REASONS FOR [REDACTED]

Our Directors believe that the **[REDACTED]** will benefit our Group as it will (i) allow our Group to gain access to equity capital market funding; and (ii) increase the profile of our Group and enable our Group to be considered more favourably by our customers, suppliers and bankers, given that a **[REDACTED]** company is subject to ongoing regulatory compliance for announcements, financial disclosure and corporate governance. In addition, we intend to implement our business strategies and future plans as detailed in this section and the paragraph headed "Business – Business strategies" in this document, which require funding and are intended to be financed by the **[REDACTED]** from the **[REDACTED]**.

*Benefits of choosing the Hong Kong stock market as the **[REDACTED]** venue*

(i) Market liquidity

Our Directors had considered and evaluated different **[REDACTED]** venues including Hong Kong and Singapore and have concluded that Hong Kong is the suitable venue to pursue a **[REDACTED]** after taking into account the liquidity of the stock market in Hong Kong. Our Directors consider that the level of trading activities on a stock exchange is one of the key factors indicating the ease of conducting secondary fund raising exercises after a **[REDACTED]**. For instance, a secondary fund raising exercise such as a secondary placement of shares would generally be easier and more attractive to investors if there is a more liquid market, because a more liquid market generally means that there are more ready and willing buyers (who may invest in the shares under the fund raising exercise) and sellers (who may realise their investment subsequently) in the market.

According to the data compiled by the World Bank, in 2016, the turnover ratio of stocks traded in the Hong Kong stock market was 40.9% while the turnover ratio of stocks traded in the Singapore stock market was 31.9%. Based on the information from the Stock Exchange, the average daily turnover of stocks in Hong Kong was approximately HK$105.6 billion (S$18.4 billion) and HK$66.9 billion (S$11.6 billion) for each of the two years ended 31 December 2016 respectively. By comparison, according to the Singapore Exchange Limited, the average daily turnover of stocks in Singapore was only approximately HK$6.3 billion (S$1.1 billion) and HK$6.3 billion (S$1.1 billion) for each of the two years ended 31 December 2016 respectively.

According to the data retrieved from Bloomberg, the average daily turnover of stocks for all companies, which fall within the construction and engineering category, listed on the Hong Kong stock market and those listed on the Singapore stock market for the 12 months ended 30 June 2017 was approximately HK$12.5 million (S$2.2 million) and HK$0.9 million (S$0.2 million respectively. The average daily turnover of stocks of companies which have similar market capitalisation to our Group (i.e. companies with market capitalisation between HK$350 million and HK$450 million) listed on the Hong Kong stock market and those listed on the Singapore stock market for the 12 months ended 30 June 2017 was approximately HK$2.5 million (equivalent to approximately S$0.4 million) and HK$1.1 million (equivalent to approximately S$0.2 million), respectively. Therefore, our Directors are of the view that it would be easier for us to conduct secondary fund raising in the Hong Kong stock market, if necessary, for our further expansion in the future, than in the Singapore stock market as the Hong Kong stock market has higher liquidity.

Based on the higher average daily turnover of stocks in Hong Kong compared to Singapore, our Directors consider that the Hong Kong stock market has a higher liquidity than the Singapore stock market. It would therefore be easier for us to conduct secondary fund raising in the Hong Kong stock market, if necessary, for our further expansion in the future, than in the Singapore stock market.

(ii) Higher market valuation

With reference to data retrieved from Bloomberg, the average price-earnings ratio of companies which fall within the construction and engineering category listed on the Hong Kong stock market and those listed on the Singapore stock market for the 12 months ended 30 June 2017 was approximately 29.7 times and 21.8 times respectively. Based on such information, our Directors consider that the valuation of companies listed in Hong Kong is generally higher than those listed in Singapore, and thus our Company is likely to have a higher prospect in achieving a higher valuation if the **[REDACTED]** is conducted through the Hong Kong stock market rather than the Singapore stock market.

Further, based on information publicly available, we have not identified any companies listed on the Hong Kong stock market which specialise in undertaking medical-related construction works. Our Directors believe that the unique business focus of our Group will enable us to attract the interests of potential investors in Hong Kong.

(iii) Strengthen our Group's profile

Our Directors believe that the **[REDACTED]** will strengthen our Group's profile and establish our presence in international financial market. During the Track Record Period, our customers comprised multinational medical equipment vendors and medical service providers which are subsidiaries of companies listed on different stock markets worldwide. Our Directors consider that the **[REDACTED]** will strengthen our customers' confidence in our Group's services, financial strengths and credibility, which may further enhance our business relationship with them.

(iv) Enhancing our recruitment and retention of talents

Our Directors believe that being **[REDACTED]** on the Hong Kong stock market will facilitate us in attracting talents to join our Group. In particular, part of our foreign employees were recruited from the PRC. Our Directors consider that we will become more appealing to talents in the PRC by becoming **[REDACTED]** on the Hong Kong stock market. Access to a larger pool of talents will improve our service quality and facilitate our recruitment of additional manpower under our expansion plans. In addition, the status of being a **[REDACTED]** company will also facilitate our in-house talent management, through staff retention and development, whereby our existing staff may be motivated to further develop their career with us in view of the perceived status associated with working for a company which is **[REDACTED]** on the Hong Kong stock market.

Having considered the above, our Directors decided that it is more preferential for our Group to be **[REDACTED]** in the Hong Kong stock market than in the Singapore stock market.

