily due to (i) the increase in our revenue due to reasons discussed above; (ii) we set our quotations and tender prices based on a relatively higher expected margin in FY2016/17 in view of the increased demand for our services as evidenced by the increase in the number of projects for which we have submitted tenders or quotations from 76 in FY2015/16 to 93 in FY2016/17; and (iii) the increase in the number of smaller scale projects (i.e. with revenue contribution less than S$500,000 in each financial year) from 54 in FY2015/16 to 64 in FY2016/17 which generally have a relatively higher average gross profit margin than those larger scale projects (i.e. with revenue contribution of S$500,000 or above in each financial year).

During the Track Record Period, the larger scale projects normally involved substantial use of subcontractors due to the scale of labour resources required and the types of specialised works involved, while the smaller scale projects could be completed with the use of our own direct labour resources or the minimal use of subcontractors. Our Directors consider that holding all else the same, the use of our own direct labour resources (compared to engaging subcontractors) would generally lead to a higher profit margin for our Group, as a profit markup is generally factored in the fees charged by subcontractors.

Other income and other gains

Our other income and other gains increased from approximately S$50,000 for FY2015/16 to approximately S$182,000 for FY2016/17, representing an increase of approximately 264.0%. Such increase was mainly due to the one-off gain on disposal of available-for-sale financial assets of S$128,000 recognised in FY2016/17 while no such gain was recognised in FY2015/16.

Administrative expenses

Our administrative expenses decreased from approximately S$635,000 for FY2015/16 to approximately S$618,000 for FY2016/17, representing a decrease of approximately 2.7%. Such decrease was mainly due to the decrease in entertainment and travelling expenses and the decrease in staff welfare and training expenses during FY2016/17.

Finance costs

Our finance costs decreased from S$225 for FY2015/16 to nil for FY2016/17, which was due to the full repayment of finance leases liabilities in FY2015/16.

Income tax expense

For each of FY2015/16 and FY2016/17, our income tax expense amounted to approximately S$340,000 and S$918,000 respectively, representing an increase of approximately 170.0%. Such increase was primarily due to the increase in our profit before tax from approximately S$3.0 million in FY2015/16 to approximately S$6.1 million in FY2016/17, representing an increase of 103.3%, mainly due to our increase in revenue and gross profit as discussed above.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the increase in our revenue and gross profit as discussed above and partly attributable to the one-off gain on disposal of available-for-sale financial assets of S$128,000 recognised in FY2016/17, our profit and total comprehensive income for the year attributable to owners of our Company increased from approximately S$2.6 million in FY2015/16 to approximately S$5.2 million in FY2016/17, representing an increase of approximately 100.0%.

FY2015/16 compared with FY2014/15

Revenue

Our revenue decreased from approximately S$13.2 million for FY2014/15 to approximately S$9.8 million for FY2015/16, representing a decrease of 25.8%. Such decrease was mainly because:

(i) There was a decrease in the number of integrated design and building projects with revenue contribution in FY2015/16, as demonstrated in the below table:

	FY2014/15	**FY2015/16**
	No. of projects	*No. of projects*
Projects brought forward from prior year	23	1
New projects awarded to us during the year	47	57
	70	58

(ii) The decrease in our revenue in FY2015/16 was affected by our timing of obtaining and commencing new projects, which was in turn affected by the industry trend. According to the Ipsos Report, the total output value of the construction of medical-related facilities (i.e. hospitals, medical centres and clinics) decreased from approximately S$2.2 billion in 2015 to approximately S$2.1 billion in 2016 due to slight delay of construction activities on site.

Costs of services/sales

Our costs of services/sales decreased from approximately S$8.0 million for FY2014/15 to approximately S$6.2 million for FY2015/16, representing a decrease of 22.5%, which was lower than the decrease in our revenue by approximately 3.3 percentage points (and thus resulted in our lower gross profit margin). The following is a discussion of the changes in the key components of our costs of services/sales in FY2015/16 as compared to FY2014/15:

(i) Our subcontracting charges decreased from approximately S$3.4 million for FY2014/15 to approximately S$2.6 million for FY2015/16, representing a decrease of approximately 23.5%. Such decrease was mainly due to the decrease in amount of works outsourced to subcontractors as a result of our decrease in our revenue as discussed above.

(ii) Our costs of direct materials decreased from approximately S$2.6 million for FY2014/15 to approximately S$1.3 million for FY2015/16, representing a decrease of approximately 50.0%. Such decrease was mainly due to the decrease in volume of construction materials used for projects in FY2015/16 as compared to that in FY2014/15.

(iii) Our rent and consultancy fees increased from approximately S$159,000 in aggregate for FY2014/15 to approximately S$430,000 for FY2015/16, representing an increase of approximately 170.4%. Such increase was mainly due to the increase in the rental costs for foreign workers' dormitory during FY2015/16 and the increase in the engagement of consultants for assisting to obtain statutory approvals and certifications from government authorities during FY2015/16.

Gross profit and gross profit margin

Our gross profit and gross profit margin by business operations for FY2014/15 and FY2015/16 respectively were as follows:

	FY2014/15			FY2015/16		
	Gross profit	% of total gross profit	Gross profit margin	Gross profit	% of total gross profit	Gross profit margin
	S$'000		*%*	*S$'000*		*%*
Integrated design and building services	5,147	97.6	40.0	3,511	97.4	37.6
Maintenance and other services	116	2.2	35.9	71	2.0	19.3
Sales of tools and materials	10	0.2	20.0	24	0.6	24.7
Total	5,273	100.0	39.8	3,606	100.0	36.8

Our gross profit margin of integrated design and building projects by project scale for FY2014/15 and FY2015/16 as follows:

	FY2014/15	FY2015/16
Larger scale projects *(note)*	27.6%	35.7%
Smaller scale projects *(note)*	44.1%	41.2%
Overall	40.0%	37.6%

Note: Larger scale projects represented projects with revenue contribution of S$500,000 or above in each financial year while smaller scale projects represented projects with revenue contribution less than S$500,000 in each financial year.

Our gross profit amounted to approximately S$5.3 million and approximately S$3.6 million for FY2014/15 and FY2015/16 respectively, representing a decrease of approximately 32.1%, and our gross profit margin decrease from approximately 39.8% in FY2014/15 to approximately 36.8% in FY2015/16. The decrease in our gross profit and the decrease in our gross profit margin were primarily due (i) to the decrease in revenue due to reasons as discussed above; and (ii) the decrease in the number of smaller scale projects (i.e. with revenue contribution less than S$500,000 in each financial year) from 67 in FY2014/15 to 54 in FY2015/16 which generally have a relatively higher average gross profit margin than those larger scale projects (i.e. with revenue contribution over S$500,000 in each financial year).

