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Application Proof of

HKE Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

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IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

HKE Holdings Limited

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total number of [REDACTED] : [REDACTED] Shares
Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED])
[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED] and expected to be not less than HK\$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal value : HK\$0.01 per Share
[REDACTED] : [REDACTED]

Sponsor



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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The [REDACTED] is expected to be determined by agreement between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) on the [REDACTED] or such later date as may be agreed between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) but in any event no later than [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced.

The [REDACTED] may, with our Company’s consent, reduce the number of [REDACTED] under the [REDACTED] and/or the [REDACTED] stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of reduction in the number of [REDACTED] and/or the [REDACTED] will be published on the website of the Stock Exchange at www.hkexnews.hk and website of our Company at www.hwakoon.com not later than the morning of the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed “Structure and Conditions of the [REDACTED]” and “How to Apply for [REDACTED]”.

If, for any reason, the [REDACTED] is not agreed between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company on or before [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this document, including risk factors set out in the section headed “Risk Factors”. Pursuant to the [REDACTED], the [REDACTED] has the right in certain circumstances to terminate the obligations of the [REDACTED] at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Further details of such circumstances are set out in the section headed “[REDACTED] – [REDACTED] arrangements and expenses – The [REDACTED] – Grounds for Termination”.

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

You should rely only on the information contained in this document to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained or made in this document must not be relied on by you as having been authorised by our Company, the Sponsor, the [REDACTED], the [REDACTED], any of the [REDACTED], any of their respective directors, affiliates, employees or representatives or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this summary are defined in the section headed “Definitions and Glossary of Technical Terms” in this document.

BUSINESS OVERVIEW

We are a Singapore-based contractor specialised in the medical and healthcare sectors with expertise in performing radiation shielding works. We mainly provide integrated design and building services for hospitals and clinics in Singapore. To a lesser extent, we are also engaged in providing maintenance and other services, as well as sales of tools and materials. The following table sets forth a breakdown of our revenue during the Track Record Period by business operations:

	FY2014/15		FY2015/16		FY2016/17	
	Revenue S\$'000	% of total revenue	Revenue S\$'000	% of total revenue	Revenue S\$'000	% of total revenue
Integrated design and building services	12,869	97.2	9,331	95.3	14,571	97.6
Maintenance and other services	324	2.4	367	3.7	330	2.2
Sales of tools and materials	<u>51</u>	<u>0.4</u>	<u>95</u>	<u>1.0</u>	<u>36</u>	<u>0.2</u>
Total	<u>13,244</u>	<u>100.0</u>	<u>9,793</u>	<u>100.0</u>	<u>14,937</u>	<u>100.0</u>

Integrated design and building services

We are experienced in undertaking turnkey solutions projects which comprise (i) preparation and consultation on building design and specifications, including in particular those involving irradiating medical equipment; (ii) performance of building works (mainly including radiation shielding works, M&E works and fitting-out works); and (iii) assisting to obtain statutory approvals and certifications for the building works.

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

SUMMARY

In particular, our radiation shielding works mainly involve: (i) procurement of appropriate radiation shielding materials according to customers’ specifications; (ii) fabrication of door frames and wall structures with the radiation shielding materials; and (iii) delivery and installation of the fabricated products at relevant work sites. The fabrication process of our radiation shielding products are mainly performed at the workshop in our headquarters. Our M&E works typically refer to the supply, installation, testing and commissioning of various types of systems, including (i) ACMV system; (ii) chiller system; (iii) electrical system; (iv) plumbing, sanitary and drainage system; (v) medical gas and suction system; (vi) data communication system; and (vii) fire protection system. Our fitting-out works typically refer to demolition works, carpentry works, structural works and other finishing works relating to ceiling, floor and walls.

Maintenance and other services

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

Sales of tools and materials

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

Our customers

Our customers during the Track Record Period mainly included (i) multinational medical equipment vendors; (ii) medical service providers in Singapore including hospitals and clinics; and (iii) construction contractors engaged by project employers including the Singapore Government or medical service providers. For each of FY2014/15, FY2015/16 and FY2016/17, the number of customers for our integrated design and building services with revenue contribution to our Group was 46, 51 and 63, respectively. The following table sets forth a breakdown of our revenue derived from our integrated design and building services during the Track Record Period by reference to the category of our customers:

	FY2014/15		FY2015/16		FY2016/17	
	S\$'000	%	S\$'000	%	S\$'000	%
Medical equipment vendors	8,077	62.8	8,652	92.7	7,482	51.4
Medical service providers	4,310	33.5	306	3.3	3,383	23.2
Construction contractors	<u>482</u>	<u>3.7</u>	<u>373</u>	<u>4.0</u>	<u>3,706</u>	<u>25.4</u>
Total	<u><u>12,869</u></u>	<u><u>100.0</u></u>	<u><u>9,331</u></u>	<u><u>100.0</u></u>	<u><u>14,571</u></u>	<u><u>100.0</u></u>

SUMMARY

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

Our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue carrying on our business mainly include (i) our subcontractors; (ii) suppliers of building and radiation shielding materials; and (iii) suppliers of other miscellaneous services including services provided by third party professionals (such as surveying services and testing services), transportation service and rental of lifting machinery and equipment.

Our major licences and registrations

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

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

According to the Ipsos Report, the total output value of the construction of medical-related facilities in Singapore is forecasted to increase from approximately S\$2.3 billion in 2017 to approximately S\$3.1 billion in 2021, representing a CAGR of approximately 7.8%. Ipsos advised that the total output value of the medical-related construction industry in respect of radiation shielding works in Singapore and the financial information of the aforesaid active industry players are not available, the market share of our Group and the ranking of the industry players cannot be reliably ascertained.

We believe that our competitive strengths include: (i) our expertise in undertaking turnkey solutions projects in hospitals and clinics; (ii) our established track record in the medical-related construction industry in Singapore; (iii) our established relationships with some of our major customers; (iv) our stringent quality control and high safety standard and environmental impact control; and (v) our experienced and dedicated management team.

SUMMARY

BUSINESS STRATEGIES

We intend to pursue the following key business strategies: (i) acquiring an additional property for workshop and office use in order to accommodate the planned expansion of our manpower and to secure more spaces for the fabrication of our radiation shielding products; (ii) strengthening our manpower by recruiting additional staff in order to reduce our needs for subcontracting services and the associated expenses incurred therefrom and to increase our in-house capacity in undertaking more integrated design and building services projects; (iii) increasing our reserve for financing the issue of performance guarantees in favour of our customers; (iv) financing the acquisition of additional motor vehicles to accommodate the increase in transportation needs of our workers resulting from our planned expansion of manpower and additional machinery to carry out lifting and carpentry works; and (v) increasing our marketing efforts. For further information, please refer to the section headed “Business – Business strategies” in this document.

SALES AND MARKETING AND PRICING STRATEGY

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

Our pricing is generally determined based on certain mark-up over our estimated costs, having regard to various factors such as the expected cost in direct relation to the project, the overhead costs and the prevailing market conditions. For further information, please refer to the paragraph headed “Business – Pricing strategy” in this document.

RISK FACTORS

Potential investors are advised to carefully read the section headed “Risk factors” in this document before making any investment decision in the [REDACTED]. Some of the more particular risk factors include the following: (i) a significant portion of our revenue was generated from contracts awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial condition and operating results; (ii) our revenue is mainly derived from our integrated design and building services for which our engagements with our customers are non-recurrent in nature and there is no guarantee that we will be able to secure new projects; (iii) reduction in the level of Singapore Government’s spending on the construction of medical related buildings or facilities may materially and adversely affect our business and financial position; (iv) any defects in our radiation shielding works may adversely affect our industry reputation and relationships with our customers; (v) failure to renew or any suspension or cancellation of any of our existing licences and registrations could materially affect our operations and financial performance; (vi) inability to attract and/or retain management staff will adversely affect our operations and financial performance; and (vii) we experienced a decline in our total revenue and gross profit in FY2015/16.

SUMMARY

FOREIGN EMPLOYEES

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

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

CUSTOMER CONCENTRATION

For each of FY2014/15, FY2015/16 and FY2016/17, the percentage of our total revenue attributable to our top customer amounted to approximately 23.3%, 30.3% and 24.2%, respectively, while the percentage of our total revenue attributable to our top five customers combined amounted to approximately 83.6%, 82.0% and 68.2%, respectively. Our Directors consider that our Group’s business model is sustainable despite such customer concentration, which is discussed in detail in the section headed “Business – Customers – Customer concentration” in this document.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth our key operational and financial data during the Track Record Period:

	FY2014/15 or as at 30 June 2015	FY2015/16 or as at 30 June 2016	FY2016/17 or as at 30 June 2017
<i>(Expressed in S\$'000 except tender data and financial ratios)</i>			
Results of operations			
Revenue	13,244	9,793	14,937
Gross profit	5,273	3,606	6,505
Profit before taxation	4,120	3,021	6,069
Profit for the year	3,467	2,681	5,151
Tender success rate			
Number of projects for which we have submitted tenders or quotation	60	76	93
Number of projects awarded ^(Note 1)	47	57	67
Success rate ^(Note 1)	78.3%	75.0%	72.0%
Financial position			
Non-current assets	662	686	747
Current assets	6,129	6,853	9,759
Non-current liability	14	17	26
Current liabilities	3,194	2,654	2,365
Net current asset	<u>2,935</u>	<u>4,199</u>	<u>7,394</u>
Total equity	<u>3,584</u>	<u>4,869</u>	<u>8,115</u>

SUMMARY

	FY2014/15	FY2015/16	FY2016/17
	or as at	or as at	or as at
	30 June	30 June	30 June
	2015	2016	2017
<i>(Expressed in S\$'000 except tender data and financial ratios)</i>			
Key financial ratio			
Gross profit margin	39.8%	36.8%	43.6%
Net profit margin	26.2%	27.4%	34.5%
Return on equity	96.7%	55.1%	63.5%
Return on total assets	51.0%	35.6%	49.0%
Current ratio	1.9	2.6	4.1
Trade receivables turnover days	53.9	75.8	68.6
Trade payables turnover days	12.3	30.4	41.8
Gearing ratio <i>(Note 2)</i>	45.6%	14.8%	0.0%
	FY2014/15	FY2015/16	FY2016/17
	S\$'000	S\$'000	S\$'000
Net cash from operating activities	3,482	1,564	3,684
Net cash (used in)/from investing activities	(4)	(2,057)	1,953
Net cash used in financing activities	<u>(1,469)</u>	<u>(2,163)</u>	<u>(2,721)</u>
Net increase/(decrease) in cash and cash equivalents	2,009	(2,656)	2,916
Cash and cash equivalents at beginning of year	<u>1,743</u>	<u>3,752</u>	<u>1,095</u>
Cash and cash equivalents at end of year	<u><u>3,752</u></u>	<u><u>1,095</u></u>	<u><u>4,011</u></u>

Notes:

1. In the above table, success rate for a financial year is calculated based on the number of projects awarded (whether awarded in the same financial year or subsequently) in respect of the tenders or quotations submitted during that financial year.
2. 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.

SUMMARY

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. 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%. The decrease in our gross profit and the decrease in our gross profit margin were primarily due to (i) there was a decrease in the number of projects with revenue contribution in FY2015/16; and (ii) the decrease in our revenue in FY2015/16 was in line with the industry trend.

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 80.5%, while our gross profit margin increased from approximately 36.8% in FY2015/16 to approximately 43.5% in FY2016/17. 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%. 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; and (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. Such increase was mainly attributable to (i) our increased efforts in pursuing projects of relatively larger scales and higher income; and (ii) there was an increase in demand for our integrated design which was mainly 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.

For further discussion on our performance during the Track Record Period, please refer to the section headed “Financial information” in this document.

CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), each of our ultimate Controlling Shareholders, Mr. Ang, Mr. Ong and Mr. Koh, acting in concert as a group of Controlling Shareholders and through Skylight Illumination, indirectly held in aggregate [REDACTED] interest in our Company. Please refer to the section headed “Relationship with our Controlling Shareholders” in this document for further details.

Mr. Ang is the chairman of our Company and a non-executive Director. Mr. Koh is our chief executive officer and executive Director. Mr. Ong is our executive Director. Please refer to the section headed “Directors and senior management” in this document for the biographical information of Mr. Ang, Mr. Koh and Mr. Ong.

SUMMARY

LITIGATION AND CLAIMS

During the Track Record Period, we were involved in a number of concluded cases, including (i) one contractual claim commenced by us against our customer in relation to the recovery of payment overdue for the sum of S\$77,000; (ii) two negligence claims commenced by independent third parties in relation to two motor vehicle accidents which involved the alleged negligence of our workers whilst driving our motor vehicles, causing the accidents and resulting in death and/or injury to the independent third parties; and (iii) one work injury claim filed by an injured worker against us in relation to a workplace accident. For further details, please refer to the section headed “Business – Litigation and claims – Concluded cases” in this document.

[REDACTED] STATISTICS

Number of the
[REDACTED] : [REDACTED] Shares

[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED] (excluding brokerage, Stock Exchange trading fee and SFC transaction levy)

	Based on an [REDACTED] of HK\$[REDACTED] HK\$	Based on an [REDACTED] of HK\$[REDACTED] HK\$
Market capitalisation	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted combined net tangible assets per Share attributed to the Shareholders ^(Note)	[REDACTED]	[REDACTED]

Note: Please refer to Appendix II to this document for the bases and assumptions in calculating this 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, [REDACTED] has been charged during the Track Record Period, and approximately HK\$[REDACTED] million is expected to be incurred for 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].

SUMMARY

FUTURE PLANS AND [REDACTED]

The net proceeds 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 in connection with the [REDACTED], are estimated to be approximately HK\$[REDACTED] million. Our Directors presently intend that the net proceeds will be applied as follows: (i) approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, will be used for the acquisition of an additional property for workshop and office use; (ii) approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, will be used for strengthening our manpower by recruiting additional staff; (iii) approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, will be used for increasing our reserve for financing the issue of performance guarantees in favour of our customers; (iv) approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, will be used for financing the acquisition of additional motor vehicles and machinery; (v) approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, will be used for increasing our marketing efforts; and (vi) approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, will be used as our general working capital.

DIVIDEND

For each of FY2014/15, FY2015/16 and FY2016/17, we declared dividends of S\$2.5 million, S\$1.3 million and S\$2.0 million 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.

RECENT DEVELOPMENT

The aggregate number of our integrated design and building projects on hand as at 1 July 2017 (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) and projects that were awarded to us from 1 July 2017 to the Latest Practicable Date was 14. Out of the 14 projects, 9 projects were completed as at the Latest Practicable Date For the remaining 5 projects which represented projects in our

SUMMARY

backlog as at the Latest Practicable Date, a total amount of S\$1.2 million was recognised as our revenue during the Track Record Period and it is estimated that a total amount of approximately S\$3.0 million will be recognised as our revenue for FY2017/18.

According to the Ipsos Report, the Singapore Government has announced for the commencement of additional healthcare facilities projects which will commence in 2017, which include a new national cancer centre, an integrated intermediate care hub at Jalan Tan Tock Seng and an extensive redevelopment and expansion master plan for the Singapore General Hospital Campus which will span across the next two decades. New clean rooms and radiology-related facilities may be required in the new healthcare facilities and thus driving the demand for medical-related construction services in respect of radiation shielding works. The total output value of the construction of medical-related facilities in Singapore is forecasted to increase from approximately S\$2.3 billion in 2017 to approximately S\$3.1 billion in 2021, representing a CAGR of approximately 7.8%. In view of the forecasted increase in demand for integrated design and building services for the medical and healthcare sectors in Singapore in the coming years, our Directors expect that we will obtain a growth in the number of projects requiring radiation shielding works.

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 the 1 July 2017 and there had been no events since 1 July 2017 which would materially affect the information shown in our combined financial information included in the accountant’s report set out in Appendix I to this document.

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 proceeds from the [REDACTED].

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 listing after taking into account the liquidity of the stock market in Hong Kong. For further details, please refer to the paragraph headed “Future plans and [REDACTED] – Reasons for [REDACTED]” in this document.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, the following expressions have the following meanings.

“Acting in Concert Confirmation”	the confirmation dated 7 September 2017 executed by Mr. Ang, Mr. Ong and Mr. Koh, our Controlling Shareholders, whereby they confirmed their acting in concert arrangements. For details, please refer to the section headed “Relationship with Controlling Shareholders”
“ACMV”	air conditioning and mechanical ventilation
“[REDACTED]”	[REDACTED]
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on [•], a summary of which is set out in Appendix III to this document, and as amended from time to time
“associate(s)”	has the meaning ascribed thereto it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“BCA”	the Building and Construction Authority of Singapore, an agency under the Ministry of National Development of the Singapore Government
“bizSAFE”	a five-step programme to assist companies to build up their workplace safety and health capabilities in order to achieve quantum improvements in safety and health standards at the workplace, and organised under the Workplace Safety and Health Council of Singapore Government
“Board” or “Board of Directors”	the board of Directors of our Company
“[REDACTED]”	[REDACTED]
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the allotment and issue of [REDACTED] new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Further Information about our Company and its Subsidiaries – 3. Resolutions in writing of the then sole Shareholder passed on [•] 2017” in Appendix IV to this document
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Central Provident Fund” or “CPF”	Central Provident Fund of Singapore, which is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Company” or “our Company”	HKE Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 18 August 2017 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [•]
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Contractors Registration System” or “CRS”	the Contractors Registration System administered by the BCA, which serves the construction and construction-related procurement needs of the public sector including Singapore Government ministries and statutory boards, under which, registration is required if companies wishing to participate in construction tenders or as subcontractors for the public sector
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, means Mr. Ang, Mr. Ong, Mr. Koh and Skylight Illumination
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“CW01”	one of the construction workheads classified under the Contractors Registration System where the title of the CW01 workhead is “General Building” and it refers to a range of general building works as further set forth in the section headed “Regulatory overview” in this document
“Deed of Indemnity”	the deed of indemnity dated [•] given by our Controlling Shareholders in favour of our Company regarding certain indemnities, details of which are set out in the paragraph headed “Other Information – 2. Tax and other indemnities” in Appendix IV to this document
“Deed of Non-Competition”	the deed of non-competition dated [•] given by our Controlling Shareholders in favour of our Company regarding certain non-competition undertakings, details of which are set out in the section headed “Relationship with Controlling Shareholders – Deed of Non-competition” in this document

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Director(s)” or “our Director(s)”	the director(s) of our Company
“FSSD”	Fire Safety and Shelter Department of the Singapore Government
“FY2014/15”	the financial year ended 30 June 2015
“FY2015/16”	the financial year ended 30 June 2016
“FY2016/17”	the financial year ended 30 June 2017
“FY2017/18”	the financial year ending 30 June 2018
“GB Licence(s)”	general builder licence(s) issued by the BCA under the Licensing of Builders Scheme, details of which are set forth in the section headed “Regulatory Overview” in this document
“GB1 Licence”	GB1 Licence refers to Class 1 General Builder Licence and a builder with such a licence is allowed to undertake projects of unlimited value
“GB2 Licence”	GB2 Licence refers to Class 2 General Builder Licence and a builder with such a licence is restricted to undertake projects of S\$6 million or less
“Group”, “we”, “us” or “our Group”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“high density interlocking blocks”	concrete blocks manufactured in an interlocking design used for radiation shielding