Benefits of equity financing over debt financing

Our Directors decided to proceed with equity financing in the form of **[REDACTED]** for the purpose of our business expansion instead of debt financing based on the following factors:

- financial institutions generally require borrowers to provide assets as securities for long-term loans. As at 30 June 2017, the carrying amount of our property, plant and equipment was approximately S$0.7 million. The amount of assets available to be used as securities for loans is far below the amount of funds (i.e. S$[13.1] million) required for financing our expansion plans. Therefore, our Directors consider that we will not be able to implement our expansion plans by solely relying on debt financing as our available assets are unlikely to be sufficient to provide the loan security required for financing our future plans;

- if we raise additional funds by debt financing, we may be subject to various covenants under the relevant debt instruments which may restrict our ability to pay dividends or obtain additional financing. Further, the repayment terms of such loans, including but not limited to the covenants and interest rates, may not be commercially acceptable to us. Uncertain interest rate movement in the future may also expose our Group to increasing borrowing costs which may adversely affect our financial performance and liquidity. Our Directors have also observed that there is a recent upward trend in the borrowing cost in Singapore. In particular, 3-month SIBOR (Singapore Interbank Offered Rates) had increased from approximately 0.926% in December 2016 to approximately 1.124% in October 2017;

- servicing debt obligations could be burdensome to our operations. If we fail to service such debt obligations on time or we are unable to comply with any of the covenants, we could be in default of such debt obligations and our liquidity, financial credibility and financial condition could be materially and adversely affected. In contrast, by proceeding with equity financing, our Group could enhance our Shareholders' base and no additional financial liability will be incurred; and

- debt financing would significantly raise the indebtedness level and gearing ratio of our Group, which may adversely affect our financial credibility and financial condition and limit our future ability to obtain further financing from financial institutions to support our daily operations.

Having considered the above factors, our Directors decided that it is more preferential for our Group to use equity financing for funding our expansion plans.

NO [REDACTED] APPLICATION MADE IN SINGAPORE

Our Directors confirmed that we have not applied for **[REDACTED]** in Singapore in the past and at present, and to the best of their knowledge and belief, there would have been no impediments to our **[REDACTED]** application if we were to apply for **[REDACTED]** in Singapore.

FUTURE PLANS

Please refer to the paragraph headed "Business – Business Strategies" in this document for our Group's business strategies and future plans.

[REDACTED]

The **[REDACTED]** to be received by us from the **[REDACTED]** based on the **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range of HK$**[REDACTED]** per **[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**, after deducting related expenses of approximately HK$**[REDACTED]** million in connection with the **[REDACTED]**, are estimated to be approximately HK$**[REDACTED]** million. Our Directors presently intend that the **[REDACTED]** will be applied as follows:

(i) approximately HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million), representing approximately **[REDACTED]**% of the estimated **[REDACTED]**, for the acquisition of an additional property with gross floor area of approximately 900 to 1,000 sq. ft. for workshop and office use by the year ending 30 June 2019 to (a) accommodate the planned expansion of our manpower; and (b) secure more spaces for the fabrication of our radiation shielding products;

(ii) approximately HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million), representing approximately **[REDACTED]**% of the estimated **[REDACTED]**, for strengthening our manpower by recruiting additional staff (including project management staff, site supervisors, quantity surveyors, interior designers, skilled workers for ACMV and carpentry works and site workers) to (a) reduce our needs for subcontracting services and the associated expenses incurred therefrom; and (b) increase our in-house capacity in undertaking more integrated design and building services projects.

The following table sets out the intended amount, nature and timing of our plan to recruit additional staff:

For the year ending 30 June	Additional staff to be employed by positions	Number of additional staff to be employed during the year
2018	– Project management staff	2
	– Site supervisor	1
	– Site worker	2
	– Skilled worker for ACMV and carpentry works	6
	– Administration and finance staff	3
		Total: 14

For the year ending 30 June	Additional staff to be employed by positions	Number of additional staff to be employed during the year
2019	– Project management staff	2
	– Site supervisor	1
	– Quantity surveyor	1
	– Site worker	2
	– Skilled worker for ACMV and carpentry works	3
	– Interior designer	2
		Total: 11
2020	– Skilled worker for ACMV and carpentry works	5
	– Administration and finance staff	1
		Total: 6

For the year ending 30 June 2018, 2019 and 2020, approximately HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million), HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million) and HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million) will be allocated for recruiting and retaining the additional staff, respectively.

(iii) approximately HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million), representing approximately **[REDACTED]**% of the estimated **[REDACTED]**, for increasing our reserve for financing the issue of performance guarantees in favour of our customers;

(iv) approximately HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million), representing approximately **[REDACTED]**% of the estimated **[REDACTED]**, for financing the acquisition of (a) additional motor vehicles to accommodate the increase in our transportation needs; and (b) additional machinery to carry out lifting and carpentry works.

The following table sets out the intended amount, nature and timing of our plan to acquire additional machinery and motor vehicles:

For the year ending 30 June	Type of motor vehicles and machinery	Number of units	Amount
2018	– Motor vehicle – Lifting machinery	2 1	HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million)
2019	– Motor vehicle – Machinery for carpentry works – Lifting machinery	2 1 1	HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million)
2020	– Motor vehicle – Machinery for carpentry works – Lifting machinery	2 1 1	HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million)

(v) approximately HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million), representing approximately **[REDACTED]**% of the estimated **[REDACTED]**, for increasing our marketing efforts by promoting our brand awareness and market presence in the medical-related construction industry in Singapore; and

(vi) approximately HK$**[REDACTED]** million (equivalent to approximately S$**[REDACTED]** million), representing approximately **[REDACTED]**% of the estimated **[REDACTED]** for use as our general working capital.

To the extent that the **[REDACTED]** are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the **[REDACTED]** into short-term interest-bearing deposits or treasury products with authorised financial institutions and/or licensed banks in Singapore or Hong Kong.

We will issue an announcement in the event that there is any material change in the **[REDACTED]** of the **[REDACTED]** as described above.