Other income and other gains

Our other income and other gains increased from approximately S$23,000 for FY2014/15 to approximately S$50,000 for FY2015/16, representing an increase of approximately 117.4%. Such increase was mainly due to dividend income from available-for-sale financial assets of approximately S$40,000 recognised in FY2015/16 while there was no such dividend income in FY2014/15.

Administrative expenses

Our administrative expenses decreased from approximately S$1.2 million for FY2014/15 to approximately S$0.6 million for FY2015/16, representing a decrease of approximately 50.0%. Such decrease was mainly due to the decrease in staff costs as salaries and benefits to Mr. Ang Hwa Koon, the then shareholder of Hwa Koon, of approximately S$500,000 was charged to profit or loss in FY2014/15 while there was no such payment in FY2015/16. Having considered Mr. Ang Hwa Koon's plan to gradually retire from our Group due to his age, such amount was paid to Mr. Ang Hwa Koon, the founder of our Group, in view of his continuous contribution to the business development and management of Hwa Koon since 1979. Mr. Ang Hwa Koon then formally retired and transferred all of his shares in Hwa Koon to Mr. KM Ang in February 2015.

Finance costs

Our finance costs decreased from approximately S$2,300 for FY2014/15 to S$225 for FY2015/16, which was due to the decrease in the outstanding balances of our finance leases liabilities upon our repayment.

Income tax expense

For each of FY2014/15 and FY2015/16, our income tax expense amounted to approximately S$653,000 and S$340,000 respectively, representing a decrease of approximately 47.9%. Such decrease was primarily due to the decrease in our profit before tax from approximately S$4.1 million in FY2014/15 to approximately S$3.0 million in FY2015/16, representing a decrease of 26.8%, mainly due to our decrease in revenue and gross profit as discussed above.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the decrease in our revenue and gross profit as discussed above, our profit and total comprehensive income for the year attributable to owners of our Company decreased from approximately S$3.5 million in FY2014/15 to approximately S$2.6 million in FY2015/16, representing a decrease of approximately 25.7%.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and borrowings. Our primary liquidity requirements are to finance our working capital needs, and fund our capital expenditures and growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the **[REDACTED]** from the **[REDACTED]** to finance a portion of our liquidity requirements.

As at 31 January 2018, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and bank balances and restricted bank deposit of approximately S$4.4 million and we had no banking facilities available for cash drawdown.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	FY2014/15	FY2015/16	FY2016/17	Three months ended 30 September 2016	Three months ended 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000* (unaudited)	*S$'000*
Net cash from/(used in) operating activities	3,482	1,564	3,684	(256)	106
Net cash (used in)/from investing activities	(4)	(2,057)	1,953	707	(178)
Net cash used in financing activities	(1,469)	(2,163)	(2,721)	(438)	–*
Net increase/(decrease) in cash and cash equivalents	2,009	(2,656)	2,916	13	(72)
Cash and cash equivalents at beginning of year/period	1,743	3,752	1,095	1,095	4,011
Cash and cash equivalents at end of year/period	3,752	1,095	4,011	1,108	3,939

* *The amount was negligible*

Cash flows from operating activities

Our operating cash inflows is primarily derived from our revenue from our business operations, whereas our operating cash outflows mainly includes payment for purchase of materials, subcontracting charges, staff costs, as well as other working capital needs. Net cash generated from operating activities primarily consisted of profit before taxation adjusted for depreciation for property, plant and equipment, finance costs, dividend income, interest income, gain on disposal of available-for-sale financial assets, gain on disposal of property, plant and equipment and the effect of changes in working capital such as changes in trade receivables, other receivables, deposits and prepayments, trade and other payables, amounts due from or to customers for construction work, amounts due from or to related parties and income taxes paid.

The following table sets forth a reconciliation of our profit before income tax to net cash from operating activities:

	FY2014/15	FY2015/16	FY2016/17	Three months ended 30 September 2016	Three months ended 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000* (unaudited)	*S$'000*
Profit/(loss) before taxation	4,120	3,021	6,068	1,753	(191)
Adjustments for:					
Depreciation of property, plant and equipment	78	76	99	22	30
Finance costs	2	–	–	–	–
Dividend income	–	(40)	(27)	(15)	–
Interest income	–	–	–*	–	(2)
Gain on disposal of available-for-sale financial assets	–	–	(128)	(29)	–
Gain on disposal of property, plant and equipment	–	–	(5)	–	–
Operating cash flow before movement in working capital	4,200	3,057	6,007	1,730	(164)
Increase in trade receivables	(473)	(353)	(1,156)	(1,441)	(857)
Decrease/(increase) in other receivables, deposits and prepayments	281	(32)	8	(41)	(570)
Decrease/(increase) in amounts due from customers for construction work	449	(1,189)	(699)	(940)	(554)
(Increase)/decrease in amounts due from related parties	(21)	45	–	–	–
Decrease in amounts due to related parties	(10)	–	–	–	–
Increase in trade and other payables	408	357	212	402	1,684
(Decrease)/increase in amounts due to customers for construction work	(961)	276	(304)	34	567
Cash generated from operations	3,873	2,161	4,068	(256)	106
Income taxes paid	(391)	(597)	(384)	–	–
Net cash from/(used in) operating activities	3,482	1,564	3,684	(256)	106

* *The amount was negligible*

For FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, the respective differences between our profit before taxation and net cash from operating activities were mainly due to the amount and timing of receipts from our customers and the amount and timing of payments to our suppliers.

Cash flows from investing activities

	FY2014/15	FY2015/16	FY2016/17	Three months ended 30 September 2016	Three months ended 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000* (unaudited)	*S$'000*
Payment for acquiring available-for-sale financial assets	–	(1,606)	–	–	–
Proceeds from disposal of available-for-sale financial assets	–	–	1,734	702	–
Purchase of property, plant and equipment	(4)	(99)	(160)	(10)	(5)
Proceeds from disposal of property, plant and equipment	–	–	5	–	–
Advances to related parties	–	(392)	–	–	–
Repayment of advances to related parties	–	–	347	–	–
Dividends received	–	40	27	15	–
Interest received	–	–	–	–	2
Placement of pledged bank deposit	–	–	–	–	(175)
Net cash (used in)/from investing activities	(4)	(2,057)	1,953	707	(178)

During the track record period, our cash inflows from investing activities primarily includes cash generated from proceeds from disposal of available-for-sale financial assets (being certain listed securities in Singapore) and from the disposal of our property, plant and equipment, dividend received from available-for-sale financial assets and repayment of advances to related parties whereas our cash outflows from investing activities primarily include cash used in acquiring the available-for-sale financial assets, purchase of our property, plant and equipment such as motor vehicles and advances to related parties.