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“[REDACTED]”	[REDACTED]
“Hwa Koon”	Hwa Koon Engineering Pte Ltd, an exempt private company limited by shares incorporated in Singapore on 5 April 1994 and prior to the Reorganisation owned as to 51% by Mr. Ang, 34% by Mr. Ong and 15% by Mr. Koh, and upon completion of the Reorganisation indirectly wholly-owned by our Company
“IFRSs”	International Financial Reporting Standards
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, substantial Shareholders of our Company or any of its subsidiaries, or any of their respective associates
“Ipsos”	Ipsos Pte. Ltd., an independent market research agency, which is an independent third party
“Ipsos Report”	a market research report commissioned by us and prepared by Ipsos on the overview of the industry in which our Group operates

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	a quality management system standard that is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement
“ISO 9001:2008”	the 2008 version of the ISO 9001 standard
“ISO 14001”	an environmental management system standard that maps out a framework that a company or organisation can follow to set up an effective environmental management system, to provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved
“ISO 14001:2004”	the 2004 version of the ISO 14001 standard
“Latest Practicable Date”	[11 September] 2017, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information in this document prior to its publication
“Licensing of Builders Scheme”	the Licensing of Builders Scheme administered by the Building and Construction Authority of Singapore, which aims to raise professionalism among builders by requiring them to meet minimum standards of management, safety record and financial solvency
“[REDACTED]”	[REDACTED]
“Listing Committee”	the Listing Committee of the Stock Exchange
“[REDACTED]”	[REDACTED]

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange, as amended, modified and supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“M&E”	mechanical and electrical
“ME01”	one of the mechanical and electrical workheads classified under the Contractors Registration System, where the title of the ME01 workhead is “Air-conditioning, Refrigeration and Ventilation Works” and it refers to the installation, commissioning, maintenance and repairs of air-conditioning, refrigeration, cold rooms, and ventilation systems; further details of which are set forth in the section headed “Regulatory Overview” in this document
“ME11”	one of the mechanical and electrical workheads classified under the Contractors Registration System, where the title of the ME11 workhead is “Mechanical Engineering” and it refers to the installation, commissioning, maintenance and repair of mechanical plant, machinery and systems, and includes the installation and maintenance of power generation and turbine systems; further details of which are set forth in the section headed “Regulatory Overview” in this document
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on [•], a summary of which is set out in Appendix III to this document, and as amended from time to time
“MOM”	Ministry of Manpower of the Singapore Government
“Mr. Ang” or “Mr. KM Ang”	Mr. Ang Kong Meng (洪坤明), our non-executive Director, chairman of our Board and one of our Controlling Shareholders
“Mr. Koh”	Mr. Koh Lee Huat (許利發), our executive Director, our chief executive officer and one of our Controlling Shareholders

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Mr. Ong” or “Mr. Ryan Ong”	Mr. Ryan Ong Wei Liang (王威量), our executive Director and one of our Controlling Shareholders
“NAS”	an acronym for North Asian Sources countries, which include countries such as Hong Kong (holders of HKSAR passports), Macau, South Korea and Taiwan
“Nomination Committee”	the nomination committee of the Board
“NTS”	an acronym for Non-Traditional Sources countries, which include countries such as India, Sri Lanka, Thailand, Bangladesh, Myanmar and Philippines
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“OHSAS 18001”	an international standard setting out requirements for an occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“OHSAS 18001:2007”	the 2007 version of the OHSAS 18001 standard
“Philosophy Global”	Philosophy Global Limited, a company incorporated in the BVI on 29 May 2017 with liability limited by shares, and owned as to 51% by Mr. Ang, 34% by Mr. Ong and 15% by Mr. Koh prior to the completion of the Reorganisation, and upon completion of the Reorganisation directly wholly-owned by our Company
“[REDACTED]”	[REDACTED]

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“PRC”	the People’s Republic of China, which for the purpose of this document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the [REDACTED] as described in the paragraph headed “History, Development and Reorganisation – Reorganisation” in this document
“RPNSD”	the Radiation Protection and Nuclear Science Department of the Singapore Government
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“[REDACTED]”	[REDACTED]
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on [•] 2017, the principal terms of which are summarised in the paragraph headed “Other Information – 1. Share Option Scheme” in Appendix IV to this document

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Singapore”	the Republic of Singapore
“Singapore dollars” or “S\$”	Singapore dollars, the lawful currency of Singapore
“Singapore Government”	the government of Singapore
“Singapore Legal Adviser”	Shook Lin & Bok LLP, the legal adviser to our Company as to Singapore laws
“Skylight Illumination”	Skylight Illumination Limited, a company incorporated in the BVI on 29 May 2017 with liability limited by shares and owned by as to 51% by Mr. Ang, 34% by Mr. Ong and 15% by Mr. Koh
“Sponsor”	Dakin Capital Limited, the sponsor to our Company’s application for the [REDACTED] and a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity
“sq.ft.”	square foot
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder”	has the meaning ascribed to it under the Listing Rules and details of our substantial Shareholders are set out in the section headed “Substantial Shareholders” in this document
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	FY2014/15, FY2015/16 and FY2016/17

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“turnkey solutions project”	our integrated design and building project which comprises (i) preparation and consultation on building design and specifications including in particular those involving irradiating medical equipment; (ii) performance of building works (mainly including radiation shielding works, M&E works and fitting-out works); and (iii) assisting to obtain statutory approvals and certifications for the building works
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“United States” or “U.S.”	the United States of America
“U.S. Securities Act”	United States Securities Act of 1933, as amended, modified and supplemented from time to time
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States of America
“[REDACTED]”	[REDACTED]
“workheads”	work categories as sub-classified under the seven major categories of registration under the Contractors Registration System in Singapore; further details of which are set forth in the section headed “Regulatory overview” in this document
“[REDACTED]”	[REDACTED]
“%”	per cent

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operates;
- future developments in the industry in which our Group operates; and
- the trend of the economy of Singapore and the world in general.

These statements are based on various assumptions, including those regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk Factors” and “Financial Information” of this document.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements as set out in this section.

In this document, statements of, or references to, our Group’s intentions or those of any of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

RISK FACTORS

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

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

RISKS RELATING TO OUR BUSINESS

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

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

In addition, in the event that our major customers experience any liquidity problem, this may result in delay or default of payments to us, in which case the business, financial position and prospects of our Group could be materially and adversely affected.

RISK FACTORS

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

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

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

RISK FACTORS

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

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

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

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

Inability to attract and/or retain management staff will adversely affect our operations and financial performance

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

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

RISK FACTORS

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

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

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

Our financial performance for FY2017/18 is expected to be affected by the non-recurring [REDACTED] expenses

The estimated [REDACTED] expenses in relation to the [REDACTED] are approximately HK\$[REDACTED] million, of which approximately HK\$[REDACTED] million is directly attributable to the issue of the [REDACTED] under the [REDACTED] and is expected to be accounted for as a deduction from equity upon [REDACTED]. The remaining [REDACTED] expenses 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, nil has been charged for the Track Record Period, respectively and approximately HK\$[REDACTED] million is to be charged to profit or loss of our Group for FY2017/18. Expenses in relation to the [REDACTED] are non-recurring in nature. Our Group’s financial performance and operating results for FY2017/18 is expected to be affected by the expenses in relation to the [REDACTED].

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

As at the Latest Practicable Date, 24 out of 43 of our employees are foreign labour, representing approximately 56% of our total workforce. During the Track Record Period, we recruited our foreign labours from India, Malaysia, Bangladesh and the PRC. There is no assurance that we can continually recruit sufficient foreign labour to support our business operation for the following reasons:

- possible shortage in the supply of foreign labour;
- possible increase in the salaries and wages of foreign labour; and

RISK FACTORS

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

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

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

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

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

RISK FACTORS

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

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

In particular, there is no assurance that the quality of work of our subcontractors can meet the requirements of our Group or our customers. We may not be able to monitor the performance of our subcontractors as directly and efficiently as with our own labours. Therefore, the engagement of subcontractors exposes us to the risks associated with non-performance, late performance or sub-standard performance of our subcontractors. Since we remain accountable to our customers for the performance and quality of work rendered by our subcontractors, we may incur additional costs or be subject to liability under the relevant contracts between us and our customers for our subcontractors’ unsatisfactory performance. Such events could adversely affect our reputation, business operation, and financial position.

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

RISK FACTORS

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

RISK FACTORS

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

For each non-Malaysian foreign worker who is successfully granted with a work permit, a security bond of S\$5,000 in the form of a banker’s guarantee or insurance guarantee is required to be furnished to the Controller of Work Passes under the Employment of Foreign Manpower Act. The security bond must be furnished prior to the foreign worker’s arrival in Singapore, failing which entry into Singapore will not be allowed. The security bonds furnished by us may be forfeited if, among other things, our foreign employees go missing or violate any of the conditions of the work permits.

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

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

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

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

RISK FACTORS

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

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

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

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

RISK FACTORS

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

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

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

In respect of the construction industry in Singapore, there were 329, 73 and 447 contractors in Singapore registered under the workheads of CW01 (General Building) with “C1” grade, ME01 (Air-Conditioning, Refrigeration and Ventilation Works) with “L2” grade and ME11 (Mechanical Engineering) with “L1” grade under the CRS as at the Latest Practicable Date according to the BCA, respectively.

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

RISK FACTORS

RISKS RELATING TO THE [REDACTED]

Investors will experience immediate dilution

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

RISK FACTORS

RISKS RELATING TO THIS DOCUMENT

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

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

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

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

RISK FACTORS

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary [REDACTED] on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. The core business and operations of our Company are primarily located, managed and conducted in Singapore. Our assets are located in Singapore. All of our executive Directors are ordinarily based in Singapore and our Company does not have any management presence in Hong Kong.

In view of that, we have applied to the Stock Exchange for[, and the Stock Exchange has agreed to grant,] a waiver from the compliance with Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our Company’s principal channel of communication with the Stock Exchange and ensure that our Group comply with the Listing Rules at all times. The two authorised representatives are Mr. Koh, our executive Director, and Ms. Cheng Florence Ga Sui, the company secretary of our Company who is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange. Ms. Cheng Florence Ga Sui, the company secretary of our Company, has also been authorised to accept service of process and notices in Hong Kong on behalf of our Company;
- (b) each of the authorised representatives has means to contact all members of the Board and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, we will implement a policy that (a) each Director will have to provide their respective office phone numbers, mobile phone numbers, fax numbers and email addresses (if applicable) to the authorised representatives and his or her respective alternates; and (b) in the event that a Director expects to travel and be out of office, he/she will endeavour to provide the phone number of the place of his/her accommodation to the authorised representatives or maintain an open line of communication via his or her telephone;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) in addition, all Directors will provide their mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange; and
- (d) furthermore, all Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice.

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Dakin Capital Limited as the compliance adviser to act as the additional channel of communication with the Stock Exchange for the period commencing on the date of the initial [REDACTED] of the Shares of our Company on the Main Board of the Stock Exchange and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED]. Dakin Capital Limited will provide professional advice on matters relating to compliance with the Listing Rules and other obligations for companies [REDACTED] in Hong Kong.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE. THE INFORMATION IN THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

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[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential address	Nationality
<i>Chairman and non-executive Director</i>		
Mr. ANG Kong Meng (洪坤明)	95A Lorong G Telok Kurau Singapore 426289	Singaporean
<i>Executive Directors</i>		
Mr. KOH Lee Huat (許利發)	301 Jalan Bukit Ho Swee #11-04, Singapore 169568	Singaporean
Mr. Ryan ONG Wei Liang (王威量)	17 Fernvale Lane #19-19 Singapore 797498	Singaporean
<i>Independent non-executive Directors</i>		
Mr. SIU Man Ho Simon (蕭文豪)	Flat A, 11/F, Tower 5 One Beacon Hill, 1 Beacon Hill Road Kowloon Tong Kowloon Hong Kong	Chinese
Mr. CHEUNG Kwok Yan Wilfred (張國仁)	Flat D, 9/F, Tower 2 Ultima 23 Fat Kwong Street Ho Man Tin Kowloon Hong Kong	Chinese
Mr. KEE Ah Tee @ KEE Swee Ann (紀瑞安)	14 Flora Road, #05-07 Singapore 509731	Singaporean

Please refer to the section headed “Directors and senior management” in this document for further details of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED

Sponsor

Dakin Capital Limited

*A licensed corporation under the SFO to engage in type 6
(advising on corporate finance) regulated activity*

Room 2701, 27th Floor, Tower 1

Admiralty Centre

18 Harcourt Road

Hong Kong

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Legal advisers to
our Company**

As to Hong Kong law

Guantao & Chow Solicitors And Notaries

Suites 1604-6, 16/F

ICBC Tower

3 Garden Road

Central

Hong Kong

As to Singapore law

Shook Lin & Bok LLP

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Singapore 048542

As to Cayman Islands law

Appleby

2206-19 Jardine House

1 Connaught Place

Central

Hong Kong

**Legal advisers to
the Sponsor, [REDACTED],
[REDACTED]
and [REDACTED]**

As to Hong Kong law

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China Overseas Building

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Wanchai

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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Certified Public Accountants
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88 Queensway
Hong Kong

Auditors

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Public Accountants and Chartered Accountants Singapore
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Compliance adviser

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Hong Kong

Receiving Bank

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CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Principal place of business in Hong Kong	Suites 1604-6, 16/F ICBC Tower 3 Garden Road Central Hong Kong
Headquarters and principal place of business	10 Admiralty Street #02-47 North Link Building Singapore 757695
Authorised representatives	Mr. Koh Lee Huat (許利發) 301 Jalan Bukit Ho Swee #11-04, Singapore 169568 Ms. Cheng Florence Ga Sui (鄭家穗), <i>HKICS</i> Flat E, 32/F Tung Shing Terrace 39 Bridges Street Mid-levels Hong Kong
Company secretary	Ms. Cheng Florence Ga Sui (鄭家穗), <i>HKICS</i> Flat E, 32/F Tung Shing Terrace 39 Bridges Street Mid-levels Hong Kong
Audit committee	Mr. Cheung Kwok Yan Wilfred (張國仁) (<i>Chairman</i>) Mr. Siu Man Ho Simon (蕭文豪) Mr. Ang Kong Meng (洪坤明)

CORPORATE INFORMATION

Remuneration committee	Mr. Siu Man Ho Simon (蕭文豪) (<i>Chairman</i>) Mr. Kee Ah Tee @ Kee Swee Tee (紀瑞安) Mr. Koh Lee Huat (許利發)
Nomination committee	Mr. Kee Ah Tee @ Kee Swee Tee (紀瑞安) (<i>Chairman</i>) Mr. Cheung Kwok Yan Wilfred (張國仁) Mr. Ryan Ong Wei Liang (王威量)
Compliance Adviser	Dakin Capital Limited Room 2701, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Principal bankers	Oversea-Chinese Banking Corporation Limited 65 Chulia ST #01-00 OCBC Centre Singapore 049513
Company’s website	www.hwakoon.com (<i>Information contained in this website does not form part of this document</i>)

INDUSTRY OVERVIEW

This and other sections of this document contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Sponsor, the [REDACTED], the [REDACTED], any of the [REDACTED], our or their respective directors and officers or any other parties involved in the [REDACTED]. No representation is given as to the accuracy of such information and statistics.

SOURCE AND RELIABILITY OF INFORMATION

We commissioned Ipsos, an independent market research agency, to conduct an analysis of, and to report on, the medical-related construction industry in Singapore. A total fee of S\$72,760 was charged by Ipsos for the preparation of the Ipsos Report. The payment of such amount was not conditional on our Group’s successful [REDACTED] or on the results of the Ipsos Report. The Ipsos Report has been prepared by Ipsos independent of our Group’s influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report.

Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,600 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, market sizes and market shares and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The Ipsos Report includes information on the medical-related construction industry in Singapore. The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including medical-related construction service providers and industry experts in Singapore.

Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced

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to ensure accuracy. All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

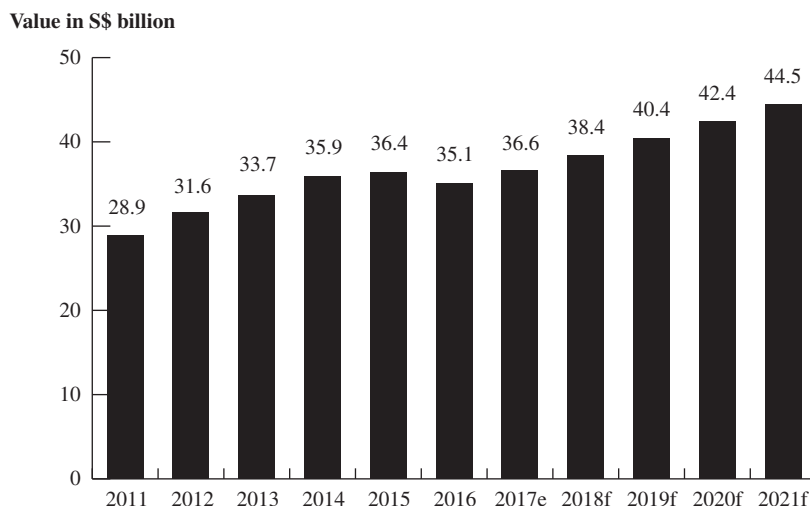
Ipsos developed its estimates or forecasts on the following principal bases and assumptions: (i) it is assumed that the global economy remains a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the medical-related construction industry in Singapore during the forecast period.

OVERVIEW OF THE SINGAPORE CONSTRUCTION INDUSTRY

The total construction output value by certified payments in Singapore increased from approximately S\$28.9 billion in 2011 to approximately S\$35.1 billion in 2016 at a CAGR of approximately 4.0%. The decrease in construction output value from S\$36.4 billion in 2015 to S\$35.1 billion in 2016 was mainly due to the slowdown of construction activities on site and the rescheduling of several major infrastructure contracts from one year to another as longer preparation was needed to implement these large-scale projects.

The construction output value in Singapore is forecasted to increase from an estimated figure of approximately S\$36.6 billion in 2017 to approximately S\$44.5 billion in 2021 at a CAGR of approximately 5.0%. The forecasted increase in construction output value is largely driven by Singapore Government’s focus on major infrastructure, healthcare and residential construction activities.

Construction output by value of certified payments in Singapore, 2011 – 2021f



Source: Department of Statistics, Singapore; BCA; Ipsos analysis

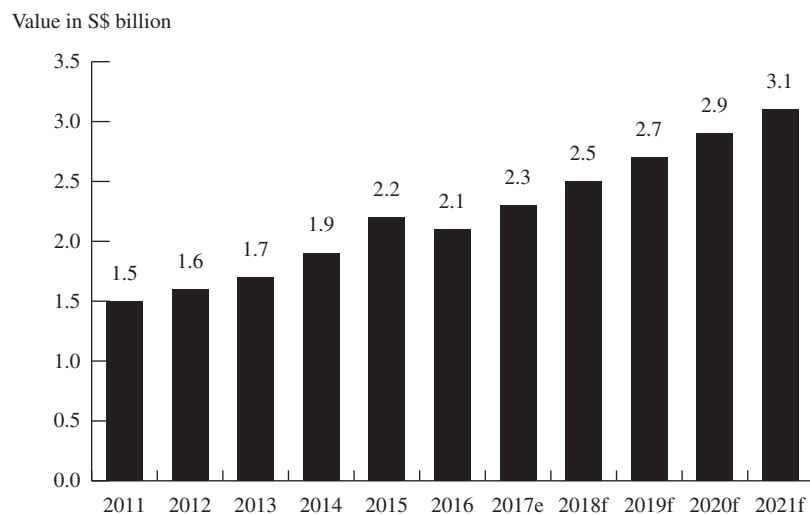
Note: The letter “e” denotes estimated figure and “f” denotes forecasted figures.

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OVERVIEW OF THE MEDICAL-RELATED CONSTRUCTION INDUSTRY IN SINGAPORE

The medical-related construction industry mainly includes the construction of medical-related facilities such as hospitals, medical centres and clinics. The total output value of the medical-related construction increased from approximately S\$1.5 billion in 2011 to approximately S\$2.1 billion in 2016 at a CAGR of approximately 7.0%. The increasing output value of the medical-related construction industry from 2011 to 2016 was mainly driven by the Singapore Government’s progressive planning of its healthcare facilities development to meet growing demands for healthcare needs, in particular the redevelopment projects of medical centres, hospitals and clinics. The decrease in medical-related construction output value from S\$2.2 billion in 2015 to S\$2.1 billion in 2016 was mainly due to the slight delay of construction activities on site.

The total output value of the construction of medical-related facilities in Singapore, 2011 – 2021f



Source: Department of Statistics, Singapore; BCA; Ipsos analysis

Note: The letter “e” denotes estimated figure and “f” denotes forecasted figures.

The total output value of the medical-related construction industry is forecasted to increase from approximately S\$2.3 billion to approximately S\$3.1 billion at a CAGR of approximately 7.8% from 2017 to 2021 due to the anticipated increase in demand and on-going construction activities for healthcare facilities driven by the Singapore Government’s progressive planning of its healthcare facilities development as mentioned. Some key healthcare facilities projects in Singapore scheduled in the pipeline as of 2017 include construction of a new national cancer centre and an integrated intermediate care hub at Jalan Tan Tock Seng and an extensive redevelopment and expansion master plan for the Singapore General Hospital Campus.

INDUSTRY OVERVIEW

Medical-related radiation shielding works industry and diagnostic imaging equipment industry in Singapore

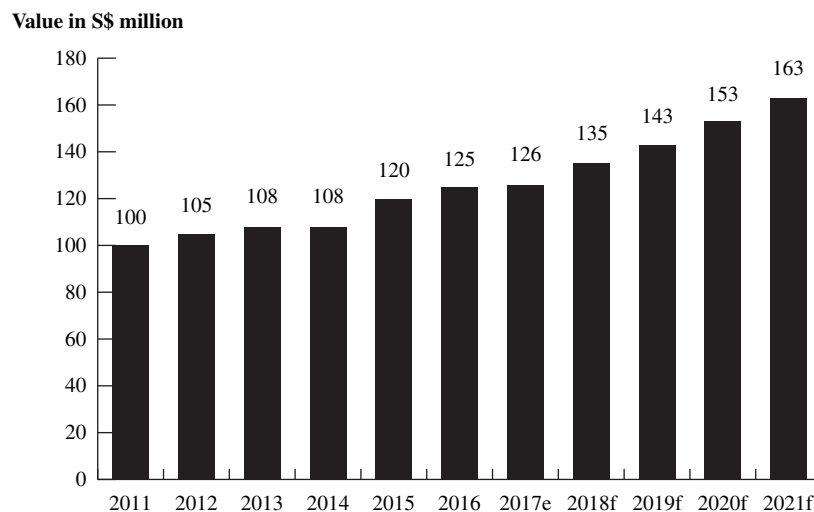
Our Group’s primary business activity is the provision of integrated design and building services for medical-related facilities in Singapore, specialising in radiation shielding works. Our services are essential for preventing radiation leakage and facilitating the installation of different types of medical and diagnostic imaging equipment.

According to the Ipsos Report, the total output value of the medical-related construction in respect of radiation shielding works is not available. Nevertheless, as the demand for diagnostic imaging equipment is correlated with the demand for medical-related construction works in respect of radiation shielding works in Singapore, a discussion of the diagnostic imaging equipment industry in Singapore is considered relevant.

Diagnostic imaging equipment is the equipment used by doctors as visual representations of the interior of a patient’s body for clinical analysis and medical intervention. The types of such equipment mainly include ultrasounds, Magnetic Resonance Imaging (MRI) scans, X-rays, Computerised Tomography (CT) scans and nuclear scans. When the diagnostic imaging equipment industry is growing, the demand for integrated design and building works that are related to the installation of such equipment, such as radiation shielding works, M&E works and fitting-out works, is also expected to increase.

The diagnostic imaging equipment industry in Singapore increased from approximately S\$100 million in 2011 to approximately S\$125 million in 2016 at a CAGR of approximately 4.6%, which was mainly due to the construction of new hospitals and medical centres, and redevelopment of certain medical-related facilities in the past few years. The revenue of the diagnostic imaging equipment industry is forecasted to increase from approximately S\$126 million to approximately S\$163 million at a CAGR of approximately 6.6% from 2017 to 2021 due to the expected increase in the number of new healthcare and medical-related facilities and therefore an expected increase in demand for diagnostic imaging equipment.

Total market value of the diagnostic imaging equipment industry in Singapore, 2011 - 2021f



Source: Ipsos research and analysis

INDUSTRY OVERVIEW

INDUSTRY DRIVERS

According to the Ipsos Report, the medical-related construction industry and the medical-related radiation shielding works industry in Singapore are expected to benefit from the following industry drivers:

1. Singapore Government’s initiative to increase supply of medical-related facilities

The Singapore Government’s initiative to increase and expedite medical-related facilities supply in Singapore is expected to be one of the key industry drivers. Over the years, the Singapore Government progressively planned its healthcare facilities and infrastructure developments to meet growing demand for healthcare needs and at the same time strengthening its position as a regional medical hub. These developments include new building construction, refurbishment, addition and alteration works, demolition, repair and maintenance works on medical-related facilities. More healthcare facilities construction projects are planned to commence in 2017, which include a new national cancer centre, an integrated intermediate care hub at Jalan Tan Tock Seng and an extensive redevelopment and expansion master plan for the Singapore General Hospital Campus which will span across the next two decades. New clean rooms and radiology-related facilities may be required in the new healthcare facilities and thus driving the demand for medical-related construction services in respect of radiation shielding works.

2. Expected increase in cancer registrations that require radiology and nuclear medical services in Singapore

The number of cancer registrations in Singapore grew at a CAGR of approximately 4.7% from 2011 to 2015, with a total number of 64,341 cancer registrations during 2011 to 2015. The Singapore Government is currently trying to address and reduce the waiting time for a patient with suspected cancer to get a scan at public hospitals. To facilitate and improve the waiting time for patients to receive their scans or treatments, more diagnostic imaging facilities in hospitals, medical centres and clinics are required to accommodate such needs. Therefore the demand for medical-related construction services in respect of radiation shielding works is expected to increase.

3. Nationwide initiatives to increase the population in Singapore

The Singapore Government’s initiatives to increase the overall population under the Singapore Population Whitepaper is a part of the Singapore Government’s plans to raise the population level to a range of 6.5 to 6.9 million in 2030 from its then 5.3 million in 2012. An increase in population will likely lead to an increase in medical-related facilities in both public and private sectors to support the healthcare needs of the increasing population, which is expected to drive demand for medical-related construction services for new healthcare facilities.

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COMPETITIVE LANDSCAPE AND THE ENTRY BARRIERS

Key active medical-related construction contractors in Singapore

Ipsos has identified six key active medical-related construction contractors in Singapore which are able to carry out radiation shielding or related works, based on its desktop and primary research, including (i) the results of interviews conducted with medical equipment vendors, medical service providers and medical-related construction contractors in Singapore; (ii) the research results from various construction industry reports and news articles; and (iii) the research results from various databases such as the Accounting and Corporate Regulatory Authority of Singapore and the Building and Construction Authority (“BCA”). The metrics used to determine the six industry players in the market was a consolidation of (i) companies with similar business activities or has business focused on providing design and building services for medical-related facilities, and are able to provide radiation shielding works; (ii) the number of medical-related construction projects, especially for radiation shielding purpose, tendered by/awarded to medical-related contractors from 2011 to 2016; and (iii) total revenue indication (if available). Such six key active contractors include Hwa Koon, our principal operating subsidiary, as well as the following five companies (shown in alphabetical order below):

- Acromec Engineers Pte Ltd
- Decormark Design Pte Ltd
- Globalwide International Pte Ltd
- Slimline Design & Contracs Pte Ltd
- Vantage Construction Pte Ltd

Ipsos advised that as the total output value of the medical-related construction industry in respect of radiation shielding works in Singapore and the financial information of the aforesaid active industry players are not available, the market share of our Group and the ranking of the industry players cannot be reliably ascertained.

Entry barriers

1. Specialised knowhow and proven track records required

The design and building of medical-related facilities, especially those involving radiation shielding works, require very specialised knowhow and experience in order to ensure, for instance, the prevention of radiation leakage and the overall proper and safe operation of the medical facilities.

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According to Ipsos Report, one of the key tender evaluation criteria of both public and private sector projects is the contractors’ track record and experience in projects with similar nature and complexity. Contractor’s ability to meet the technical, safety, time and budget requirements of a project will also be considered. As a result, new entrants with little or no track record for medical-related construction projects with radiation shielding works may find it hard to compete for tenders and may also have difficulties in meeting technical requirements. If the contractor failed the radiation leakage examination or failed to complete the construction works within the agreed timeline, the customers might need to incur substantial additional costs in order to fix the radiation leakage and/or suffer from financial loss if the completion date could not be met. Therefore, customers would generally have a strong preference for engaging contractors with proven track records in order to avoid extra costs and time incurred for radiation shielding works.

2. Established relationship with medical equipment vendors and medical service providers

In general, where a medical service provider has decided on the medical equipment required in their facilities, it would normally invite medical equipment vendors to participate in project tenders procedures. It is common that the selected medical equipment vendor will arrange to supply and install the equipment, and will usually subcontract the entire design and building works to medical-related construction contractors.

According to Ipsos Report, medical equipment vendors and private sector medical service providers usually award projects through an invited tender process. They may send tender invitation only to those contractors with good working relationship and proven track records in the past. New entrants may find it difficult to blend into the market and obtain tender invitations as they have yet to build up cooperative relationships and network with medical equipment vendors and medical service providers.

3. Wide variety of skills required

Contractors providing integrated design and building services to medical-related facilities need to have the knowledge and skill sets, including those in relation to some or all of the different types of systems such as ACMV system, chiller system, electrical system, plumbing, sanitary and drainage system, medical gas and suction system, data communication system and fire protection system. Contractors specialising in one or a limited few of the aforesaid systems may not be able to undertake sizable integrated design and building services projects that require a wide variety of skillsets. New entrants may have difficulties in assembling workforce and management personnel with sufficient knowledge and skills to support such projects that involve a wide application of different systems.

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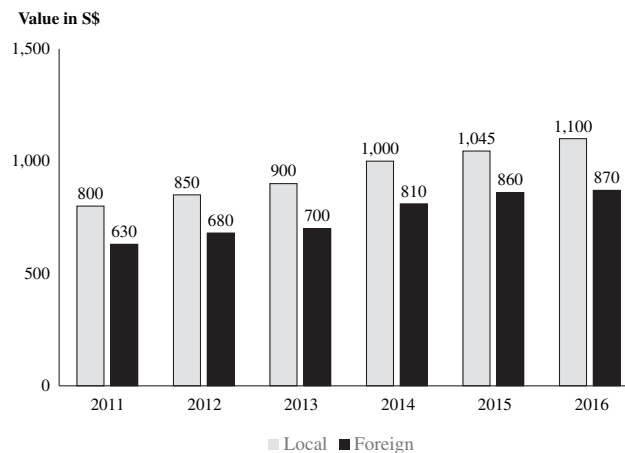
POTENTIAL CHALLENGES

Labour shortage

Subcontracting charges are the most significant cost item in our costs of services/sales during the Track Record Period. Our Directors consider that subcontracting charges are directly affected by labour costs as design and building works are labour-intensive in nature. According to the Ipsos Report, the construction industry and medical-related construction industry in Singapore are suffering from hiring challenges due to the shortage of construction labour as a result of an aging workforce supply and a declining rate of young Singaporeans who are entering the industry.

On average, monthly basic wages for local construction workers in Singapore increased from approximately S\$800 in 2011 to approximately S\$1,100 in 2016, representing a CAGR of approximately 6.6%, reflecting the shortage in local workforce in the construction industry. Average monthly basic wages for foreign workers on the other hand increased from approximately S\$630 in 2011 to approximately S\$870 in 2016, representing a CAGR of approximately 6.7%. In general, basic wages paid to foreign workers were on average 20% lower compared to wages paid to local workers.

Average monthly basic wages, local vs. foreign workforce from 2011 to 2016



Sources: MOM; Department of Statistics, Singapore; Ipsos interviews; Ipsos analysis

While there is no available data on the average annual wage of medical-related construction workers, Ipsos considers that changes in the wage level for medical-related construction workers are not materially different from those for construction workers as there has not been any material changes in the employment patterns for different types of construction workers in Singapore over the past few years based on Ipsos’ research and analysis.

Ipsos forecasts the average wages for local and foreign construction works will rise at a CAGR of between 6.8% to 7.0% from 2017 to 2021. The shortage of labour and the rising trend of labour costs are therefore expected to be a challenge for the construction industry and the medical-related construction industry in Singapore.

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Rising foreign worker levies

The construction industry in Singapore relies on the supply of foreign labour as the local construction labour force in Singapore is limited and more costly than foreign labour.

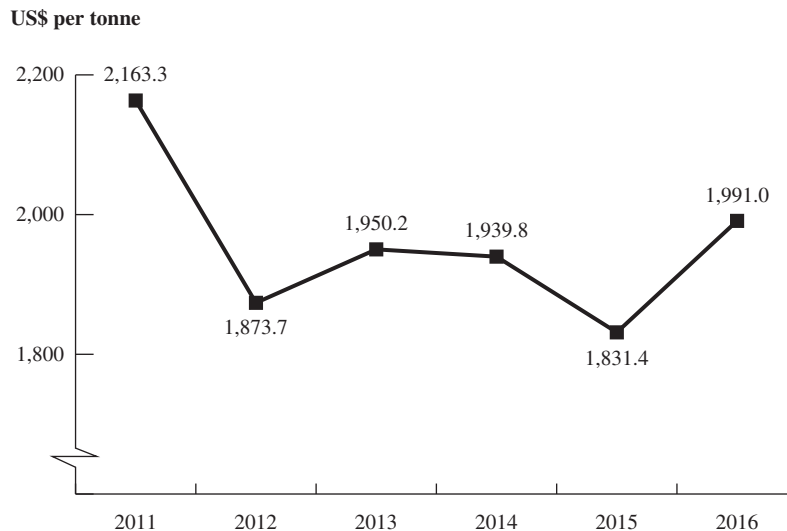
The monthly rate of foreign worker levy for basic skilled workers under the construction sector increased to S\$650 effective from 1 July 2016 and further to S\$700 effective from 1 July 2017 (subject to changes as and when announced by the Singapore Government). Rising foreign worker levy will increase contractors’ costs of operations and will therefore be one of the challenges faced by the construction industry.

Fluctuating cost of materials

Material costs is one of our significant cost items in our costs of services/sales during the Track Record Period. Various different materials are required for the provision of radiation shielding works, M&E works and fitting-out works for medical-related facilities, including in particular lead, steel and other electrical components. Any substantial fluctuations in the costs of materials may affect our material costs and hence our costs of services/sales.

Lead is one of the major types of raw materials for the fabrication of radiation shielding products and for the performance of radiation shielding works. The price of lead in the global market is illustrated in the chart below:

Price trend of lead in the global market from 2011 to 2016



Source: The Ipsos Report

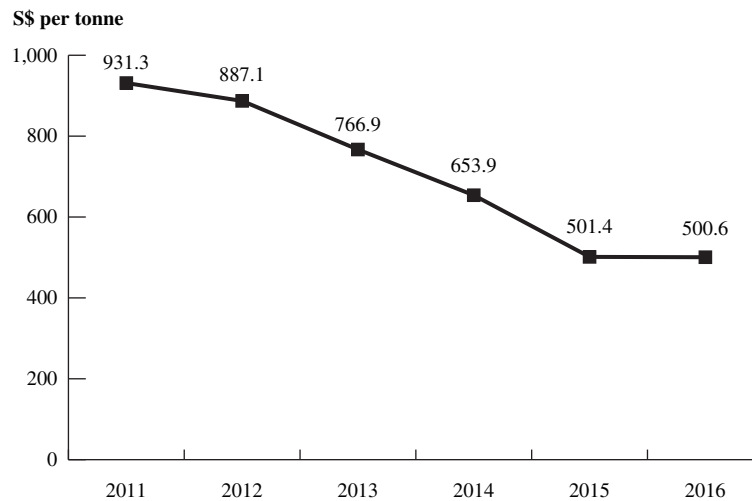
Note: Based on Ipsos’ primary research, price of lead in Singapore is dependent on the changes in the global market, and therefore price of lead is not tracked annually for Singapore unlike other construction materials. As such, disclosure is depicted on a global level and measured in US\$.

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The price of lead recorded a negative CAGR of approximately 1.65% from 2011 to 2016. The fluctuation was mainly attributed to the emerging substitute materials for lead (other than the use for radiation shielding) and relatively unstable supply of lead in the global market. According to the Ipsos Report, the price for lead is expected to remain volatile for the next five years due to the same reasons as discussed.

Other basic materials used in the M&E works and fitting-out works include steel. The prices of steel from 2011 to 2016 are shown in the graph below:

Price trend of steel in Singapore from 2011 to 2016



Source: Department of Statistics, Singapore

Steel prices have dropped from approximately S\$931 per tonne in 2011 to approximately S\$501 per tonne in 2016 at a rate of approximately 11.7% per annum. Despite so, Ipsos forecasts that steel price will gradually increase from 2017 to 2021 because of the expected recovery and growth of the global steel demand as forecasted by the World Steel Association and China’s recovering property development market.