For FY2014/15, we recorded net cash used in investing activities of approximately S$4,000, which was primarily attributable to purchase of our property, plant and equipment such as computer and office equipment.

For FY2015/16, we recorded net cash used in investing activities of approximately S$2.1 million, which was primarily attributable to cash used in acquiring the available-for-sale financial assets, purchase of property, plant and equipment such as motor vehicles and advances to related parties, net off by dividend from available-for-sale financial assets.

For FY2016/17, we recorded net cash from investing activities of approximately S$2.0 million, which was primarily attributable to cash proceeds from disposal of available-for-sale financial assets and our property, plant and equipment, and repayment of advances to related parties, net off by cash used in purchase of property, plant and equipment such as motor vehicles, computer and equipment.

For the three months ended 30 September 2017, we recorded net cash used in investing activities of approximately S$0.2 million, which was primarily attributable to cash used in placing the restricted bank deposit as pledged item for a performance guarantee issued to a customer.

Cash flows from financing activities

	FY2014/15	FY2015/16	FY2016/17	Three months ended 30 September 2016	Three months ended 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000* (unaudited)	*S$'000*
Interest paid	(2)	–	–	–	–
Repayment of finance lease payables	(49)	(15)	–	–	–
Repayment of advance from directors	(523)	–	(850)	(638)	–
Advance from directors	40	10	802	200	–
Advance from related parties	14	110	1,926	–	–
Repayment of advance from related parties	(294)	(138)	(1,926)	–	–
Proceeds from shares subscription in Philosophy Global	–	–	–	–	–*
Dividends paid	(655)	(2,130)	(2,673)	–	–
Net cash used in financing activities	(1,469)	(2,163)	(2,721)	(438)	–*

* *The amount was negligible*

During the Track Record Period, our cash outflows from financing activities includes dividends paid, advance from and repayment of advance from our directors and related parties, and repayment of the principal of finance lease and interest expenses.

For FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, we recorded net cash used in financing activities of approximately S$1.5 million, S$2.2 million, S$2.7 million and nil, which was mainly attributable to the dividends paid and repayment of advance from our directors and related parties.

Capital expenditures

For each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, our Group incurred capital expenditures of approximately S$4,000, S$99,000, S$160,000 and S$5,000 respectively, as set out below:

	FY2014/15	FY2015/16	FY2016/17	Three months ended 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
Plant and equipment	2	5	–*	2
Computer and office equipment	2	5	54	3
Motor vehicles	–	89	91	–
Furniture and fittings	–*	–	15	–*
	4	99	160	5

* *The amount was negligible*

Our Group's capital expenditures primarily consisted of purchase of motor vehicles for use in our business operations. Our Directors consider that further investments in motor vehicles and machinery are necessary in order to cope with our business development and increase our overall efficiency and capacity in performing building works. As such, we plan to acquire additional motor vehicles and machinery in the future, further information of which is disclosed in the section "Business – Business strategies" and "Future plans and **[REDACTED]**" in this document. Our Group plans to finance future capital expenditures primarily through the **[REDACTED]** of the **[REDACTED]** as well as from cash flows generated from operations.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our internal resources presently available to our Group, including our existing cash and cash equivalents, cash generated from our operations, and the estimated **[REDACTED]** to be received by us from the **[REDACTED]**, our Group has sufficient working capital for our present requirements for at least 12 months from the date of this document.

NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017	As at 30 September 2017	As at 31 January 2018
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
					(unaudited)
Current assets					
Available-for-sale financial assets	–	1,510	–	–	–
Trade receivables	1,969	2,322	3,478	4,335	2,827
Other receivables, deposits and prepayments	52	85	77	647	142
Amounts due from customers for construction work	305	1,494	2,193	2,747	3,346
Amounts due from related parties	51	347	–	–	–
Restricted bank deposit	–	–	–	175	175
Bank balances and cash	3,752	1,095	4,011	3,939	4,195
Total current assets	6,129	6,853	9,759	11,843	10,685
Current liabilities					
Trade and other payables	846	1,203	1,415	3,099	1,287
Amounts due to customers for construction work	28	305	–	567	106
Amounts due to related parties	704	–	–	–	–
Amounts due to directors	915	721	–	–	–
Obligation under finance leases – due within one year	16	–	–	–	–
Income tax payable	685	425	950	1,199	1,154
Total current liabilities	3,194	2,654	2,365	4,865	2,547
Net current assets	2,935	4,199	7,394	6,978	8,138

As at 30 June 2015 and 2016, our net current assets amounted to approximately S$2.9 million and approximately S$4.2 million respectively. The increase was mainly due to our profitable operations during FY2015/16.

As at 30 June 2016 and 2017, our net current assets amounted to approximately S$4.2 million and approximately S$7.4 million respectively. The increase in our net current assets was mainly due to the increase in our current assets as a result of our business growth and our profitable operation during FY2016/17, with the combined effect of the decrease in our current liabilities as a result of, among other things, the decrease in amounts due to directors.

As at 30 September 2017, our net current assets amounted to approximately S$7.0 million which was lower than our net current assets as at 30 June 2017. The decrease in our net current assets was mainly due to the increase in our current liabilities as a result of, among other things, the recognition of accrued **[REDACTED]** expenses of approximately S$**[REDACTED]** million under trade and other payables.

As at 31 January 2018, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately S$8.1 million, which was higher than our net current assets as at 30 September 2017 due to the decrease in our current liabilities as a result of the decrease in accrued **[REDACTED]** expenses as compared to that as at 30 September 2017.

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs.

DISCUSSION ON SELECTED BALANCE SHEET ITEMS

Available-for-sale financial assets

Available-for-sale financial assets include the following:

	As at 30 June 2015	**As at 30 June 2016**	**As at 30 June 2017**	**As at 30 September 2017**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Listed equity securities in Singapore	–	1,510	–	–

Available-for-sale financial assets were securities listed on the Singapore Exchange Limited, which were purchased with our idle funds during FY2015/16.