REGULATORY OVERVIEW

LICENSING REGIME FOR BUILDERS AND CONTRACTORS IN SINGAPORE

Overview

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

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

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

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

Licensing of Builders Scheme

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

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

REGULATORY OVERVIEW

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

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

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

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

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

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

REGULATORY OVERVIEW

Notes:

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

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

Renewal and retention requirements

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

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

Contractors Registration System

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

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At present, there are seven major categories of registration under the Contractors Registration System: (i) Construction (CW); (ii) Construction-Related (CR); (iii) Mechanical and Electrical (ME); (iv) Maintenance (MW); (v) Trade Heads for sub-contractors (TR); (vi) Regulatory Workhead (RW); and (vii) Supply (SY).

Under these seven major categories, there is a further sub-classification of a total of 63 workheads. Each major category of registration under the Contractors Registration System is also subject to up to seven financial grades. In order to qualify for a particular grade, companies must satisfy the respective grade requirements in terms of (i) financial resources; (ii) track record; (iii) sufficiency of personnel resources with the relevant skills and experience; and (iv) management certification (such as Singapore Accreditation Council Accredited ISO 9001, ISO 14001, OHSAS 18001, etc.). The qualified grade of registered companies corresponds with a tender limit (valid for one year) which, depending on the economy of the construction industry in Singapore, may be adjusted from year to year.

The validity for a first time registration is for a period of three years. Registration will thereafter lapse automatically unless a renewal (for a period of three years) is filed and approved by the BCA.

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

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

Notes:

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

REGULATORY OVERVIEW

Tender limits for different grades under the Contractors Registration System

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

(i) For workheads CW01:

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

(ii) For ME01 and ME11:

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

Registration and retention requirements

In order to apply for, maintain and renew the registrations under the Contractors Registration System, there are different requirements to be complied with for different grades, including but not limited to financial resources (minimum paid-up capital and minimum net worth), management and sufficiency of personnel resources with the relevant skills and experience ((including registrable professionals (“**RP**”) ⁽⁸⁾, professionals (“**P**”) ⁽⁹⁾ and technicians (“**T**”) ⁽¹⁰⁾), as well as track record of past projects.

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

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

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

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

Notes:

- (8) A RP must have a minimum professional qualification of a degree in architecture, civil/structural, mechanical or electrical engineering recognised by the Professional Engineers Board, BCA or Board of Architects Singapore.
- (9) A P must have a minimum professional qualification of a recognised degree in civil/structural, mechanical, electrical engineering, architecture, building or equivalent.
- (10) A T must have a minimum qualification in any of the following: (i) a diploma in civil/structural, mechanical, electrical engineering, architecture, building or equivalent awarded by the BCA Academy, Nanyang Polytechnic, Ngee Ann Polytechnic, Republic Polytechnic, Singapore Polytechnic or Temasek Polytechnic; (ii) a National Certificate in Construction Supervision or Advance National Building Qualification or a Specialist Diploma in M&E Coordination awarded by the BCA Academy; or (iii) such other diplomas or qualifications as approved by the BCA from time to time.
- (11) Basic Concept in Construction Productivity Enhancement (Certificate of Attendance) (“BCCPE”). This certificate is obtained after having attended a course conducted by the BCA Academy. Should the director of a company be the only person in the company possessing a BCCPE, he cannot utilize the same BCCPE to satisfy the requirements for another company of which he is also part of.
- (12) bizSAFE is a five-step programme to assist companies build up their workplace safety and health capabilities. bizSAFE Level 3 is issued by the Workplace Safety and Health Council. Workplaces that have achieved bizSAFE Level 3 would have their risk management implementation and must engage a Workplace Safety and Health auditor approved by the Ministry of Manpower (“MOM”) to assess the implementation of risk management in their enterprise.

Personnel requirements

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

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Certification requirements

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

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

RADIATION PROTECTION

Possession or dealing in radioactive materials or irradiating apparatus

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

The RPA also provides that:

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

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

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

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

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

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

Renewal and retention requirements

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

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

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

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

Radiation Shielding Works in the Medical Sector

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

BUILDING AND CONSTRUCTION INDUSTRY SECURITY OF PAYMENT ACT

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

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EMPLOYMENT MATTERS

Employment Act

The Employment Act (Chapter 91 of Singapore) (“EA”) is the main legislation governing employment in Singapore. The EA covers every employee who is under a contract of service with an employer and includes a workman (as defined under the EA) but does not include, *inter alia*, any person employed in a managerial or executive position (subject to the exceptions set out below). A workman is defined under the EA as including, *inter alia*, (i) any person, skilled or unskilled, who has entered into a contract of service with an employer in pursuance of which he is engaged in manual labour, including any apprentice, (ii) any person employed partly for manual labour and partly for the purpose of supervising in person any workman in and throughout the performance of his work. Any person employed in a managerial or an executive position (who is generally not regarded as an employee under the EA) who is in receipt of a salary not exceeding S\$2,500 shall be regarded as an employee for the purposes of provisions in the EA relating to, *inter alia*, payment and computation of salaries, powers of the Commissioner for Labour in relation to claims, complaints and investigations into offences under the EA and procedures and regulations governing claims and offences under the EA.

Part IV of the Employment Act contains provisions relating to, *inter alia*, working hours, overtime, rest days, holidays, annual leave, payment of retrenchment benefit, priority of retirement benefit, annual wage supplement and other conditions of work or service and apply to: (a) workmen earning basic monthly salaries of not more than S\$4,500 and (b) employees (excluding workmen) earning basic monthly salaries of not more than S\$2,500. Paid public holidays and sick leave apply to all employees who are covered by the EA regardless of salary levels.

Employment of foreign employees in Singapore

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

Employment of Foreign Manpower Act

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

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

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

Approved source countries

The approved source countries for construction workers are Malaysia, the PRC, Non-Traditional Sources (“NTS”) and North Asian Sources (“NAS”). NTS countries include countries such as India, Sri Lanka, Thailand, Bangladesh, Myanmar and the Philippines. NAS countries include Hong Kong (holders of HKSAR passports), Macau, South Korea and Taiwan. During the Track Record Period, Hwa Koon employed foreign workers from India, Malaysia, Bangladesh and the PRC.

Construction companies must have prior approval (“PA”) from the MOM to employ foreign workers from NTS countries and the PRC. The PA indicates the number of foreign workers a company is allowed to bring in from NTS countries and the PRC. It also determines the number of workers who can have their work permits renewed, or who can be transferred from another company in Singapore. PAs are given based on: (i) the duration of the work permits applied for; (ii) the number of full-time local workers employed by the company over the past three months as reflected in the company’s Central Provident Fund contribution statements; (iii) the number of man-years allocated to the company (for main contractors) or the man-years directly allocated from the company’s main contractor (for sub-contractors); and (iv) the remaining number of company’s quota available.

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

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

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Notes:

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

With respect to NTS and PRC construction workers, basic skilled workers are allowed to work up to a maximum of 10 years, while higher skilled workers are allowed to work up to 22 years. There is no maximum employment period for all other foreign workers (from NAS and Malaysia). The maximum age limit for all foreign workers to work in Singapore, regardless of country of origin, is up to 60 years old.

In addition, for each individual’s work permit, in-principle approvals have to be sought. Within two weeks of arrival, the foreign construction worker is required to undergo a medical examination by a doctor registered in Singapore and must pass such medical examination before a work permit can be issued to him.

All foreign workers in the construction sector must attend the CSOC or AWSHCSC, a two-day course conducted by various training centres accredited by the MOM and obtain a valid pass. The CSOC or AWSHCSC (i) ensures that construction workers are familiar with common safety requirements and health hazards in the industry; (ii) educates them on the required measures to prevent accidents and diseases; (iii) ensures that they are aware of their rights and responsibilities under Singapore employment law; and (iv) familiarises with personal protective equipment. Employers must ensure that the foreign workers attend the course within two weeks of their arrival in Singapore before their work permits can be issued. At the end of the course, the workers will receive a safety orientation pass if they pass its requirement or assessment. Foreign workers who have failed the CSOC or AWSHCSC must retake the course as soon as possible. Employers who fail to ensure that their workers take and pass the CSOC or AWSHCSC will be barred from applying for any new work permits for three months, while the affected workers will have their work permits revoked.

During the Track Record Period and up to the Latest Practicable Date, we have required our foreign employees to undergo all the requisite training courses and medical examinations pursuant to the aforesaid requirements before the commencement of their employment with us.

Security bonds

For the construction sector, for each NAS, NTS or PRC construction worker whom is successfully granted with a work permit, a security bond of S\$5,000 in the form of a banker’s guarantee or insurance guarantee is required to be furnished to the Controller of Work Passes under the EFMA. The security bond must be furnished prior to the foreign worker’s arrival in Singapore, failing which entry into Singapore will not be allowed. Malaysian workers are exempt from the above requirement of furnishing a security bond.

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

The purposes of the security bonds are to ensure that employers and their respective foreign workers comply with the conditions of the work permits issued, which include, *inter alia*, (for employers) the maintenance of medical insurance and the conduct of medical examination(s), and (for foreign workers) not taking part in any other business or starting their own business, and not marrying a Singapore citizen or permanent resident in or outside Singapore without the approval of the relevant authority.

The security bonds may be forfeited if, *inter alia*, the employer or employees violate any of the conditions of the work permits, fail to pay employee salaries on time, fail to repatriate foreign workers back to their countries of origin when their work permits expire, or if the foreign worker goes missing.

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

Foreign worker levy

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

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

Note:

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

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Dependency ceilings

The dependency ceiling for the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers. This means that for every full-time Singapore citizen or Singapore permanent resident employed by a company in the construction sector with regular full month Central Provident Fund contributions made by the employer, the company can employ seven foreign workers. If the quota is exceeded, new applications for and renewals of work passes may be rejected. The number of foreign workers under S passes is in turn limited to 20% of the total workforce of the company.

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

Man Year Entitlements (“MYE”)

MYE is a work permit allocation system for employment of construction workers from NTS countries and the PRC. MYE represents the total number of work permit holders a main contractor is entitled to employ based on the value of the projects or contracts awarded by the developers or owners. The allocation of MYE is in the form of the number of “man-years” required to complete a project and only main contractors may apply for MYE. One man-year is equivalent to one year’s employment under a work permit. Hwa Koon has obtained allocations of MYE for its foreign employees from the MOM directly on a project basis.

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

Conditions of work permits for foreign construction workers

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

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

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- providing safe working conditions for their foreign workers; and
- purchasing and maintaining medical insurance with coverage of at least S\$15,000 per 12-month period of the foreign worker’s employment (or for such shorter period where the worker’s period of employment is less than 12 months) for the foreign worker’s in-patient care and day surgery except as the Controller of Work Passes may otherwise provide by notification in writing. Where the employer purchases group medical insurance policy for its foreign workers, the employer shall not be considered to have satisfied the obligations under this condition unless the terms of the employer’s group medical insurance policy are such that each and every individual foreign worker is concurrently covered to the extent as required aforesaid.

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

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

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

Minimum percentage of higher-skilled workers

From 1 January 2017, at least 10% of a construction company’s work permit holders must be Higher-Skilled (“**R1**”) construction workers before the company can hire any new Basic-Skilled (“**R2**”) construction workers. Renewals of work permits of existing R2 construction workers will not be affected. This is tracked based on a 12-week rolling average.

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

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

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

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

Immigration Act

An employer of foreign workers is subject to, *inter alia*, the provisions set out in the Immigration Act which regulates immigration into, and departure from, Singapore. Pursuant to the Immigration Act, no person, other than a citizen of Singapore, shall enter or attempt to enter Singapore unless, *inter alia*, he is in possession of a valid pass lawfully issued to him to enter Singapore. Such valid pass would include, *inter alia*, a valid work pass issued by the Controller of Work Passes under the EFMA and the regulations issued pursuant to the EFMA, including, *inter alia*, work permits (including a training work permit), S passes and employment passes. A work pass may be in the form of a card or in an endorsement made in the passport or other travel document of the work pass holder or in such other form as the Controller of Work Passes may determine.

Central Provident Fund

The Central Provident Fund (“CPF”) system is a compulsory social security savings scheme funded by contributions from employers and employees. Pursuant to the Central Provident Fund Act (Cap. 36) (the “CPF Act”), an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore under a contract of service (save for employees who are employed as a master, a seaman or an apprentice in any vessel, subject to an exception for non-exempted owners). The Central Provident Fund (Exemption – Foreign Employees) Order provides that the rates required to be paid by every employer to the CPF monthly in respect of each employee contribution as provided in Section 7 of the CPF Act does not apply to foreign employees who are not Singapore citizens or permanent residents.

Wage Credit Scheme

The Wage Credit Scheme was introduced in Budget 2013 by the Singapore Government as a three-year scheme under which the Singapore Government co-funds 40% of the wage increases that are given in 2013 to 2015 to Singapore citizen employees earning a gross monthly wage of S\$4,000 and below.

In Budget 2015, it was announced that the Wage Credit Scheme would be extended for two years (2016 to 2017). New wage increases given from 2016 to 2017 will be co-funded at 20% instead of 40%. For wage increases in 2015 which are sustained in 2016 and 2017 by the same employer, employers will receive 20% co-funding for two additional years from 2016 to 2017.

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

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WORKPLACE SAFETY AND HEALTH

Workplace Safety and Health Act

Under the Workplace Safety and Health Act (Chapter 354A of Singapore) (“**WSHA**”), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. More specific duties imposed by the MOM on employers are laid out in the various regulations subsidiary to the WSHA, including without limitation, the Workplace Safety and Health (Construction) Regulations 2007, Workplace Safety and Health (Scaffolds) Regulations 2011, Workplace Safety and Health (Work at Heights) Regulations 2013 and Workplace Safety and Health (General Provisions) Regulations.

The Workplace Safety and Health (Construction) Regulations 2007 sets out specific duties relating to, *inter alia*, the appointment of a workplace safety and health co-ordinator in respect of every worksite to assist in identifying any unsafe condition in the worksite or unsafe work practice which is carried out in the worksite and recommend and assist in the implementation of reasonably practicable measures to remedy the unsafe condition or unsafe work practice. Mr. Ong, our executive Director, is our workplace safety and health coordinator and is responsible for handling the health and safety matters of our Group and ensuring staff compliance with our safety measures.

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

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

Under the WSHA, inspectors appointed by the Commissioner for Workplace Safety and Health (“**WS Commissioner**”) may, among others, enter, inspect and examine any workplace, to inspect and examine any machinery, equipment, plant, installation or article at any workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, to take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, to assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and to take into custody any article in the workplace which is relevant to an investigation or inquiry under the WSHA.

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

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

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

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

Work Injury Compensation

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

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

- (i) submit a claim for compensation through the MOM without needing to prove negligence or breach of statutory duty by employer. There is a fixed formula in the WICA on amount of compensation to be awarded; or

REGULATORY OVERVIEW

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

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

ENVIRONMENTAL LAWS AND REGULATIONS

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

The EPHA also regulates, among others, the disposal and treatment of industrial waste and public nuisances. Under the EPHA, the Director-General of Public Health may, on receipt of any information respecting the existence of a nuisance liable to be dealt with summarily under the EPHA and if satisfied of the existence of a nuisance, serve a nuisance order on the person by whose act, default or sufferance the nuisance arises or continues, or if the person cannot be found, on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with summarily under the EPHA include any factory or workplace which is not kept in a clean state, any place where there exists or is likely to exist any conditions giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety.

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

REGULATORY OVERVIEW

SINGAPORE TAXATION

Productivity and Innovation Credit Scheme

The Productivity and Innovation Credit Scheme (“**PIC Scheme**”) allows, amongst others, companies with active business operations in Singapore to claim (i) tax deductions and/or allowances; and/or (ii) cash payouts; and/or (iii) cash bonuses (on a dollar for dollar matching basis) in addition to (i) and/or (ii) above, in respect of certain qualifying activities undertaken by such companies, including the acquisition or leasing of certain qualifying equipment and certain types of training of employees, subject to prescribed expenditure caps. Further conditions apply before a company is eligible to make each of such claims, including having to invest in relevant qualifying expenditure and (in the case of the cash payouts and the cash bonuses) meeting the minimum 3 local employees requirement and (in the case of cash bonuses) investing the minimum qualifying expenditure per year of assessment over the course of 3 years from year of assessment 2013 to 2015. The PIC Scheme has been extended for another 3 years from year of assessment 2016 to 2018, and higher expenditure caps in relation to tax deductions and allowances apply for qualifying small and medium enterprises, which takes effect from year of assessment 2015. As announced in Singapore Budget Announcement 2016, the PIC payment will be at 40% for qualifying expenditure incurred on or after 1 August 2016.

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

Temporary Employment Credit (“TEC”)

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

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

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our business can be traced back to 1979 when our founder, Mr. Ang Hwa Koon, began performing general construction and renovation works as a sole proprietor under the trade name of Hwa Koon Construction and Decoration in Singapore. After Mr. Koh joined our Group in 1996, followed by Mr. Ong Cher Tiok joining in 1997, our Group began developing our specialty in performing radiation shielding works. In 2000, Hwa Koon Construction and Decoration ceased operation after we decided to operate our business through a private company limited by shares, namely, VMI Enterprise Pte Ltd, which was incorporated in Singapore in 1994 with no significant business activity prior to such decision and whose name was changed to Hwa Koon Engineering Pte Ltd after such decision. Since then and throughout the Track Record Period, we have been operating our business through Hwa Koon Engineering Pte Ltd.

In preparation for the [REDACTED], our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 August 2017. Upon completion of a series of share transfers under the Reorganisation as detailed in the paragraph headed “Reorganisation” below, our Company became the ultimate holding company of our Group for the purpose of the [REDACTED].

The following table outlines the key milestones in the history of our Group:

Year	Event
1979	Mr. Ang Hwa Koon, founder of our Group, commenced the business of general construction and renovation works as a sole proprietor under the trade name of Hwa Koon Construction and Decoration in Singapore.
1997	We began developing our specialty in performing radiation shielding works.
2000	We decided to operate our business through a private company limited by shares, i.e. Hwa Koon. Following such decision, Hwa Koon Construction and Decoration ceased operation.
2003	Hwa Koon was awarded a contract for a turnkey solutions project at Alexandra Hospital.
2005	The registration of Hwa Koon Construction and Decoration was terminated and we continued to operate through Hwa Koon Engineering Pte Ltd.
2006	Hwa Koon was awarded an integrated design and building service project by BrainLAB Ltd. at Singapore General Hospital in relation to construction of operating room.

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Event
2008	Hwa Koon was certified to be in conformance with ISO 9001 and OHSAS 8001.
2009	Hwa Koon was awarded a contract by Hyundai Engineering & Construction Co., Ltd to carry out radiation shielding works.
2012	Hwa Koon was awarded a contract for an integrated design and building service project at Tan Tock Seng Hospital.
2014	Hwa Koon was awarded the bizSAFE Level Star certificate by the Workplace Safety and Health Council of Singapore.
2014	Hwa Koon was awarded a contract for a turnkey solutions project at the Radiation Oncology Centre of Mount Elizabeth Novena Hospital.
2015	Hwa Koon was certified to be in conformance with ISO 14001.
2016	Hwa Koon was awarded a contract for radiation shielding works in the Sengkang General Hospital.
2017	Hwa Koon was awarded a contract for radiation shielding works in the National University Hospital.