All available-for-sale financial assets were disposed of during FY2016/17. Our Group does not have any intention to engage in any trading or speculative activities in securities or financial products in the future.

Trade receivables

Our trade receivables as at 30 June 2015, 2016 and 2017 and for the three months ended 30 September 2017 amounted to approximately S$2.0 million, approximately S$2.3 million, approximately S$3.5 million and approximately S$4.3 million respectively. The following table sets forth a breakdown of our trade receivables:

	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017	As at 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
Trade receivables	1,790	2,279	3,333	4,189
Retention receivables	156	16	145	146
Unbilled revenue	23	27	–	–
	1,969	2,322	3,478	4,335

Our trade receivables increased from approximately S$1.8 million as at 30 June 2015 to approximately S$2.3 million as at 30 June 2016, despite the decrease in revenue from approximately S$13.2 million for FY2014/15 to approximately S$9.8 million for FY2015/16. This was mainly due to invoices amounting to approximately S$2.1 million being issued to customers in April to June 2016 (compared with S$1.4 million in April to June 2015) as a result of our actual works performance during such periods. Our trade receivables increased to approximately S$3.3 million as at 30 June 2017, which was primarily due to (i) our business growth as evidenced by our increase in revenue from approximately S$9.8 million for FY2015/16 to approximately S$14.9 million for FY2016/17; and (ii) the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to the actual works progress of our ongoing projects, the amounts certified and settled by the relevant customers as at the respective reporting dates as well as the different credit periods granted by us. Our credit terms offered to customers generally ranged from 30 to 90 days. For details of our credit terms offered to our major customers, please refer to the section headed "Business – Customers – Top customers" in this document.

Our trade receivables was approximately S$4.2 million as at 30 September 2017 which was mainly comprised of (i) approximately S$0.9 million past due trade receivables as at 30 June 2017 which was 100.0% settled subsequently as at the Latest Practicable Date; and (ii) approximately S$3.3 million of invoices being issued to customers in July to September 2017 which was 100.0% settled subsequently as at the Latest Practicable Date.

Retention receivables

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. The fluctuation of our retention receivables as at 30 June 2015, 2016, 2017 and 30 September 2017 was mainly due to different duration and different size of the integrated design and building projects awarded by construction contractors during the Trade Record Period.

Unbilled revenue

Unbilled revenue arises when revenue had been recognised but not yet billed to our customers as at the respective year end dates. We recorded unbilled revenue of approximately S$23,000, S$27,000, nil and nil as at 30 June 2015, 2016, 2017 and 30 September 2017 respectively as a result of the aforesaid billing procedures.

Concentration

As at 30 June 2015, 2016, 2017 and 30 September 2017, there were 3, 2, 2 and 4 customer(s) which individually contributed over 10% of our trade receivables, respectively. The aggregate amounts of trade receivables from these customers amounted to 64.1%, 78.9%, 47.7% and 62.4% of our total trade receivables as at 30 June 2015, 2016, 2017 and 30 September 2017 respectively. For further information regarding our customer concentration risk and our Directors' view as to the sustainability of our business model in view of our customer concentration, please refer to the section headed "Business – Customers – Customer concentration" in this document.

Trade receivables turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	Three months ended 30 September 2017
Trade receivables turnover days *(Note)*	53.9 days	75.8 days	68.6 days	85.7 days

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including retention receivables and unbilled revenue) divided by revenue during the year/period, then multiplied by the number of days of the year (i.e. 365 days for a full year or 92 days for the three months ended 30 September 2017).

The credit period that we granted to customers generally ranged from 30 to 90 days. Our trade receivables turnover days were approximately 53.9 days for FY2014/15, approximately 75.8 days for FY2015/16, approximately 68.6 days for FY2016/17 and approximately 85.7 days for the three months ended 30 September 2017. Such fluctuation was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the actual works progress of our ongoing projects, the amounts certified and settled by the relevant customers as at the respective reporting dates as well as the different credit periods granted by us.

Trade receivables ageing analysis and subsequent settlement

The ageing analysis of our trade receivables based on invoice date is as follows:

	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017	As at 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
Within 30 days	1,217	1,640	1,180	1,627
31 – 60 days	112	352	600	1,169
61 – 90 days	70	117	750	483
91 – 180 days	20	165	476	516
181 – 365 days	149	5	327	394
Over 1 year but not more than 2 years	222	–	–	–
	1,790	2,279	3,333	4,189

The ageing analysis of our trade receivables which were past due but not impaired based on invoice date is as follows:

	As at 30 June 2015 *S$'000*	As at 30 June 2016 *S$'000*	As at 30 June 2017 *S$'000*	As at 30 September 2017 *S$'000*
Within 30 days	–	–	–	–
31 – 60 days	58	2	28	839
61 – 90 days	2	48	476	480
91 – 180 days	20	165	476	516
181 – 365 days	149	5	327	394
Over 1 year but not more than 2 years	222	–	–	–
	451	220	1,307	2,229

Approximately 74.8%, 90.3%, 60.8% and 46.8% of our trade receivables as at 30 June 2015, 2016, 2017 and 30 September 2017 were neither past due nor impaired. During the Track Record Period, our trade receivables which were aged more than 60 days were related to a number of independent customers that had good track record of credit with us. Our trade receivables which were aged over 90 days were approximately S$391,000 as at 30 June 2015, S$170,000 as at 30 June 2016, S$803,000 as at 30 June 2017 and S$910,000 as at 30 September 2017, which was mainly attributable to the relevant customers' longer internal procedures as indicated by such customers, which delayed the settlement to us.

Up to the Latest Practicable Date, 100.0% of our trade receivables as at 30 September 2017 had been settled:

	Trade receivable as at 30 September 2017	Subsequent settlement up to the Latest Practicable Date	
	S$'000	*S$'000*	*%*
Neither past due nor impaired	1,960	1,960	100.0
Past due, grouped based on invoice date:			
Within 30 days	–	–	–
31 – 60 days	839	839	100.0
61 – 90 days	480	480	100.0
91 – 180 days	516	516	100.0
181 – 365 days	394	394	100.0
	4,189	4,189	100.0

Approximately 45.5%, 57.7%, 51.0% and 58.6% of our revenue for each of FY2014/15, FY2015/16, FY2016/17 and for the three months ended 30 September 2017 was generated from public sector projects which carries little or no risk of default in the opinion of our Directors. Our Directors consider that the credit risk faced by us is mainly in relation to the collectability of receivables from private customers. Our credit terms offered to customers generally ranged from 30 to 90 days. For our credit risk management, please refer to the section headed "Business – Risk management and internal controls systems – Credit risk management" in this document.

We assess at end of each reporting period whether there is any objective evidence that trade receivables are impaired. We determine the provision for impairment of trade receivables on a case-by-case basis having regard to a number of factors, including the ageing of the receivable balance, results of follow-up procedures, customers' credit history, customers' financial position, and the current market condition.

No provision for impairment loss was recognised in respect of our trade receivables because our Directors are of the view that all trade receivables can be recovered having taken into account, among other factors, that:

(i) our Directors confirm that there has been no dispute or disagreement with regard to the value or stage of completion of projects between our Group and our customers;

(ii) with respect to trade receivables which were neither past due or past due within 90 days as at 30 September 2017, our Directors consider that the subsequent settlement rates as shown in the above table are in good standing and that the amounts that remain outstanding are recoverable; and

(iii) with respect to trade receivables which were past due between 91 and 365 days as at 30 September 2017, our Directors consider that the subsequent settlement rates as shown in the above table are in good standing. We had actively followed up with the relevant customers and our Directors consider that such trade receivables are recoverable having regard to our continuing business relationship with the relevant customers, their business scale, their past payment records and there was no apparent financial and cash flows issues of the relevant customers as indicated to our Directors. Our Directors confirm that there were no disputes from such customer on the outstanding amounts payable to us. In view of the lack of timely responses to our follow-up actions from such customer, further active follow-up actions, including written payment reminders and active communications with it, will continue until full settlement of the outstanding balance.

Amounts due from/(to) customers for construction work

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for construction work. When progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to customers for construction work.

The following table sets out the amounts due from/(to) customers for construction work:

	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017	As at 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
Contract costs incurred plus recognised profits less recognised losses	583	2,739	5,791	7,838
Less: progress billings	(306)	(1,550)	(3,598)	(5,658)
	277	1,189	2,193	2,180
Analysed for reporting purposes as:				
Amounts due from customers on construction work	305	1,494	2,193	2,747
Amounts due to customers on construction work	(28)	(305)	–	(567)
Balance at end of the year/period	277	1,189	2,193	2,180

Our amounts due from customers on construction work increased from approximately S$0.3 million as at 30 June 2015 to S$1.5 million as at 30 June 2016 and to approximately S$2.2 million as at 30 June 2017 and further increased to approximately S$2.7 million as at 30 September 2017, mainly because of the actual works progress of our ongoing projects near each financial year end. For amounts due from customers on construction work as at 30 June 2016, construction costs of S$1.0 million was incurred for our projects undertaken for various major customers including Customer C, QST Technologies Pte. Ltd., Siemens Group and Canon Medical Systems Asia Pte. Ltd. in May and June 2016. For amounts due from customers on construction work as at 30 June 2017, construction costs of S$1.1 million was incurred for our project undertaken for National University Hospital which commenced works in June 2017. For amounts due from customers on construction work as at 30 September 2017, construction costs of S$2.2 million was incurred for our projects undertaken for various major customers including Customer D, National University Hospital and Penta-Ocean Construction Company Limited in August and September 2017. Our Directors confirm that there has been no material delay or difficulties in our Group's progress billing process or construction progress during the Track Record Period.

Settlement of such amounts

In respect of the amounts due from customers for construction work of approximately S$0.3 million as at 30 June 2015, progress billings had subsequently taken place and had become our trade receivables during FY2015/16, and such amounts had been fully settled by the relevant customers during FY2015/16 and FY2016/17.

In respect of the amounts due from customers for construction work of approximately S$1.5 million as at 30 June 2016, progress billings had subsequently taken place and such amounts had become our trade receivables during FY2016/17, and approximately S$1.5 million (equivalent to approximately 97%) had been settled by the relevant customers during FY2016/17 and the remaining amount had been settled by the relevant customer in September 2017.

Of the amounts due from customers for construction work of approximately S$2.2 million as at 30 June 2017, progress billings had subsequently taken place and had become our trade receivables, and approximately S$2.2 million (equivalent to approximately 99%) had been settled by the relevant customers up to the Latest Practicable Date.

Of the amounts due from customers for construction work of approximately S$2.7 million as at 30 September 2017, approximately S$2.1 million (equivalent to approximately 76%) had been subsequently billed up to the Latest Practicable Date. Of such amount of approximately S$2.1 million where subsequent billings had taken place, approximately S$1.9 million had been subsequently settled by the relevant customers up to the Latest Practicable Date.

Trade and other payables

Our trade and other payables as at 30 June 2015, 2016, 2017 and 30 September 2017 amounted to approximately S$0.8 million, approximately S$1.2 million, approximately S$1.4 million and approximately S$3.1 million respectively. The following table sets forth a breakdown of our trade and other payables:

	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017	As at 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
Trade payables	193	836	1,093	638
Trade accruals	480	161	39	749
	673	997	1,132	1,387
Accrued operating expenses	12	7	66	1,344
Other payables				
Advanced billing	7	11	–	–
GST payable	96	103	94	195
Payroll and CPF payable	46	60	115	173
Others	12	25	8	–
	173	206	283	1,712
	846	1,203	1,415	3,099

Trade payables

Our trade payables mainly comprised payables to subcontractors and suppliers of building and construction materials.

Our trade payables increased from approximately S$193,000 as at 30 June 2015 to S$836,000 as at 30 June 2016 and further increased to approximately S$1.1 million as at 30 June 2017 and decreased to approximately S$638,000 as at 30 September 2017, mainly because of the actual works performed by our subcontractors near each year end. In particular, for trade payables as at 30 June 2017 and 30 September 2017, S$470,000 and S$201,000 was billed by our subcontractors respectively, for our project undertaken for National University Hospital which commenced works in June 2017.

Trade payables turnover days

The following table sets out our trade payables turnover days during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	Three months ended 30 September 2017
Trade payables turnover days *(Note)*	12.3 days	30.4 days	41.8 days	35.3 days

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including accruals and other payables) divided by costs of services/sales for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 92 days for the three months ended 30 September 2017).

Our trade payables turnover days were approximately 12.3 days for FY2014/15, approximately 30.4 days for FY2015/16, approximately 41.8 days for FY2016/17 and approximately 35.3 days for the three months ended 30 September 2017, which was primarily affected by (i) the increase in trade payables balance near the respective year end dates as discussed above; and (ii) the different credit periods granted by different suppliers. We are usually granted by suppliers a credit period ranging from 14 to 90 days or payable upon delivery.