CORPORATE HISTORY

Hwa Koon Engineering Pte Ltd

Hwa Koon, our wholly-owned and principal operating subsidiary, was incorporated in Singapore as a private company limited by shares on 5 April 1994, initially in the name of VMI Enterprise Pte Ltd. Since incorporation until its name change in 2000 to Hwa Koon Engineering Pte Ltd, it did not carry out any significant business activity.

At the time of incorporation, VMI Enterprise Pte Ltd had a total paid-up capital of S\$10 and a total of 10 shares, which were owned as to 20% by Mr. Ang Hwa Koon, and the remaining 80% by two independent third parties (as to 50% and 30% respectively).

On 1 December 1996, Mr. Ang Hwa Koon and his sister Ms. Ang Ai Chim acquired all of the shares held by the other two then shareholders of VMI Enterprise Pte Ltd (who together held 80% of its then issued capital) at the total consideration of S\$8. Immediately after completion of the aforesaid share acquisition, VMI Enterprise Pte Ltd was owned as to 70% by Mr. Ang Hwa Koon and 30% by his sister Ms. Ang Ai Chim.

HISTORY, DEVELOPMENT AND REORGANISATION

In 2000, we decided to operate our business through a private company limited by shares, instead of through Hwa Koon Construction and Decoration (the sole proprietorship of Mr. Ang Hwa Koon), and VMI Enterprise Pte Ltd was chosen for such purpose. As such, on 11 September 2000, the name of VMI Enterprise Pte Ltd was changed to Hwa Koon Engineering Pte Ltd.

On 5 December 2002, Ms. Ang Ai Chim transferred her 30% interest in Hwa Koon to Ms. Ang Kay Ling, daughter of Mr. Ang Hwa Koon, at the consideration of S\$3. On 12 August 2005, Mr. Ang Hwa Koon subscribed 99,990 new shares in Hwa Koon at the price of S\$1.00 per share. After completion the aforesaid subscription, Hwa Koon was owned as to 99.997% by Mr. Ang Hwa Koon and 0.003% by Ms. Ang Kay Ling.

On 25 January 2007, Mr. Ang Hwa Koon transferred 20% and 15% of the interest in Hwa Koon to Mr. Ong Cher Tiok and Mr. Koh at a consideration of S\$20,000 and S\$15,000, respectively, in order to provide incentives and rewards to Mr. Ong Cher Tiok and Mr. Koh for their contribution to Hwa Koon. For the same purpose of providing incentives and rewards, on 1 April 2008, Mr. Ang Hwa Koon transferred a further 5% of the interest in Hwa Koon to Mr. Ong Cher Tiok at the consideration of S\$5,000. Immediately after completion of such transfers, Hwa Koon was owned as to 59.997% by Mr. Ang Hwa Koon, 0.003% by Ms. Ang Kay Ling, 25% by Mr. Ong Cher Tiok and 15% by Mr. Koh.

On 6 June 2008, Hwa Koon raised S\$400,000 from existing shareholders by issuing and allotting to each such shareholder four shares for every share held at the issue price of S\$1.00 per share. The percentage of shareholding among shareholders did not change.

In early 2010, Mr. Ong Cher Tiok experienced a personal health issue where a major surgery was required. He therefore decided to make certain estate and retirement planning prior to the surgery. By a declaration of trust dated 6 March 2010, Mr. Ong Cher Tiok declared he held the entire number of shares in Hwa Koon registered in his name on trust for the benefit of his son, Mr. Ryan Ong, from that date onward. The trust arrangement was a part of the estate and retirement planning of Mr. Ong Cher Tiok. Immediately after the declaration of trust, Hwa Koon was beneficially owned as to 59.997% by Mr. Ang Hwa Koon, 0.003% by Ms. Ang Kay Ling, 25% by Mr. Ryan Ong and 15% by Mr. Koh. As described below, the nominal ownership of the shares subject to the declaration of trust was transferred to Mr. Ryan Ong on 24 April 2017.

During the Track Record Period, Hwa Koon underwent a few shareholding changes. On 16 February 2015, for purposes of retirement planning, Mr. Ang Hwa Koon transferred all of his shares, being 59.997% of the then issued and outstanding share capital in Hwa Koon, to his younger brother Mr. KM Ang for a consideration of S\$2,999,850. Mr. KM Ang saw the potential in Hwa Koon and so purchased such shares for investment purposes. The consideration for this transfer was negotiated and determined with regard to the profitability and prospects of Hwa Koon and the relationship between Mr. Ang Hwa Koon and Mr. KM Ang. On the same day, due to family arrangement, Ms. Ang Kay Ling transferred all of her shares, being 0.003% of the then issued and outstanding share capital in Hwa Koon, to Ms. Ang Ai Chim, the sister of Mr. Ang

HISTORY, DEVELOPMENT AND REORGANISATION

Hwa Koon and Mr. KM Ang, for a consideration of S\$150, which was determined on the same valuation as the sale from Mr. Ang Hwa Koon to Mr. KM Ang. On the same day, by a declaration of trust, Ms. Ang Ai Chim declared she held the entire number of shares in Hwa Koon registered in her name on trust for the benefit of Mr. KM Ang. Immediately after the transfers and the declaration of trust, Hwa Koon was beneficially owned as to 60% by Mr. KM Ang, 25% by Mr. Ryan Ong and 15% by Mr. Koh.

On 16 July 2015, Mr. KM Ang transferred 9% of the then issued and outstanding share capital in Hwa Koon to Mr. Ryan Ong for a consideration of S\$495,000, which was based on substantially the same valuation as the transfer from Mr. Ang Hwa Koon to Mr. KM Ang. Mr. KM Ang felt it was important to provide incentives and rewards to Mr. Ryan Ong for his contribution to Hwa Koon, and felt the transfer of shares would more closely align Mr. Ryan Ong's interests with Hwa Koon's, while Mr. Ryan Ong saw the potential in Hwa Koon in making this purchase. Immediately after the transfer, Hwa Koon was beneficially owned as to 51% by Mr. KM Ang, 34% by Mr. Ryan Ong and 15% by Mr. Koh.

On 28 March 2016, Hwa Koon issued bonus shares to all of its shareholders in proportion to the shares then held by each of them. On the same day, Ms. Ang Ai Chim executed another declaration of trust in which she declared such bonus shares to be held on trust for the benefit of Mr. KM Ang.

The aforementioned declarations of trust dated 16 February 2015 and 28 March 2016 were made by Ms. Ang Ai Chim due to family arrangement. Then on 6 February 2017, Ms. Ang Ai Chim transferred the nominal ownership of all the shares in Hwa Koon registered in her name to Mr. KM Ang for a consideration of S\$30, which was intended to be a nominal consideration.

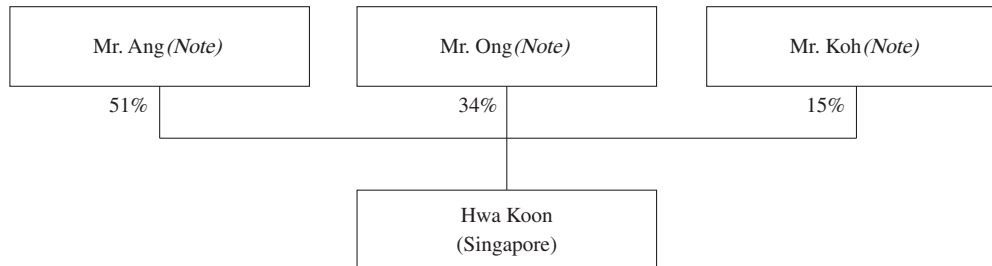
On 24 April 2017, Mr. Ong Cher Tiok transferred all of the shares registered in his name, being 25% of the then issued and outstanding share capital in Hwa Koon, to Mr. Ryan Ong, uniting the nominal and beneficial ownership of such shares under Mr. Ryan Ong, thereby effectively terminating the trust arrangement created by the declaration of trust on 6 March 2010.

Throughout the last financial year of the Track Record Period and up until the Reorganisation, there was no change in the beneficial ownership of Hwa Koon.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

The following diagram sets out the beneficial shareholding structure of our Group immediately before the Reorganisation:



Note: Mr. Ang, Mr. Ong and Mr. Koh entered into the Acting in Concert Confirmation. For details, please refer to the section headed “Relationship with Controlling Shareholders – Acting in Concert Confirmation” in this document.

Our Group completed the Reorganisation on [•] in preparation for the [REDACTED], pursuant to which our Company became the holding company of our Group.

The Reorganisation involved the following steps:

(1) Incorporation of Skylight Illumination and Philosophy Global

On 29 May 2017, Skylight Illumination was incorporated in the BVI with liability limited by shares. Since the date of incorporation, Skylight Illumination has been authorised to issue a maximum of 50,000 shares of a single class with no par value.

On 28 July 2017, 51 ordinary shares, 34 ordinary shares and 15 ordinary shares of Skylight Illumination were issued and allotted to Mr. Ang, Mr. Ong and Mr. Koh respectively, for cash consideration, pursuant to the memorandum and articles of association of Skylight Illumination.

After completion of the Reorganisation, Skylight Illumination became a Controlling Shareholder of our Company.

On 29 May 2017, Philosophy Global was incorporated in the BVI with liability limited by shares. Since the date of incorporation, Philosophy Global has been authorised to issue a maximum of 50,000 shares of a single class with no par value.

On 28 July 2017, 51 ordinary shares, 34 ordinary shares and 15 ordinary shares of Philosophy Global were issued and allotted to Mr. Ang, Mr. Ong and Mr. Koh respectively, for cash consideration, pursuant to the memorandum and articles of association of Philosophy Global.

HISTORY, DEVELOPMENT AND REORGANISATION

After completion of the Reorganisation, Philosophy Global became a wholly-owned subsidiary of our Company.

(2) Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 18 August 2017. On [•] 2017, our Company was registered under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as a non-Hong Kong company and obtained the business registration certificate under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) on [•] 2017. It had an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares with par value of HK\$0.01 each.

On 18 August 2017, one nil-paid subscriber Share was allotted and issued to the initial subscriber, Reid Services Limited, pursuant to the memorandum and articles of association of our Company. The nil-paid subscriber Share was transferred to Skylight Illumination on the same day. As at the Latest Practicable Date, our Company had an authorised share capital of HK\$[15,000,000] divided into [1,500,000,000] ordinary shares with par value of HK\$0.01 each. Immediately following completion of the Reorganisation, our Company became the ultimate holding company of our Group.

(3) Acquisition of Hwa Koon by Philosophy Global

On 14 September 2017, Mr. Ang, Mr. Ong and Mr. Koh, as vendors, and Philosophy Global, as purchaser, entered into a sale and purchase agreement, pursuant to which Philosophy Global acquired 510,000 shares, 340,000 shares and 150,000 shares of Hwa Koon, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh at the consideration of S\$2,346,000, S\$1,564,000 and S\$690,000, respectively. In settlement of the aforesaid consideration, Philosophy Global issued and allotted 51 ordinary shares, 34 ordinary shares and 15 ordinary shares, credited as fully paid, to Mr. Ang, Mr. Ong and Mr. Koh, respectively. The consideration of the acquisition was determined with reference to net asset value of Hwa Koon as at 30 June 2016.

Upon the completion of the above acquisition on 15 September 2017, Hwa Koon became a wholly-owned subsidiary of Philosophy Global.

HISTORY, DEVELOPMENT AND REORGANISATION

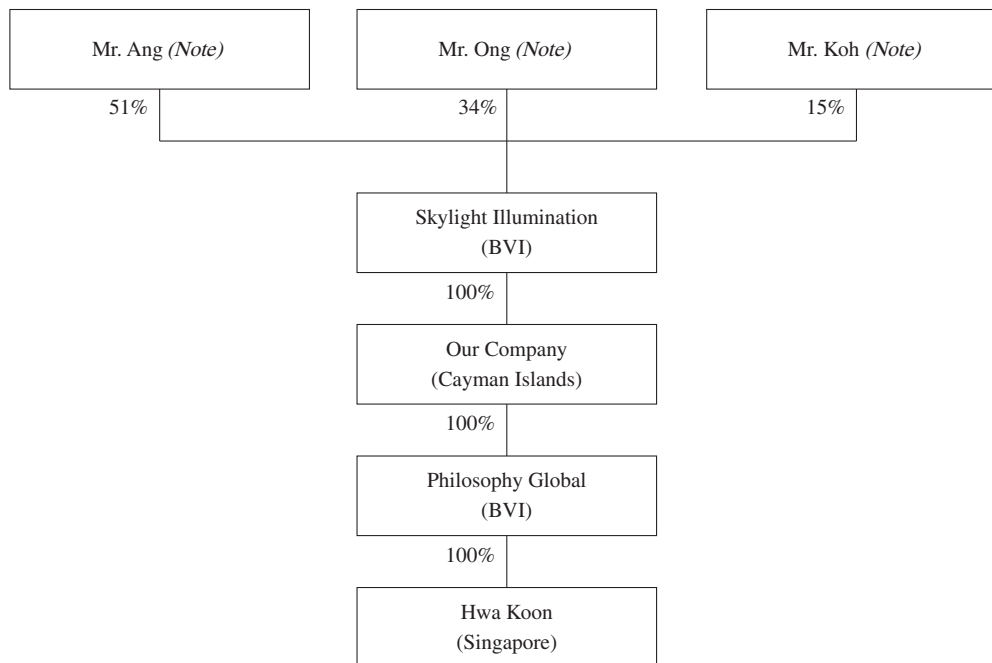
(4) Acquisition of Philosophy Global by our Company

On [•], Mr. Ang, Mr. Ong and Mr. Koh, as vendors, and our Company, as purchaser, entered into a sale and purchase agreement, pursuant to which our Company acquired [102] ordinary shares, [68] ordinary shares and [30] ordinary shares of Philosophy Global, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh respectively, which was satisfied by our Company issuing and allotting [9,999] Shares, credited as fully paid, to Skylight Illumination, and crediting as fully paid at par one nil-paid Share held by Skylight Illumination, at the instructions of Mr. Ang, Mr. Ong and Mr. Koh.

Upon completion of the above acquisition on [•], Philosophy Global became a wholly-owned subsidiary of our Company.

GROUP STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Capitalisation Issue and the [REDACTED]:



Note: Mr. Ang, Mr. Ong and Mr. Koh entered into the Acting in Concert Confirmation. For details, please refer to the section headed “Relationship with Controlling Shareholders – Acting in Concert Confirmation” in this document.

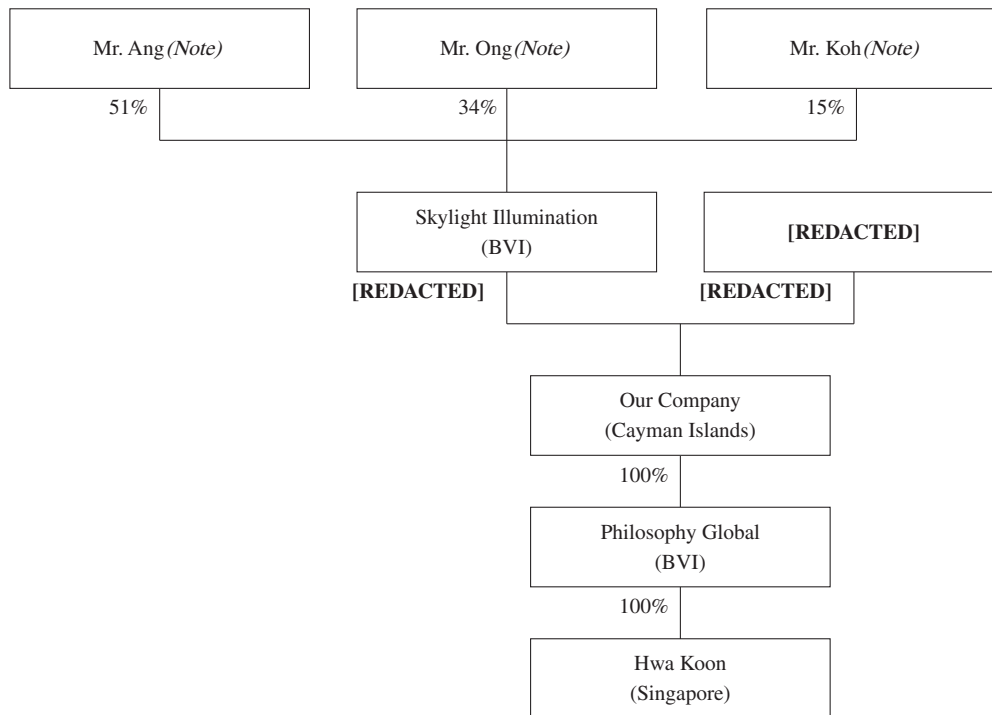
HISTORY, DEVELOPMENT AND REORGANISATION

CAPITALISATION ISSUE AND [REDACTED]

Conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the [REDACTED], certain amounts standing to the credit of the share premium account of our Company will be capitalised and applied in paying up in full such number of Shares for allotment and issue to its shareholders in proportion to their respective shareholdings of our Company on [•] prior to the [REDACTED], so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute not more than [REDACTED]% of the total issued share capital of our Company.

As at the date of this document, with the exception of the Capitalisation Issue, which will take place shortly before the [REDACTED], all steps of the Reorganisation have been properly and legally completed in compliance with the relevant laws and regulations.

The following chart sets forth the shareholding structure of our Group immediately following the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme):



Note: Mr. Ang, Mr. Ong and Mr. Koh entered into the Acting in Concert Confirmation. For details, please refer to the section headed “Relationship with Controlling Shareholders – Acting in Concert Confirmation” in this document.

BUSINESS

BUSINESS OVERVIEW

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

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

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

	FY2014/15		FY2015/16		FY2016/17	
	Revenue S\$'000	% of total revenue	Revenue S\$'000	% of total revenue	Revenue S\$'000	% of total revenue
Integrated design and building services	12,869	97.2	9,331	95.3	14,571	97.6
Maintenance and other services	324	2.4	367	3.7	330	2.2
Sales of tools and materials	<u>51</u>	<u>0.4</u>	<u>95</u>	<u>1.0</u>	<u>36</u>	<u>0.2</u>
Total	<u><u>13,244</u></u>	<u><u>100.0</u></u>	<u><u>9,793</u></u>	<u><u>100.0</u></u>	<u><u>14,937</u></u>	<u><u>100.0</u></u>

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

BUSINESS

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

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

	FY2014/15		FY2015/16		FY2016/17	
	S\$'000	%	S\$'000	%	S\$'000	%
Medical equipment vendors	8,077	62.8	8,652	92.7	7,482	51.4
Medical service providers	4,310	33.5	306	3.3	3,383	23.2
Construction contractors	<u>482</u>	<u>3.7</u>	<u>373</u>	<u>4.0</u>	<u>3,706</u>	<u>25.4</u>
Total	<u>12,869</u>	<u>100.0</u>	<u>9,331</u>	<u>100.0</u>	<u>14,571</u>	<u>100.0</u>

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

BUSINESS

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue carrying on our business mainly include (i) our subcontractors; (ii) suppliers of building and radiation shielding materials; and (iii) suppliers of other miscellaneous services including services provided by third party professionals (such as surveying services and testing services), transportation service and rental of lifting machinery and equipment.