Trade payables ageing analysis and subsequent settlement

The following table sets forth an ageing analysis of trade payables based on the invoice dates:

	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017	As at 30 September 2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
Within 90 days	193	827	1,093	597
91 – 180 days	–	9	–	41
	193	836	1,093	638

Up to the Latest Practicable Date, all of our trade payables as at 30 September 2017 had been settled.

Trade accruals

Trade accruals refers to costs of services relating to building and construction works which had been recognised but for which we had not yet received invoices from our subcontractors as at 30 June 2015, 2016, 2017 and 30 September 2017 respectively. Typically, such amounts arose when services had been performed and rendered by subcontractors as at year-end but we had not yet received invoices from them.

Other payables and accruals

Other payables and accruals (including accrued operating expenses, goods and services tax (GST) payable (being a consumption tax that is levied on import of goods into Singapore and nearly all supplies of goods and services in Singapore at a prevailing rate of 7%), payroll payables and others, in aggregate) increased from approximately S$173,000 as at 30 June 2015 to approximately S$206,000 as at 30 June 2016 and then further increase to S$283,000 as at 30 June 2017. The increase was mainly due to the increase in payroll payable as at each year end date.

Our other payables and accruals further increased to S$1.7 million as at 30 September 2017, which was mainly due to the recognition of accrued **[REDACTED]** expenses of approximately S$**[REDACTED]** million during the period.

Amounts due from/(to) related parties

Amounts due from/(to) related parties comprised of amounts due from/(to) Mr. Ong Cher Tiok and amounts due from/(to) Shieldtech Engineering & Construction Sdn. Bhd. ("Shieldtech"), details of which are summarised in note 19 to the accountants' report set out in Appendix I to this document.

Amounts due from/(to) Mr. Ong Cher Tiok, being Mr. Ryan Ong's father, are non-trade related, unsecured, non-interest bearing and without a fixed repayment term. During the Track Record Period, such amounts represented either cash advanced by the Mr. Ong Cher Tiok to our Group for working capital purpose or cash advanced by our Group for Mr. Ong Cher Tiok's personal use. All outstanding balance had been fully settled as of 30 June 2017.

Amounts due from/(to) Shieldtech (a company in which Mr. Ong Cher Tiok had a controlling equity interest until March 2017) are trade related and have arisen from the related party transactions conducted between our Group and such related company. Such related party transactions included (i) sales of tools and materials such as radiation shielding products; and (ii) the purchase of radiation shielding materials by us from the related company in our ordinary course of business. For further details of such related party transactions, please refer to the section headed "Financial information – Related party transactions" below.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated. As of 31 January 2018, being the latest practicable date for this indebtedness statement, save as disclosed below under this sub-section headed "Indebtedness", we do not have any debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances, acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 January 2018 and up to the date of this document. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

	As at 30 June 2015	**As at 30 June 2016**	**As at 30 June 2017**	**As at 30 September 2017**	**As at 31 January 2018**
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
					(unaudited)
Current liabilities					
Obligation under finance leases	16	–	–	–	–
Amounts due to related parties	704	–	–	–	–
Amounts due to directors	915	721	–	–	–
	1,635	721	–	–	–

Obligation under finance leases

During the Track Record Period, we purchased certain motor vehicles by way of finance lease arrangements. Under these finance lease arrangements, our creditors purchased the motor vehicles from the suppliers or us (as the case may be) and leased back those machinery and motor vehicles to us at stipulated monthly rents in a fixed term. Under such arrangements, we were given the options to purchase the motor vehicles for nominal amounts at the end of the respective lease terms.

Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the motor vehicles to our Group as the lessee, the relevant motor vehicles were accounted for as our Group's assets under the category of property, plant and equipment.

As at 30 June 2015, our Group had obligations under finance leases repayable as follows:

	As at 30 June 2015	
	Present value of the minimum lease payment	**Total minimum lease payments**
	S$'000	*S$'000*
Within one year	16	16
In the second to fifth year, inclusive	–	–
Less: total future interest expenses	–	–
Present value of lease obligations		16

For FY2014/15 and FY2015/16, the effective interest rate was 6% per annum for our finance leases facilities. During FY2015/16, the finance leases payables were fully settled and there were no new finance lease facilities obtained since then. As at 30 June 2016 and 2017, 30 September 2017 and 31 January 2018, our Group had no obligations under finance leases.

Our finance leases were secured by certain motor vehicles. As at 30 June 2015, the net book value of our motor vehicles under finance leases amounted to approximately S$101,000, representing approximately 100% of the total net book value of our motor vehicles as at 30 June 2015.

Amounts due to directors

Details of the amounts due to directors are summarised in note 19 to the accountants' report set out in Appendix I to this document.

The amounts due to directors are non-trade related, unsecured, non-interest bearing and without a fixed repayment term. During the Track Record Period, such amounts represented cash advanced by the directors to our Group for working capital purpose. All outstanding balance had been fully settled as of 30 June 2017.

Operating lease commitments

Group as lessee

As at 30 June 2015, 2016, 2017, 30 September 2017 and 31 January 2018, the total future minimum lease payments payable by our Group (as lessee) under non-cancellable operating leases is as follows:

	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017	As at 30 September 2017	As at 31 January 2018
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
					(unaudited)
Within one year	40	40	78	64	48
After one year but within two years	–	–	13	3	–
	40	40	91	67	48

The leases were in relation to staff dormitories and typically run for an initial period of one to two years. The lease does not include contingent rentals.

Contingent liabilities

As at the Latest Practicable Date, we have existing performance guarantee provided by a bank in Singapore, amounting to approximately S$174,000. The performance guarantee was secured by restricted bank deposits of S$175,000 under this bank.