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

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

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

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

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

BUSINESS

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

Expertise in undertaking turnkey solutions projects in hospitals and clinics

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

In addition, our Group holds a number of licences and registrations which enable us to carry out turnkey solutions projects. Hwa Koon, our principal operating subsidiary, is registered under the workheads of CW01 (General Building) with “C1” grade, ME01 (Air-Conditioning, Refrigeration and Ventilation Works) with “L2” grade and ME11 (Mechanical Engineering) with “L1” grade under the CRS maintained by the BCA. Hwa Koon also holds a GB1 Licence granted by the BCA and a “L1” license issued by the RPNSD to possess for sale or deal in specified types of used ionising irradiating apparatus. For further details, please refer to the paragraph headed “Licences and registrations” below in this section.

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

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

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

BUSINESS

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

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

During the Track Record Period, our Group provided integrated design and building services for different types of diagnostic, therapeutic and treatment facilities in hospitals and clinics in Singapore. During the Track Record Period, we derived a total revenue of S\$36.8 million from our integrated design and building projects. Given our established track record, our Directors believe that our Group is well positioned to capture expected growth in the industry in the foreseeable future.

Established relationships with some of our major customers

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

BUSINESS

Stringent quality control and high safety standard and environmental impact control

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

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

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

Experienced and dedicated management team

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

BUSINESS

BUSINESS STRATEGIES

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

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

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

BUSINESS

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

1. Acquiring an additional property for workshop and office use

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

In light of the planned expansion of our manpower and machinery, and the forecasted increase in demand for integrated design and building services as discussed below, our Directors consider that we have the business needs to acquire an additional property with a gross floor area of approximately 900 to 1,000 sq.m. to support our business operations.

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

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

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

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

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

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

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

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

- (i) by having another self-owned property for workshop and office use, our Group can avoid the risk of substantial increase in rental expenses upon renewal of the leased property, as well as the risk of disruption to our business operations caused by potential premature termination or non-renewal of our lease by the relevant landlord; and

BUSINESS

- (ii) the expansion in our self-owned workshop and office space is likely to give our customers greater confidence in our business operations as this would give them the impression that we have greater capacity in undertaking radiation shielding works and demonstrate the financial capacity of our Group.

(iv) Identification of suitable property upon [REDACTED]

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

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

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

2. Strengthening our manpower

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

BUSINESS

As at the Latest Practicable Date, our Group had 15 project management and supervision staff and 22 site workers. Based on our current manpower resources, our Directors consider that it is necessary for us to increase our capacity by further strengthening our manpower in order to undertake additional integrated design and building services projects and to capture the potential business opportunities associated with the forecasted increase in construction demand for medical-related facilities as aforementioned. In this regard, our Directors intend to employ an additional of four project management staff, two site supervisors, one quantity surveyor and two interior designers. We also intend to hire 14 skilled workers with experience in carrying out ACMV and carpentry works and four site workers.

During the Track Record Period, we have engaged other subcontractors to perform certain building works such as (i) M&E works relating to ACMV systems, chiller systems, and plumbing and sanitary systems; and (ii) fitting-out works involving carpentry works and other finishing works relating to ceilings, floors and walls. For each of FY2014/15, FY2015/16 and FY2016/17, our Group incurred subcontracting charges of approximately S\$3.4 million, S\$2.6 million and S\$3.2 million; representing approximately 52.4%, 56.5% and 49.2% of our total purchases, respectively.

Our Directors consider that our Group would be able to achieve higher profitability by performing ACMV and carpentry works with our own manpower and reducing our needs for subcontracting services and the associated costs incurred therefrom, given that a profit mark-up is generally factored in the subcontracting fees charged by our subcontractors. Further, we would be able to offer more competitive pricing to our customers as we could have better control on our operating costs, thereby strengthening our position of being awarded new contracts. According to the Ipsos Report, the construction industry and medical-related construction industry in Singapore are suffering from labour shortage. By recruiting additional own workers, our Group can mitigate the risks of any difficulties in engaging readily available subcontractors and any abrupt increase in fees charged by our subcontractors. In addition, our Directors consider that it would be more efficient for us to monitor our work progress, and provide job instructions to our own site workers, as compared to engaging third party subcontractors.

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

For a sizeable project awarded by a public hospital in Singapore during the Track Record Period, we were required by the customer to provide performance guarantee issued by bank in the amount of 10% of the contract sum in favour of our customer. A pledged deposit is normally required to be placed with the bank which issues the performance guarantee.

BUSINESS

During the Track Record Period, our Directors are prudent in tendering for sizeable projects which have requirements for performance guarantee given that it may result in our working capital being locked up as pledged deposits with the banks. Therefore, our ability to undertake sizeable projects with performance guarantee requirements is limited by the amount of our reserve capital available. Our Directors believe that by increasing our reserve for financing the issue of performance guarantee, our Group would become more equipped to compete for additional sizeable projects in the future.

4. Enhancing our machinery and equipment

(i) Machinery for lifting and carpentry works

We plan to acquire two sets of machinery for carpentry works and three sets of lifting machinery. As mentioned above, it is part of our business strategies to expand our in-house capacity to perform ACMV and carpentry works and reduce our needs for subcontracting services. Therefore, our Directors believe that it is necessary for us to acquire two sets of machinery to facilitate our workers in performing cutting of wooden and other materials based on the needs of our projects. Further, we currently possess one set of machinery for lifting our radiation shielding products (such as radiation shielding doors) and other materials onto our motor vehicles for transportation. As we intend to acquire an additional property for workshop and office use, our Directors consider that we have the operational needs to acquire three additional sets of machinery for lifting purpose at our new workshop.

(ii) Motor vehicles for transportation

As at the Latest Practicable Date, our Group owned four motor vehicles for transporting our workers, radiation shielding products and other materials to the relevant work sites. Our Directors currently plan to acquire six additional motor vehicles to accommodate the increase in our transportation needs associated with the planned expansion of our manpower and the expected growth in the demand for our services. We expect that our enlarged workforce will be assigned to carry out works at a larger number of work sites. The current capacity of our motor vehicles is unable to accommodate the increase in transportation needs and some of our workers may have to take public transportation to attend their relevant work sites as a result. Our Directors believe that having additional motor vehicles will provide us with greater flexibility in arranging the transportation schedule of our workers and materials, which in turn will increase our overall work efficiency.

BUSINESS

5. Increasing our marketing effort

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

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

Implementation of business strategies

For further details on the implementation of the above-mentioned business strategies, please refer to the section headed “Future plans and [REDACTED]” in this document.

DESCRIPTION OF OUR SERVICES AND PRODUCTS

(A) Integrated design and building services

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

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

(i) Preparation and consultation on building design and specifications

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

BUSINESS

(ii) Building works

Radiation shielding works

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

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

M&E works

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

BUSINESS

Fitting-out works

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

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

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

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

(B) Maintenance and other services

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

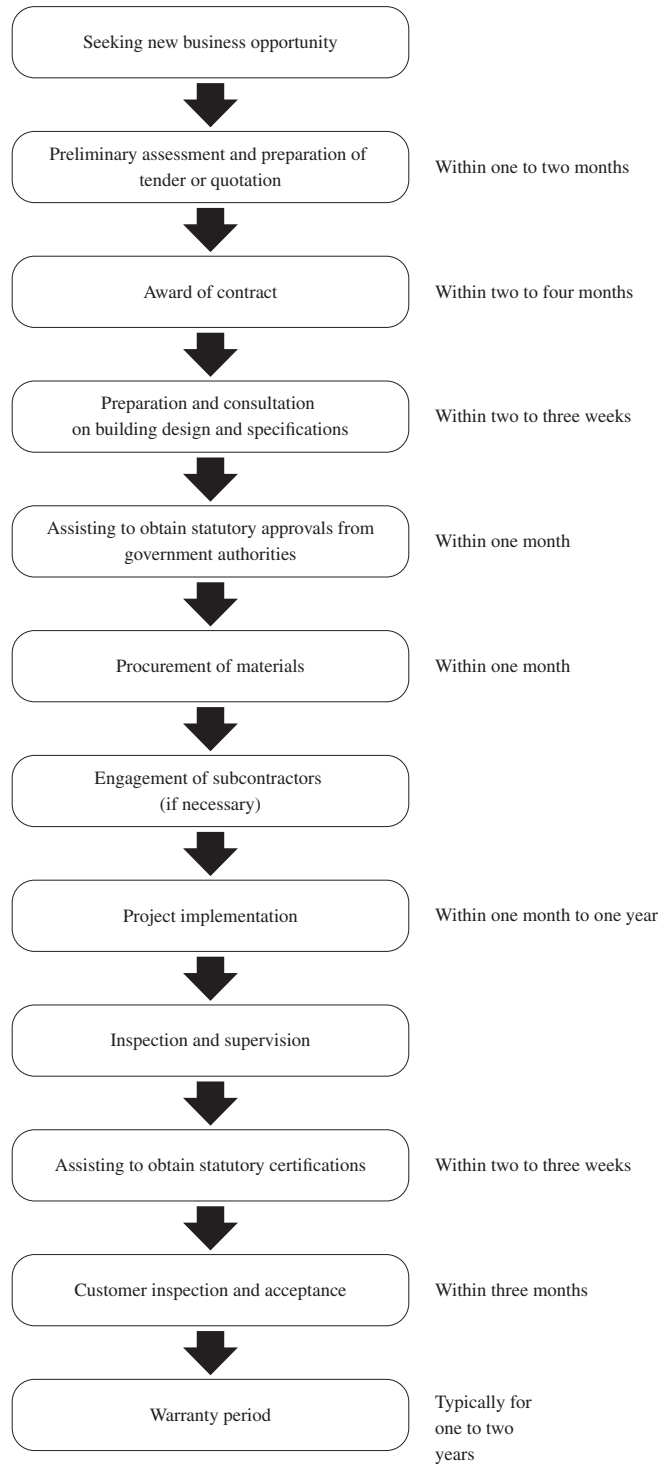
(C) Sales of tools and materials

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

BUSINESS

Operation flow

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



BUSINESS

Seeking new business opportunity

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

Preliminary assessment of the project

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

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

Preparation of tender or quotation

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

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

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

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

BUSINESS

Award of contract

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

The following table sets forth the number of projects for which we have submitted tenders or quotations, the number of projects awarded and the success rate for our integrated design and building services during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17
Number of projects for which we have submitted tenders or quotations	60	76	93
Number of projects awarded ^(Note)	47	57	67
Success rate (%) ^(Note)	<u>78.3</u>	<u>75.0</u>	<u>72.0</u>

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

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

Preparation and consultation on building design and specifications

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

BUSINESS

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

Assisting to obtain statutory approvals from government authorities

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

Procurement of materials

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

Engagement of subcontractors (if necessary)

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

Project implementation

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

BUSINESS

Inspection and supervision

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

Assisting to obtain statutory certifications

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

Customer inspection and acceptance

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

Warranty period

We are generally required to provide a warranty period for one year following the completion date of the project, during which we are responsible to (i) ensure that our works done and materials supplied have complied with the approved specifications and drawings; and (ii) repair or rectify any defects discovered. If so requested by our customers, we may extend the warranty period of our M&E works to two years at additional charges.

Variation orders (if any)

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

BUSINESS

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

Retention money (if necessary)

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

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

Seasonality

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

LICENCES AND REGISTRATIONS

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

Relevant authority/ organisation	Relevant list/Category	Registration/ Licence/Grading	Date of expiry
BCA	General Builder – Class 1	GB1	16 June 2018
BCA	CW01 – General Building	C1 ^(Note)	1 September 2019
BCA	ME01 – Air-Conditioning, Refrigeration & Ventilation Works	L2 ^(Note)	1 September 2019
BCA	ME11 – Mechanical Engineering	L1 ^(Note)	1 September 2019
RPNSD	Licence to possess for sale and deal in specified types of ionising irradiating apparatus	L1	31 December 2017

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

BUSINESS

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

Requirements for maintaining our licences and registrations

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

There are certain financial, personnel, track record, certification and/or other requirements that we have to comply with in order to maintain such licences and registrations. Please refer to the sections headed “Regulatory overview – Licensing regime for builders and contractors in Singapore” and “Regulatory overview – Radiation protection” in this document for further information.

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

PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

Revenue by project nature

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

	FY2014/15			FY2015/16			FY2016/17		
	No. of projects (Notes)	Revenue S\$'000	% of total revenue	No. of projects (Notes)	Revenue S\$'000	% of total revenue	No. of projects (Notes)	Revenue S\$'000	% of total revenue
Public sector	41	5,850	45.5	38	5,381	57.7	33	7,426	51.0
Private sector	29	7,018	54.5	20	3,950	42.3	38	7,146	49.0
Total	70	12,869	100.0	58	9,331	100.0	71	14,571	100.0

Notes:

1. Out of the 58 projects which contributed revenue to the FY2015/16, one project also contributed revenue to the FY2016/17.
2. Out of the 71 projects which contributed revenue to the FY2016/17, four projects also contributed revenue to the FY2015/16.

BUSINESS

Movement in our number of projects

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

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

Number of projects by range of revenue recognised

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

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

BUSINESS

Top projects undertaken during the Track Record Period

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

FY2014/15

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

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

BUSINESS

FY2015/16

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

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

FY2016/17

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

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

BUSINESS

Backlog

As at 30 June 2015, 2016, 2017 and the Latest Practicable Date, we had a total of 1, 4, 11 and 5 integrated design and building projects in our backlog (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced), with revenue derived or expected to be derived from such projects as follows:

	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017	As at the Latest Practicable Date
Number of projects in our backlog	1	4	11	5
	<i>SS'000</i>	<i>SS'000</i>	<i>SS'000</i>	<i>SS'000</i>
Total original contract sum in respect of such projects	395	1,428	7,129	4,234
Total revenue attributable to such projects				
– recognised on or before the date indicated	85	1,038	4,708	2,301
– yet to be recognised as at the date indicated	310	390	2,421	1,933
	<u>395</u>	<u>1,428</u>	<u>7,129</u>	<u>4,234</u>

BUSINESS

PROJECTS ON HAND

The aggregate number of our integrated design and building projects on hand as at 1 July 2017 (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) and projects that were awarded to us from 1 July 2017 to the Latest Practicable Date was 14. Our Directors estimated that these projects will be completed within FY2017/18 and all remaining revenue to be derived from these projects will be recognised in FY2017/18. The following sets forth a full list of our projects on hand as at 1 July 2017 as well as projects that have been awarded to us from 1 July 2017 up to the Latest Practicable Date:

Rank	Customer	Original contract sum S\$'000	Actual/expected commencement date of works	Actual/expected date of completion of works	Amount of revenue recognised during the Track Record Period S\$'000	Amount of revenue expected to be recognised for FY2017/18 S\$'000
1	Customer Group B	287	November 2016	August 2017	281	6
2	A construction contractor	20	June 2017	July 2017	20	-
3	A construction contractor	16	June 2017	July 2017	16	-
4	Customer H	2,988	August 2016	August 2017	2,301	687
5	Customer C	305	May 2017	August 2017	290	15
6	Customer C	436	April 2017	August 2017	392	44
7	Customer D	61	June 2017	July 2017	58	3
8	A medical equipment vendor	153	June 2017	July 2017	115	38
9	A construction contractor	120	June 2017	September 2017	50	70
10	A medical service provider	1,744	June 2017	September 2017	1,113	631
11	Customer F	999	June 2017	October 2017	72	927
12	Customer F	66	August 2017	August 2017	-	66
13	Customer Group B	1,318	August 2017	January 2018	-	1,318
14	A construction contractor	53	August 2017	September 2017	-	53

Note:

- (1) Project No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 represented projects in our backlog as at 30 June 2017.
- (2) Project No. 9, 10, 11, 13 and 14 represented projects in our backlog as at the Latest Practicable Date.

BUSINESS

CUSTOMERS

Characteristics of our customers

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

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

Medical equipment vendors

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

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

BUSINESS

Medical service providers

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

Construction contractors

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

Principal terms of engagement

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

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

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

(A) Integrated design and building services

Scope of work

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

Duration

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

BUSINESS

Contract sum

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

Payment terms

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

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

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

Insurance

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

Procurement of materials

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

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Warranty period

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

Variation orders

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

Performance guarantee

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

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

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

Liquidated damages

Liquidated damages clause may be included in the contracts to protect our customers against late completion of work. We may be liable to pay liquidated damages to our customers if we are unable to deliver or perform the contractual works within the time specified in or in accordance with the contract. Liquidated damages are generally calculated on the basis of a fixed sum per day and/or according to certain damages calculating mechanism as stipulated under the contract on per working day basis.

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

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Employment of foreign workers

Our Group shall ensure that no illegal immigrants shall be employed by us or our subcontractors in the execution of the project.

Occupational health and safety measures

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

Indemnities

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

Termination

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

(B) Maintenance and other services

Scope of work

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

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

Payment terms

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

BUSINESS

Top customers

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

FY2014/15

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

BUSINESS

FY2015/16

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

BUSINESS

FY2016/17

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

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

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Further information on our top customers

Customer A is a wholly-owned subsidiary of a company (the “**Customer A Holdco**”) whose shares are listed on the Bursa Malaysia and the Singapore Stock Exchange with a market capitalisation ranging from HK\$89.3 billion to HK\$89.8 billion as at the Latest Practicable Date. According to the latest annual report of Customer A Holdco, the principal activities of its subsidiaries include (i) operation of hospitals and provision of healthcare services in Asia, Central and Eastern Europe, Middle East and North Africa; (ii) provision of medical and health sciences education services in Malaysia; and (iii) real estate investment in Singapore, Malaysia and Japan. Based on the latest annual report of Customer A Holdco, its revenue generated from the operation of hospitals and provision of healthcare services in Asia amounted to approximately HK\$9.4 billion and HK\$11.2 billion for the years ended 31 December 2015 and 2016, respectively.

Customer Group B consists of two wholly-owned subsidiaries of a company (the “**Customer Group B Holdco**”) whose shares are listed on the Frankfurt Stock Exchange with a market capitalisation of approximately HK\$912.3 billion as at the Latest Practicable Date. According to the latest annual report of Customer Group B Holdco, the principal activities of its subsidiaries include provision of (i) healthcare services; (ii) power, gas and renewables; (iii) energy management services; (iv) building products and services; (v) passenger and freight transportation services; (vi) product portfolio and system solutions used in manufacturing industries; (vii) products and services for measuring and controlling mass flows; and (viii) financial services. Based on the latest annual report of Customer Group B Holdco, its revenue generated from the provision of healthcare services amounted to approximately HK\$119.8 billion and HK\$125.4 billion for the years ended 30 September 2015 and 2016, respectively.