Off-balance sheet arrangements and commitments

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

KEY FINANCIAL RATIOS

	FY2014/15 or as at 30 June 2015	FY2015/16 or as at 30 June 2016	FY2016/17 or as at 30 June 2017	Three months ended 30 September 2017 or as at 30 September 2017
Revenue growth	N/A	(26.1)%	52.5%	(9.8)%
Net profit growth	N/A	(22.7)%	92.1%	(129.3)%
Gross profit margin	39.8%	36.8%	43.6%	44.0%
Net profit margin before interest and tax	31.1%	30.9%	40.6%	(4.7)%
Net profit margin	26.2%	27.4%	34.5%	(10.9)% *(Note 1)*
Return on equity	96.7%	55.1%	63.5%	(5.7)% *(Note 2)*
Return on total assets	51.0%	35.6%	49.0%	(3.5)% *(Note 3)*
Current ratio	1.9	2.6	4.1	2.4
Quick ratio	1.9	2.6	4.1	2.4
Inventories turnover days	N/A	N/A	N/A	N/A
Trade receivables turnover days	53.9	75.8	68.6	85.7
Trade payables turnover days	12.3	30.4	41.8	35.3
Gearing ratio	45.6%	14.8%	0.0%	0.0%
Net debt to equity ratio	Net cash	Net cash	Net cash	Net cash
Interest coverage	1,771.7	13,429.0	N/A	N/A

Notes:

1. Our net profit margin for the three months ended 30 September 2017 after excluding the **[REDACTED]** expenses would be approximately 33.7%.

2. Our return on equity for the three months ended 30 September 2017 after excluding the **[REDACTED]** expenses would be approximately 17.7%.

3. Our return on total assets for the three months ended 30 September 2017 after excluding the **[REDACTED]** expenses would be approximately 10.8%.

Revenue growth

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons for the fluctuation in our revenue.

Net profit growth

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons for the fluctuation in our net profit.

Gross profit margin

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons for the fluctuation in our gross profit margin.

Net profit margin before interest and tax

Our net profit margin before interest and tax decreased from approximately 31.1% for FY2014/15 to approximately 30.9% for FY2015/16, mainly due to the decrease in our gross profit margin as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section.

Our net profit margin before interest and tax increased from approximately 30.9% for FY2015/16 to approximately 40.6% for FY2016/17. Such increase was mainly due to the increase in our gross profit margin as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section.

Our net profit margin before interest and tax decreased from approximately 39.2% for the three months ended 30 September 2016 to approximately (4.7)% for the three months ended 30 September 2017. Such decrease was mainly due to the recognition of **[REDACTED]** expenses of approximately S$**[REDACTED]** million during the three months ended 30 September 2017. The net profit margin before interest and tax for the three months ended 30 September 2017 after excluding the **[REDACTED]** expenses would be approximately 39.8%, which is similar to the net profit margin before interest and tax for the three months ended 30 September 2016.

Net profit margin

Our net profit margin increased from approximately 26.2% for FY2014/15 to approximately 27.4% for FY2015/16. Despite the decrease in our net profit margin before interest and tax for FY2015/16 compared with FY2014/15, the increase in our net profit margin was mainly due to the tax deduction in FY2015/16 under the Productivity and Innovation Credit Scheme in Singapore.

Our net profit margin further increased from approximately 27.4% for FY2015/16 to approximately 34.5% for FY2016/17, which was mainly due to the increase in our net profit margin before interest and tax as mentioned above.

Our net profit margin decreased from approximately 33.5% for the three months ended 30 September 2016 to approximately (10.9)% for the three months ended 30 September 2017 was mainly due to (i) the decrease in our net profit margin before interest and tax as discussed above; and (ii) the tax effect of the non-deductible **[REDACTED]** expenses incurred during the three months ended 30 September 2017. The net profit margin for the three months ended 30 September 2017 after excluding the **[REDACTED]** expenses would be approximately 33.7%, which is similar to the net profit margin for the three months ended 30 September 2016.

Return on equity

Return on equity is calculated as profit for the year divided by the ending total equity as at the respective reporting dates.

Our return on equity decreased from approximately 96.7% for FY2014/15 to approximately 55.1% for FY2015/16 was mainly due to (i) the decrease in the profit for the year from S$3.5 million for FY2014/15 to S$2.7 million for FY2015/16; and (ii) the issuance of shares during FY2015/16 which resulted in the increase of the total equity as at 30 June 2016.

Our return of equity increased from approximately 55.1% for FY2015/16 to approximately 63.5% for FY2016/17 was mainly due to the increase in the profit for the year from S$2.7 million for FY2015/16 to S$5.2 million for FY2016/17.

Our return of equity decreased to approximately (5.7)% for the three months ended 30 September 2017 which was mainly due to the recognition of **[REDACTED]** expenses of approximately S$**[REDACTED]** million during the three months ended 30 September 2017.

Return on total assets

Return on total assets is calculated as profit for the year divided by the ending total assets as at the respective reporting dates.

Our return on total assets decreased from approximately 51.0% for FY2014/15 to approximately 35.6% for FY2015/16, and increased to approximately 49.0% for FY2016/17. Our return on total assets then decreased to approximately (3.5)% for the three months ended 30 September 2017. The fluctuation in our return on total assets over the Track Record Period was mainly due to reasons similar to those for the change in our return on equity mentioned above.

Current ratio

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio increased from approximately 1.9 times as at 30 June 2015 to approximately 2.6 times as at 30 June 2016. Such increase was mainly due to the increase in our current assets as a result of our profitable operations, as well as the fact that our current liabilities decreased as a result of our repayment of amounts due to related parties.

Our current ratio increased from approximately 2.6 times as at 30 June 2016 to approximately 4.1 times as at 30 June 2017. Such increase was mainly due to the increase in our current assets as a result of our business growth, as well as the fact that our current liabilities decreased as a result of our repayment of amounts due to directors.

Our current ratio decreased from approximately 4.1 times as at 30 June 2017 to 2.4 times as at 30 September 2017. Such decrease was mainly due to the increase in our current liabilities as a result of the increase in trade and other payables which was attributable to the recognition of accrued **[REDACTED]** expenses of approximately S$**[REDACTED]** million.

Quick ratio

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates. Due to our business nature, we did not have any inventories during the Track Record Period. As such, our quick ratio was the same as our current ratio.

Inventories turnover days

Due to the nature of our business model, we did not maintain any inventories during the Track Record Period. As such, analysis of inventories turnover days is not applicable.

Trade receivables turnover days

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including retention receivables and unbilled revenue) divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 92 days for the three months ended 30 September 2017).

Please refer to the section "Financial information – Net current assets – Trade receivables" for the reasons for the change in our trade receivables turnover days.

Trade payables turnover days

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including trade accruals) divided by direct costs for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 92 days for the three months ended 30 September 2017).

Please refer to the paragraph headed "Net current assets – Trade and other payables" in this section for the reasons for the change in our trade payables turnover days.

Gearing ratio

Gearing ratio is calculated as total borrowings (including finance lease liabilities and amounts due to related parties and directors) divided by the total equity as at the respective reporting dates.