Customer C is a subsidiary of a company (the “**Customer C Holdco**”) whose shares are listed on the New York Stock Exchange, London Stock Exchange, Euronext Paris, the SIX Swiss Exchange and the Frankfurt Stock Exchange with a market capitalisation ranging from HK\$1,537 billion to HK\$1,610 billion as at the Latest Practicable Date. According to the latest annual report of Customer C Holdco, the principal activities of its subsidiaries include the provision of (i) healthcare services; (ii) aviation design and production of aircraft components; (iii) oil, gas, power and renewable energy; (iv) transportation services; (v) energy connections and lighting services; and (vi) financial services. Based on the latest annual report of Customer C Holdco, its revenue generated from the provision of healthcare services amounted to approximately HK\$137.2 billion and HK\$142.3 billion for the years ended 31 December 2015 and 2016, respectively.

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Customer D is a subsidiary of a company (the “**Customer D Holdco**”) whose shares are listed on the New York Stock Exchange and Euronext Amsterdam with a market capitalisation ranging from HK\$269.91 billion to HK\$297.67 billion as at the Latest Practicable Date. According to the latest annual report of Customer D Holdco, the principal activities of its subsidiaries include the provision of (i) personal health services; (ii) diagnosis and treatment solutions; (iii) healthcare informatics solutions and services; and (iv) lighting services. Based on the latest annual report of Customer D Holdco, its revenue generated from the provision of healthcare related services amounted to approximately HK\$156.3 billion and HK\$162.4 billion for the years ended 31 December 2015 and 2016, respectively.

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

Customer F is a subsidiary of a company (the “**Customer F Holdco**”) whose shares are listed on the Tokyo Stock Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange, Sapporo Stock Exchange and New York Stock Exchange with a market capitalisation ranging from HK\$354 billion to HK\$360 billion as at the Latest Practicable Date. According to the latest annual report of Customer F Holdco, the principal activities of its subsidiaries include sales of (i) industry and other products which include medical equipment; (ii) imaging system products; and (iii) office products. Based on the latest annual report of Customer F Holdco, its revenue generated from the sales of industry and other products amounted to approximately HK\$37.3 billion and HK\$41.6 billion for the years ended 31 December 2015 and 2016, respectively.

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

Customer H is a Japanese company whose shares are listed on the Tokyo Stock Exchange and Nagoya Stock Exchange with a market capitalisation ranging from HK\$13.2 billion to HK\$13.5 billion as at the Latest Practicable Date. According to the latest annual report of Customer H, its principal activities include (i) provision of civil engineering services; (ii) provision of building construction services; and (iii) real estate development. Based on the latest annual report of Customer H, its revenue amounted to approximately HK\$29.8 billion and HK\$34.4 billion for the years ended 31 March 2015 and 2016, respectively.

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Customer I is a subsidiary of a company (the “**Customer I Holdco**”) whose shares are listed on the New York Stock Exchange with a market capitalisation of approximately HK\$1.33 billion as at the Latest Practicable Date. According to the latest annual report of Customer I Holdco, the principal activities of its subsidiaries include (i) leasing of radiotherapy and diagnostic imaging equipment; (ii) provision of management services to hospitals; and (iii) hospital operations in the PRC and Singapore. Based on the latest annual report of Customer I Holdco, its revenue amounted to approximately HK\$733.9 million and HK\$541.7 million for the years ended 31 December 2015 and 2016, respectively.

Customer concentration

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

- According to the Ipsos Report, the medical equipment industry in Singapore is dominated by a limited number of multinational medical equipment vendors which include, among others, Customer B, Customer C, Customer D and Customer F (collectively, the “**Major Medical Equipment Vendors**”). Given the landscape of the medical equipment industry, it is common for a contractor specialising in the medical and healthcare sector to rely on such medical equipment vendors and such customer concentration is not uncommon in the industry.
- We have developed long-term business relationship with the Major Medical Equipment Vendors ranging from eight to 11 years. We believe that our experience in undertaking turnkey solutions projects for these customers has given us competitive advantages in the industry. Our established relationships with these customers can be regarded as a credit of our quality services.
- Our ability to undertake turnkey solutions projects is also beneficial to the Major Medical Equipment Vendors as it enables them to focus on their core business activities (i.e. supply and installation of medical equipment) and save up management attention and resources that would otherwise be required for developing know-how and expertise in handling the aforesaid design and building works including radiation shielding works. Further, our proven track record as a contractor specialised in the medical and healthcare industry could also provide assurance to our customers in ensuring that their projects are executed on time and in accordance with their requirements. As such, we consider that we have developed a mutual and complementary relationship with the Major Medical Equipment Vendors.

BUSINESS

- All of our top five customers during the Track Record Period (except Customer E and Customer G) are either listed company or subsidiaries of listed companies in various stock markets. Our Directors consider that group members of listed companies generally have better performance in terms of credit ratings and financial resources, as compared to privately-owned entities.
- The Major Medical Equipment Vendors are the key players in the medical equipment industry in Singapore. Our engagements with these medical equipment vendors have facilitated us in enhancing our services quality as well as keeping ourselves abreast of the evolving market needs and the latest industry trend.
- We undertake jobs of considerably different scales. If we undertake a project with large contract sum, it may contribute a substantial amount to our revenue in a particular period, resulting in the relevant customer becoming one of our top customers in terms of revenue contribution to us.
- Even if any of our major customers substantially reduce the number of contracts with us or terminate the business relationship with us, our Directors consider that we would have extra capacity to handle other potential projects from other existing or new customers in view of the expected growth in the medical-related construction industry in Singapore and our competitive strengths as detailed in the paragraph headed “Competitive strengths” above in this section. According to the Ipsos Report, the total output value of the construction of medical-related facilities in Singapore is forecasted to increase from approximately S\$2.3 billion in 2017 to approximately S\$3.1 billion in 2021, representing a CAGR of approximately 7.8%.
- We have made consistent effort in expanding and diversifying our customer base. The number of customers for our integrated design and building services which generated revenue to us increased from 46 in FY2014/15 to 51 in FY2015/16 and further increased to 63 in FY2016/17. Further, the percentage of revenue derived from our top five customers have decreased considerably from 83.6% in FY2014/15 to 82.0% in FY2015/16, and further decreased to 68.2% in FY2016/17.

Top customers who were also our suppliers

Customer A, Customer Group B, Customer C, Customer E, Customer F and Customer H were our top customers during the Track Record Period. We occasionally made insignificant purchases of certain building and radiation shielding raw materials from these customers or their associated companies for use in our respective projects with them. Our purchase from these customers, in aggregate, amounted to approximately S\$74,000, S\$58,000 and S\$13,000 for each of FY2014/15, FY2015/16, FY2016/17, respectively.

BUSINESS

PRICING STRATEGY

Our pricing is generally determined based on certain mark-up over our estimated costs. We estimate our costs to be incurred in a project to determine our fee quotation or tender price and there is no assurance that the actual amount of costs would not exceed our estimation during the performance of our projects. Please refer to the paragraph headed “Risk factors – Any significant cost overruns may materially and adversely affect our business operation and financial performance” in this document for further details of the associated risks in this regard. Nevertheless, during the Track Record Period and up to the Latest Practicable Date, we did not experience any loss-making projects as a result of material inaccurate estimation or cost overruns.

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

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

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

BUSINESS

SALES AND MARKETING

Our marketing strategies

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

Proposed collaboration with Asian American Radiation Oncology Pte Ltd

In August 2015, Hwa Koon and Asia American Radiation Oncology Pte Ltd (“AARO”), a wholly-owned subsidiary of Asian American Medical Group Limited (“AAMG”) which is listed on the Australian Securities Exchange, entered into a memorandum of understanding (the “MOU”). The principal business of AAMG includes offering radiation oncology clinical, consultancy and management services. Mr. Ang is a director and a substantial shareholder (holding approximately 19.5% interest of the total issued share capital) of AAMG. Pursuant to the MOU, both parties agree to explore collaborations relating to setting up radiotherapy centre and/or undertaking medical-related projects. In particular, Hwa Koon will provide technical advice on the building specifications for medical centres set up by AARO. Hwa Koon will also allow its name to be used in marketing materials developed by AARO and AAMG. The MOU does not create any obligations on the part of Hwa Koon, nor is Hwa Koon committed to any investment or capital contribution in any potential project. No transaction has taken place between our Group and AAMG during the Track Record Period and up to the Latest Practicable Date.

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

SUPPLIERS

Characteristics of our suppliers

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

BUSINESS

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

	FY2014/15		FY2015/16		FY2016/17	
	<i>SS'000</i>	%	<i>SS'000</i>	%	<i>SS'000</i>	%
Subcontracting services	3,365	53.4	2,624	57.6	3,222	49.7
Building and radiation shielding materials	2,574	40.9	1,309	28.8	2,506	38.7
Miscellaneous services ^(Note)	<u>360</u>	<u>5.7</u>	<u>621</u>	<u>13.6</u>	<u>748</u>	<u>11.6</u>
Total	<u><u>6,299</u></u>	<u><u>100.0</u></u>	<u><u>4,554</u></u>	<u><u>100.0</u></u>	<u><u>6,476</u></u>	<u><u>100.0</u></u>

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

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

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

Principal terms of engagement

Subcontractors

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

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

BUSINESS

Suppliers of building and radiation shielding materials

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

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

Suppliers of miscellaneous services

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

Top suppliers

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

BUSINESS

The following tables set out information of our top five suppliers for each of FY2014/15, FY2015/16 and FY2016/17:

FY2014/15

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

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

BUSINESS

FY2015/16

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

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

BUSINESS

FY2016/17

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

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

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

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Top supplier who was also our customer

Supplier C is a building contractor for ACMV works in Singapore. Mr. Ong was formerly a director and a shareholder (holding 33.33% of the total issued share capital) of Supplier C. In March 2017, Mr. Ong resigned from his directorship and sold all his shareholdings in Supplier C to an independent third party. Supplier C was one of our major suppliers during the Track Record Period which provided subcontracting services to us. During the Track Record Period, we subcontracted certain ACMV works to Supplier C, resulting in subcontracting charges of approximately S\$0.4 million, S\$0.2 million and S\$0.7 million for each of FY2014/15, FY2015/16 and FY2016/17, representing approximately 5.8%, 4.9% and 11.5% of our total purchases, respectively.

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

Our Directors believe that Supplier C engaged us to perform fitting-out works due to the limitation in their labour resources as they focus on carrying out works related to ACMV system. On the other hand, we engaged Supplier C to perform ACMV works during the Track Record Period as this is consistent with our usual subcontracting practice as discussed in the paragraphs headed “Reasons for subcontracting arrangement” and “Basis of selecting suppliers” below.

Reasons for subcontracting arrangement

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

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

BUSINESS

Basis of selecting suppliers

Selection of subcontractors

We evaluate subcontractors taking into account their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating our requests and reputation. Based on these factors, we maintain an internal list of approved subcontractors and such list is updated on a continuous basis. As at the Latest Practicable Date, there were more than 142 approved subcontractors on our internal list. When subcontractors are needed for a particular project, we typically obtain quotations from different suitable subcontractors for comparison and select our subcontractors based on their experience relevant to the particular project as well as their availability and fee quotations.

Selection of materials suppliers

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

Control over subcontractors

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

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

- (i) all of our subcontractors are classified into different categories depending on their expertise to ensure that they are capable of undertaking works of corresponding quality and risk environments;

BUSINESS

- (ii) our project management team conducts regular meetings with subcontractors’ responsible personnel at the work sites to review their performance and resolve any issues encountered in the course of their works; and
- (iii) our subcontractors are required to follow our guidelines and instructions on workplace safety. Our project management team will inspect the site conditions and closely monitor the on-site safety performance of our subcontractors.

QUALITY CONTROL

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

Feedbacks from customers

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

Procurement of materials

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

Works performed by subcontractors

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

BUSINESS

INVENTORY

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

INSURANCE

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

Work injury compensation insurance

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

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

Insurance for security bonds

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

BUSINESS

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

Foreign worker medical insurance

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

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

Contractors’ all risk insurance

Pursuant to the contracts with our customers, our Group generally maintains contractors’ all risks insurance policy to cover against loss or damage to materials and third party liability for accidental bodily injury in connection with the performance of the contract.

Other insurance coverage

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

Uninsured risks

Certain risks disclosed in the “Risk factors” section of this document, such as risks in relation to our ability to obtain new contracts, our ability to retain and attract personnel, credit risk and liquidity risk, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Please refer to the paragraph headed “Risk management and internal control systems” below in this section for further details regarding how our Group manages certain uninsured risks.

BUSINESS

EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had a total of 43 employees (including our two executive Directors but excluding our non-executive Director and [three] independent non-executive Directors), of whom 19 were local employees and 24 were foreign employees. All our employees were stationed in Singapore. The following table sets out a breakdown of our employees by function:

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

Recruitment policies and foreign workers

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

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

Staff costs and remuneration policy

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

BUSINESS

Employee training

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

Employee relationship

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

Central Provident Fund

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

ENVIRONMENTAL COMPLIANCE

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

Environmental management system

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

BUSINESS

Disposal of construction waste and dismantled medical equipment

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

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

OCCUPATIONAL HEALTH AND WORK SAFETY

Our safety measures and management system

We place emphasis on occupational health and work safety. Since 2008, we have established a safety management system which follows OHSAS 18001 standard in order to provide our employees with a safe and healthy working environment. Mr. Ong, our executive Director, is our workplace safety and health coordinator and is responsible for handling the health and safety matters of our Group and ensuring staff compliance with our safety measures.

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

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

BUSINESS

Workplace accident during the Track Record Period

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

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

PROPERTIES

Owned property

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

Address	Gross floor area	Usage	Net book value as at 30 June 2017
10 Admiralty Street, #02-47, North Link Building, Singapore 757695	Approximately 482 sq.m.	Workshop and general office use	S\$492,950

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Leased properties

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

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

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

RESEARCH AND DEVELOPMENT

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

INTELLECTUAL PROPERTY

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

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

BUSINESS

LITIGATION AND CLAIMS

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

Concluded cases

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

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

NON-COMPLIANCE

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

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

(i) Customer concentration risk

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

(ii) Risk of cost overruns

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

(iii) Credit risk management

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

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

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

BUSINESS

We generally grant our customers a credit term of 30 to 90 days from the invoice date. As at 30 June 2015, 2016 and 2017, we recorded trade receivables (excluding retention receivables and unbilled revenue) of approximately S\$1.8 million, S\$2.3 million and S\$3.3 million respectively, of which approximately S\$0.5 million, S\$0.2 million and S\$1.3 million respectively have been past due but not impaired. For each of FY2014/15, FY2015/16 and FY2016/17, our trade receivables turnover days were approximately 53.9 days, 75.8 days and 68.6 days, respectively.

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

(iv) Liquidity risk management

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

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

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

BUSINESS

(v) *Regulatory risk management*

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

(vi) *Occupational health and work safety*

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

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

For each non-Malaysian foreign employee from whom we were successfully granted with a work permit, a security bond of S\$5,000 in the form of a banker’s guarantee or insurance guarantee is required to be furnished to the Controller of Work Passes under the Employment of Foreign Manpower Act. The security bonds furnished by us may be forfeited if, among other things, our foreign employees go missing or violate any of the conditions of the work permits.

We work closely with recruiting agencies and have put in place a screening and recruitment process with a view to carefully reviewing and assessing the personal information and background of candidates before making any employment decision so as to minimise our risk in relation to missing workers and forfeiture of security bonds.

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

(viii) *Quality control system*

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

(ix) *Environmental management system*

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

BUSINESS

(x) *Corporate governance measures*

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

DIRECTORS AND SENIOR MANAGEMENT

GENERAL

The following table sets out certain information of our Directors and senior management:

Name	Age	Position	Date of joining our Group	Roles and responsibilities	Relationship with Directors and Other senior management
<i>Directors</i>					
Mr. ANG Kong Meng (洪坤明)	66	Chairman of our Board and non-executive Director	February 2015	Providing advice on the strategic development, policy formulation, corporate governance, and appointment of key personnel of our Group	Husband of the aunt of Mr. Ong and brother of husband of Mr. Koh's aunt
Mr. KOH Lee Huat (許利發)	47	Executive Director and chief executive officer	January 1996	Day to day operations and overall project management, formulating corporate and business strategies and making major operation decisions of our Group	Nephew of wife of Mr. Ang's brother
Mr. Ryan ONG Wei Liang (王威量)	33	Executive Director	December 2011	Business development of our Group, and risk management of our Group's projects	Nephew of Mr. Ang's wife
Mr. SIU Man Ho Simon (蕭文豪)	43	Independent non-executive Director	[*]	[Providing independent judgement on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct]	[None]
Mr. CHEUNG Kwok Yan Wilfred (張國仁)	37	Independent non-executive Director	[*]	[Providing independent judgement on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct]	[None]
Mr. KEE Ah Tee @Kee Swee Ann (紀瑞安)	66	Independent non-executive Director	[*]	[Providing independent judgement on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct]	[None]
<i>Senior management</i>					
Ms. HO Poh Ling (何寶琳)	45	Senior project manager	June 2009	Responsible for project management and execution of our Group's projects	None
Ms. RAMIREZ Winnie Dainne Barit	34	Head of architectural design and medical planner	October 2010	Responsible for space and workflow planning of medical facilities, including medical equipment placement and architectural construction drawing and designing	None
Ms. LEE Shu Hsien	27	Chief financial officer	July 2017	Overseeing financial reporting, investor relations, tax and treasury matters	None

Chairman and non-executive Director

Mr. Ang Kong Meng (洪坤明), aged 66, is the chairman of our Board and a non-executive Director. He was appointed as a Director on 18 August 2017, and was re-designated as a non-executive Director and appointed as chairman of our Board on 17 September 2017. He is also a member of the audit committee of our Board with effect from the [REDACTED]. Mr. Ang has been a director and a shareholder of Hwa Koon since 16 February 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ang obtained a Bachelor of Accountancy from The University of Singapore in July 1976. Mr. Ang has over 40 years of experience in accounting. Mr. Ang had worked at an accounting firm in Singapore for three years before establishing his accounting and business advisory firm, Ang & Co, in December 1979. In March 1992, Mr. Ang became a partner of Lee Boon Song & Co, a local public accounting firm in Singapore. In January 2013, in anticipation of carrying on the business of the two accounting firms in the form of public accounting corporation, Mr. Ang and other partners established Ang & Co PAC and Lee Boon Song & Co PAC, and subsequently Ang & Co and Lee Boon Song & Co were both voluntarily removed from the register in December 2013. Mr. Ang has been a fellow of Institute of Certified Public Accountants of Singapore since July 2004, a fellow of the Association of Chartered Certified Accountants since March 2006, and an Accredited Tax Advisor of the Singapore Institute of Accredited Tax Professionals since September 2010.