Our gearing ratio was approximately 45.6% as at 30 June 2015, approximately 14.8% as at 30 June 2016, nil and nil as at 30 June 2017 and 30 September 2017. The substantial decrease in our gearing ratio as at 30 June 2017 was mainly due to the repayment of amounts due to directors and related parties.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. total borrowings, including payables incurred not in the ordinary course of business, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

We recorded net cash position as at 30 June 2015, 2016, 2017 and 30 September 2017.

Interest coverage

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting years.

Our interest coverage increased from approximately 1,771.7 times as at 30 June 2015 to approximately 13,429.0 times as at 30 June 2016, and we recorded nil finance costs as at 30 June 2017 and 30 September 2017, due to our full settlement of interest-bearing finance leases arrangements during FY2015/16.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial and capital risk management

Our Group is exposed to interest rate risk, currency risk, price risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to "Business – Risk management and internal control systems" and note 28 and 29 of the accountants' report set out in Appendix I to this document.

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to our Shareholder through the optimisation of the debt and equity balance. Our Directors review the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, we may adjust the amount of dividends paid to Shareholders, conduct share buybacks, issue new Shares, and/or raise new debts, depending on our capital structure and needs from time to time.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets, which was prepared to illustrate the effect of the **[REDACTED]** on the audited combined net tangible assets of our Group attributable to owners of our Company as of 30 September 2017 as if the **[REDACTED]** had taken place on 30 September 2017, was approximately HK$**[REDACTED]** per Share and HK$**[REDACTED]** per Share, respectively, based on the indicative **[REDACTED]** range of HK$**[REDACTED]** per **[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**. Please refer to Appendix II to this document for the bases and assumptions in calculating the unaudited pro forma adjusted net tangible assets figure.

[REDACTED] EXPENSES

Our Directors estimate that the total amount of expenses in relation to the **[REDACTED]** is approximately HK$**[REDACTED]** million. Out of the amount of approximately HK$**[REDACTED]** million, approximately HK$**[REDACTED]** million is directly attributable to the issue of the **[REDACTED]** and is expected to be accounted for as a deduction from equity upon **[REDACTED]**. The remaining amount of approximately HK$**[REDACTED]** million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK$**[REDACTED]** million that shall be charged to profit or loss, approximately HK$**[REDACTED]** million has been charged during the Track Record Period, and approximately HK$**[REDACTED]** million is expected to be incurred for the remaining nine months of FY2017/18. Expenses in relation to the **[REDACTED]** are non-recurring in nature. Our Group's financial performance and results of operations for FY2017/18 will be affected by the estimated expenses in relation to the **[REDACTED]**.

DIVIDEND

For each of FY2014/15, FY2015/16, FY2016/17 and the three months ended 30 September 2017, we declared dividends of S$2.5 million, S$1.3 million, S$2.0 million and nil respectively to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 18 August 2017. As at 30 June 2015, 2016, 2017 and 30 September 2017, our Company had no reserves available for distribution to our Shareholders.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 27 to the accountants' report set out in Appendix I to this document. During the Track Record Period, our transactions with related parties mainly include the following:

a. Sales

	Year ended 30 June			Three months ended 30 September	Three months ended 30 September
	2015	**2016**	**2017**	**2016**	**2017**
	S$	*S$*	*S$*	*S$*	*S$*
				(unaudited)	
Shieldtech	50,756	–	85,500	–	–
BRC Global Pte. Ltd. ("BRC Global")	–	8,900	9,350	9,350	–
	50,756	8,900	94,850	9,350	–

b. Purchases/Services/Subcontracting Services Received

	Year ended 30 June			Three months ended 30 September	Three months ended 30 September
	2015	2016	2017	2016	2017
	S$	*S$*	*S$*	*S$*	*S$*
				(unaudited)	
Shieldtech	5,900	–	–	–	–
BRC Global	–	222,500	743,421	306,370	–
	5,900	222,500	743,421	306,370	–

(a) Shieldtech was a private company registered in Malaysia. During the Track Record Period, Mr. Ong Cher Tiok, being Mr. Ryan Ong's father, was formerly a director and a shareholder (holding 30% of the total issued share capital) of Shieldtech. Mr. Ong Cher Tiok resigned from his directorship and sold all his shareholdings in Shieldtech to an independent third party in March 2017 and since then Shieldtech became an independent third party to our Group. The principal business activities of Shieldtech mainly included the provision of design and build services of medical facilities in Malaysia. During the Track Record Period, our transactions with Shieldtech included (i) sales of tools and materials such as radiation shielding doors by us to Shieldtech; and (ii) the purchase of radiation shielding materials by us from Shieldtech in our ordinary course of business.

(b) BRC Global was a private company registered in Singapore and being one of our top suppliers (Supplier C) during the Track Record Period. Mr. Ong was formerly a director and a shareholder (holding 33.33% of the total issued share capital) of BRC Global. Mr. Ong resigned from his directorship and sold all his shareholdings in BRC Global to an independent third party in March 2017 and since then BRC Global became an independent third party to our Group. 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). The principal business activities of BRC Global mainly included acting as building contractor for ACMV works. During the Track Record Period, our transactions with BRC Global included (i) subcontracting of ACMV works by us to BRC Global; and (ii) the provision of minor renovation and installation works by us to BRC Global in our ordinary course of business.

Our Directors confirmed that these related party transactions were conducted on arm's length basis and would not distort our results during the Track Record Period, as supported by the fact that the fees charged to/by these related parties were comparable and within the range of fees charged to/by other independent customers or materials suppliers or services providers engaged by our Group for similar sales or purchases.

RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the **[REDACTED]**, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 30 September 2017, and there had been no events since 30 September 2017 which would materially affect the information shown in our combined financial statements included in the accountants' report set out in Appendix I to this document.

OUR PROPOSED AUDITOR AFTER THE [REDACTED]

Under Rule 19.20 of the Listing Rules, we, as an overseas issuer, must have our annual accounts audited by a person, firm or company who must be a practicing accountant of good standing, and that such person, firm or company must also be independent to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants. In addition, the firm of accountants must be either (i) qualified under the Professional Accountants Ordinance for appointment as an auditor of a company; or (ii) acceptable to the Stock Exchange which has an international name and reputation and is a member of a recognised body of accountants.

After the **[REDACTED]**, Deloitte & Touche LLP will be the proposed auditor of our Company, which is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 19.20 of the Listing Rules.