Since February 2016, Mr. Ang has been a non-executive director of Asian American Medical Group Limited, a company whose shares are listed on the Australian Securities Exchange Limited (stock code: AJJ). As at the Latest Practicable Date, Mr. Ang held approximately 19.5% interest of the total issued share capital of Asian American Medical Group Limited.

Pursuant to Rule 13.51(2)(1), the following sets out the companies which have been dissolved other than by members' voluntary winding up when Mr. Ang was a director or within 12 months after he ceased to be a director of such companies:

	Name of company	Place of incorporation (Company Registration Number)	Dissolved by	Principal business activity immediately prior to cessation of business
1.	Multibrand Distributors (S) Pte Ltd	Singapore (200106035M)	Struck off on 20 December 2002	Inactive
2.	Nutrifarm Health Products (S) Pte Ltd	Singapore (200400679G)	Struck off on 6 March 2013	Wholesale of health supplements. Retail sale of health supplements.
3.	Klaven Chemicals Pte Ltd	Singapore (200407369E)	Struck off on 8 December 2010	Wholesale of chemicals and chemical products.
4.	Casement Plastic Sdn Bhd	Malaysia (223525P)	Dissolved by Registrar	Sales of plastic goods.
5.	Garuna Bekal Sdn Bhd	Malaysia (104219K)	Dissolved by Registrar	Sawmillers and dealers in timber and lumber

Mr. Ang has confirmed that there is no fraudulent act or misfeasance on his part leading to the dissolution of such companies shown above and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of such companies. The above companies were solvent as at the date of dissolution.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ang is the brother of the founder of our Group, Mr. Ang Hwa Koon, and is the husband of the sister of Mr. Ong’s father. Mr. Ang Hwa Koon’s wife is the sister of Mr. Koh’s father.

Executive Directors

Mr. Koh Lee Huat (許利發), aged 47, is the chief executive officer of our Company and an executive Director. He was appointed as a Director on 18 August 2017, and was re-designated as an executive Director on 17 September 2017. He is also a member of the remuneration committee of our Company with effect from the [REDACTED]. Mr. Koh has been a director and a shareholder of Hwa Koon since 25 January 2007. Mr. Koh is responsible for the day to day operations and overall project management, formulating corporate and business strategies and making major operation decisions of our Group.

Mr. Koh has over 21 years of experience in the construction industry specialising in radiation shielding works. Mr. Koh gained technical work experience by starting as a technical officer at the Singapore Institute of Standards and Industrial Research (SISIR) in January 1995, eventually leading a team of technicians on laboratory tools calibration and field testing. Mr. Koh joined our Group in January 1996 as a site supervisor and was promoted to project manager in January 2002.

Mr. Koh obtained a Diploma in Mechanical Engineering from Ngee Ann Polytechnic of Singapore in August 1992. In addition, Mr. Koh obtained certificates of completion of the following courses: Introduction to Radiation Safety, conducted by The National University of Singapore in March 1996; Risk Management Course, conducted by Absolute Kinetics Consultancy Pte Ltd in November 2006; Building Construction Supervisors Safety Course, conducted by The Singapore Contractors Association Ltd (SCAL) SCAL Academy in April 2008; and Work-at-Height Course for Supervisors, conducted by Greensafe International Pte Ltd in November 2013.

Mr. Koh is the nephew of Mr. Ang Hwa Koon by virtue of being the son of the brother of Mr. Ang Hwa Koon’s wife. Mr. KM Ang is the brother of Mr. Ang Hwa Koon.

Mr. Ryan Ong Wei Liang (王威量), aged 33, is an executive Director. He was appointed as a Director on 18 August 2017, and was re-designated as an executive Director on 17 September 2017. He is also a member of the nomination committee of our Company with effect from the [REDACTED]. Mr. Ong joined Hwa Koon in December 2011 and has taken up a senior management position since February 2013, and has been a director of Hwa Koon since 16 July 2015. Mr. Ong is responsible for business development of our Group and risk management of our Group’s projects.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ong has over 5 years of experience in the construction industry specialising in radiation shielding works. Prior to joining Hwa Koon, Mr. Ong was a relationship manager in consumer banking at Standard Chartered Bank (Singapore) Limited from July 2009 to November 2011. He joined Hwa Koon in December 2011 as a business development manager and was promoted to senior business manager on 1 February 2013. Mr. Ong became a director and a shareholder of Hwa Koon on 16 July 2015.

Mr. Ong obtained a Bachelor of Business (Management) from Royal Melbourne Institute of Technology of Australia in conjunction with Singapore Institute of Management in August 2009. In addition, Mr. Ong received certificates for completing the following courses: Building Construction Supervisors Safety Course, conducted by Tat Hong Training Centre in December 2011; Risk Management Course, conducted by NTUC LearningHub Pte Ltd in January 2012; Workplace Safety and Health, conducted by Singapore Workforce Development Agency in November 2012; Basic Ionising Radiation Safety (General) Course, conducted by Singapore Environment Institute, National Environment Agency Singapore in March 2015; Best Practices for Green and Gracious Builder in May 2016 conducted by Building and Construction Authority of Singapore.

Mr. Ong is the son of the brother of Mr. Ang’s wife.

Independent Non-executive Directors

Mr. Siu Man Ho Simon (蕭文豪), aged 43, was appointed as an independent non-executive Director on [•] 2017. He is also [a member of the audit committee and the chairman of the remuneration committee of our Company with effect from the [REDACTED]]. He is primarily responsible for providing independent judgment on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

Mr. Siu is a practicing solicitor of the High Court of Hong Kong and a China Appointed Attesting Officer appointed by the Ministry of Justice of the PRC. Mr. Siu is currently a partner of the law firm, Sit, Fung, Kwong & Shum, Solicitors, which he first joined as a solicitor in January 2000 and has been continuously serving there since then. His areas of practice include corporate finance, capital markets, securities, mergers and acquisitions, joint ventures and general commercial matters.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Siu also actively participates in charitable and social services in Hong Kong. He is currently acting as a legal advisor for United Hearts Youth Foundation and a honorable legal advisor of the Hong Kong Taekwondo Association as well as the honorary board member of The Association of Directors & Former Directors of Pok Oi Hospital Leung Sing Tak College.

Mr. Siu has been an independent non-executive director of each of Wai Yuen Tong Medicine Holdings Limited (a company listed on the Main Board, stock code: 897), Brilliant Circle Holdings International Limited (a company listed on the Main Board, stock code: 1008) and Weiye Holdings Limited (a company listed on the Main Board, stock code: 1570) since August 2001, March 2009, and March 2016, respectively. He was an independent non-executive director of Jiashili Group Limited (a company listed on the Main Board, stock code: 1285) from 12 June 2015 until 1 December 2015.

Mr. Siu obtained his Bachelor of Laws degree from the University of Hong Kong in November 1996.

Mr. Cheung Kwok Yan Wilfred (張國仁), aged 37, was appointed as an independent non-executive Director on [•]. He is also [the chairman of the audit committee and a member of the nomination committee of our Company with effect from the [REDACTED]]. He is primarily responsible for providing independent judgement on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

Mr. Cheung graduated from the University of Buckingham in the United Kingdom with a Bachelor of Science (Economics) in February 2005. Mr. Cheung is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors, a member of the Institute of Chartered Accountants in England and Wales. Mr. Cheung joined Moores Rowland Mazars in September 2005 as associate and was later transferred to Mazars CPA Limited after its reorganisation in June 2007. Mr. Cheung left Mazars CPA Limited in October 2007 as an associate and joined Grant Thornton as senior accountant in its China practice division until December 2008. Mr. Cheung then worked for the Royal Bank of Canada Europe Limited as accounts preparer in its CEES UK Department from March 2009 to January 2010. Mr. Cheung was employed by Rainbow Brothers Limited from February 2010 to August 2010 as senior associate in corporate finance. Mr. Cheung later joined Mega International Food Limited as its financial controller in September 2010 and was appointed as general manager of its fellow subsidiary, Poly Shining Limited, and Mr. Cheung left the group in March 2013. In August 2013, Mr. Cheung joined The Gate Worldwide Limited, an international advertising and marketing agency, as a senior finance manager and was promoted to a finance director in July 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung had been an independent non-executive director of Chun Sing Engineering Holdings Limited (stock code: 2277), the issued shares of which are listed on the Main Board of the Stock Exchange, from December 2014 to June 2016 and is currently an independent non-executive director of LEAP Holdings Group Limited (stock code: 1499), the issued shares of which are listed on the Main Board of the Stock Exchange, since August 2015.

Mr. Cheung was previously a director of Dot Com International Limited (得金國際有限公司), which was incorporated in Hong Kong on 18 December 2000. An application for deregistration was filed on 28 July 2017 due to cessation of business. The said company was solvent as at the date of the application for deregistration and up to the Latest Practicable Date. The deregistration is still under processing by the Company Registry as of the Latest Practicable Date.

Mr. Kee Ah Tee @Kee Swee Ann (紀瑞安), aged 66, was appointed as an independent non-executive Director on [•] 2017. He is also [a member of the remuneration committee and the chairman of the nomination committee of our Company with effect from the [REDACTED]]. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

Mr. Kee obtained a Bachelor of Commerce from Nanyang University of Singapore in August 1979. From September 1979 to October 1980, Mr. Kee worked as an accountant at MPH Distributors (S) Pte Ltd. In October 1980, Mr. Kee joined Singapore Crocodile Garments (Pte) Ltd as an accountant. From October 1992 to July 1999, Mr. Kee served as a managing director at Crocodile Holdings Pte Ltd. From July 1999, Mr. Kee was engaged in the provision of business and management consultancy services. Since November 2013, Mr. Kee has been a director of Captaino Pte Ltd and Great Rich Pte Ltd, the principal business activities of which are wholesale trading.

Except for Mr. Ang, Mr. Siu and Mr. Cheung as disclosed above, none of our Directors holds or held any other current or past directorships in any other company listed in Hong Kong or overseas in the last three years preceding the Latest Practicable Date. Please refer to the section headed “Statutory and General Information” in Appendix IV to this document for further information about our Directors, including the particulars of their service contracts and remuneration, and details of the interests of our Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that is required to be brought to the attention of our shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Ho Poh Ling (何寶琳), aged 45, joined Hwa Koon as site supervisor on 19 June 2009 and was promoted to senior project manager on 1 December 2012. She is primarily responsible for ensuring that our projects are delivered on-time and within scope and budget. She has 16 years of experience in the construction industry. Prior to joining our Group, Ms. Ho worked at A-Track Constructor Pte Ltd from June 2001 to March 2008 as a human resources and administrative officer.

Ms. Ho holds a certificate in building construction safety supervisors course issued in October 2001 by the MOM.

In the three years preceding the Latest Practicable Date, Ms. Ho has not held any directorship in any public companies, the securities of which are listed on any securities exchange in Hong Kong or overseas.

Ms. Ramirez Winnie Dainne Barit, aged 34, joined Hwa Koon as design draftsman on 18 October 2010 and was promoted to head of architectural design and medical planner on 14 January 2014. She is primarily responsible for the planning of space workflow within medical facilities designed by our Group. She has 12 years of experience in architectural design, having started as an AutoCAD operator for City Planning and Development Office in Philippines in May 2005 and continued working there until October 2008. She then worked as a CAD designer at Re:Source Partners in Philippines before serving as a junior architect at Metroconcepts Inc. in Philippines from September 2009 to December 2009.

Ms. Ramirez holds a Bachelor of Science in Architecture issued by Rizal Technological University in Philippines in April 2007. She was entered into the registry book of professionals as an architect by the board of architecture of the Philippines on 2 July 2010. She holds two certificates both issued by BCA Academy, one for Code of Practice on Buildable Design issued in March 2016 and one for having attended BIM Planning Course in January 2016.

In the three years preceding the Latest Practicable Date, Ms. Ramirez has not held any directorship in any public companies, the securities of which are listed on any securities exchange in Hong Kong or overseas.

Ms. Lee Shu Hsien, aged 27, was appointed as our chief financial officer on 31 July 2017. Ms. Lee is responsible for the management of financial reporting, investor relations, tax and treasury matters of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Lee worked at Ernst & Young in Kuala Lumpur, Malaysia, from October 2011 to July 2014 with her last position as a senior audit associate. Then she joined Ernst & Young LLP in Singapore, in October 2014 until July 2017 with her last position as an audit assistant manager.

In December 2008, she was awarded a certificate of completion by Sunway University College for having completed the introductory, intermediate and advanced levels of the Certified Accounting Technicians Examinations. Ms. Lee was awarded a certificate of completion by Sunway College in October 2011 for having successfully completed all levels of the Association of Chartered Certified Accountants June 2011 Examinations. She holds a fundamental level certificate awarded in August 2010 and a professional level certificate awarded in August 2011 by the Association of Chartered Certified Accountants.

In the three years preceding the Latest Practicable Date, Ms. Lee has not held any directorship in any public companies, the securities of which are listed on any securities exchange in Hong Kong or overseas.

COMPANY SECRETARY

Ms. Cheng Florence Ga Sui (鄭家穗), aged 45, was appointed as the company secretary of our Company on 21 August 2017 and is responsible for our company secretarial affairs.

Ms. Cheng has about 10 years of experience in company secretarial work. Ms. Cheng served as a customer services executive in Offshore Incorporations HK Limited from May 2007 to July 2008. From November 2008 to January 2012, she was a company secretarial officer of ATC (Hong Kong) Limited. From January 2012 to March 2013, she worked at Phoenix Satellite Television Company Limited as the company secretary assistant. She then joined Vistra Corporate Services (HK) Limited and worked as a company secretarial manager from August 2013 to May 2016, and since October 2016 she has been working at BPO Global Services Limited as its company secretarial director.

Ms. Cheng obtained her Bachelor of Arts degree in business administration from the University of Wolverhampton and her Master of Corporate Governance from The Hong Kong Polytechnic University in July 2003 and October 2008, respectively. She has been an associate member of The Hong Kong Institute of Chartered Secretaries since May 2013.

In the three years preceding the Latest Practicable Date, Ms. Cheng has not held any directorship in any public companies the securities of which are listed on any securities exchange in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code for each financial year and include our corporate governance report in our annual reports after the [REDACTED].

BOARD COMMITTEES

Audit Committee

Our Company established the audit committee on [•] with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and paragraph C.3.3 of the Corporate Governance Code. The primary duties of our audit committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts and our half-year report and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems. Our audit committee comprises two independent non-executive Directors, namely Mr. Siu Man Ho Simon and Mr. Cheung Kwok Yan Wilfred and one non-executive Director, namely Mr. Ang Kong Meng. Mr. Cheung Kwok Yan Wilfred is the chairman of our audit committee.

Nomination Committee

Our Company established the nomination committee on [•] with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of our nomination committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment and succession planning for our Directors. Our nomination committee comprises two independent non-executive Directors, namely Mr. Kee Ah Tee@Kee Swee Ann and Mr. Cheung Kwok Yan Wilfred, and one executive Director, namely Mr. Ong. Mr. Kee Ah Tee@Kee Swee Ann is the chairman of our nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Company established the remuneration committee on [•] with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph B.1.2 of the Corporate Governance Code. The primary duties of our remuneration committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration, include, among others, making recommendations to our Board on (a) our remuneration policy and structure for all of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of our non-executive Directors. Our remuneration committee comprises two independent non-executive Directors, namely Mr. Siu Man Ho Simon and Mr. Kee Ah Tee@Kee Swee Ann and one executive Director, namely Mr. Koh Lee Huat. Mr. Siu Man Ho Simon is the chairman of our remuneration committee.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Dakin Capital Limited as our compliance adviser to provide advisory services to our Company. Pursuant to Rule 3A.23 of the Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of our Shares under Rule 13.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The term of appointment shall commence on the [REDACTED] and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment shall be subject to extension by mutual agreement.

REMUNERATION POLICY

Remuneration of Directors and Senior Managers

Our Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective employment contracts with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations.

The remuneration policies of our Group is and will be formulated by our Board on the recommendations of the remuneration committee of our Company. During the Track Record Period, the remuneration of our Directors and our senior management was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Discretionary bonus (if any) is linked to the performance of our Group and of individual Director or senior management. Our Company intends to continue its remuneration policies after the [REDACTED], subject to the review by and the recommendations of the remuneration committee of our Company.

For each of FY2014/15, FY2015/16 and FY2016/17, the aggregate remuneration, including fees, salaries and allowances, discretionary bonus and contributions to retirement benefit scheme, charged to profit or loss for our Directors were approximately S\$222,000, S\$326,000 and S\$326,000, respectively.

For each of FY2014/15, FY2015/16 and FY2016/17, the five individuals whose emoluments were the highest in our Group include one director, three directors and three directors respectively. For each of FY2014/15, FY2015/16 and FY2016/17, the aggregate remuneration, including salaries and allowances, discretionary bonus and contributions to retirement benefits scheme, charged to profit or loss for our remaining highest paid individuals were approximately S\$454,000, S\$273,000 and S\$264,000 respectively.

Save as disclosed above, no other payments have been paid or are payable by our Group in respect of the three years ended 30 June 2017 to our Directors or the five highest paid individuals of our Group.

It is estimated that, under the arrangements currently in force, the aggregate basic remuneration payable by our Group to our Directors for the year ending 30 June 2018 will be approximately S\$412,000.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or senior management as an inducement to join or upon joining our Group or as compensation for loss of office.

During the Track Record Period, none of our Directors waived or agreed to waive any remuneration.

SHARE OPTION SCHEME

Our Directors may also receive options to be granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in “Other information – 1. Share Option Scheme” in Appendix IV to this document.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), each of our ultimate Controlling Shareholders, Mr. Ang, Mr. Ong and Mr. Koh, acting in concert as a group of Controlling Shareholders and through Skylight Illumination, indirectly held in aggregate [REDACTED] interest in our Company. Details of the shareholding interest of our Controlling Shareholders are set out in the section headed “Substantial Shareholders” in this document.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders and Directors has confirmed that, he/it does not have and their respective close associates do not have interest in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

ACTING IN CONCERT CONFIRMATION

On 7 September 2017, Mr. Ang, Mr. Ong and Mr. Koh executed the Acting in Concert Confirmation, pursuant to which Mr. Ang, Mr. Ong and Mr. Koh confirmed, among other things, that they had been acting in concert with one another since the date on which they were contemporaneously the beneficial owners of shares of Hwa Koon and will continue to act in the same manner in our Group after the [REDACTED] until the Acting in Concert Confirmation is terminated in writing. Under the acting in concert arrangements, Mr. Ang, Mr. Ong and Mr. Koh had exercised their voting rights unanimously at all shareholders’ meetings of Hwa Koon in respect of Hwa Koon’s affairs.

By virtue of the Acting in Concert Confirmation, Mr. Ang, Mr. Ong and Mr. Koh are a group of Controlling Shareholders acting in concert.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the [REDACTED].

Financial independence

We have our own accounting and finance team and make financial decisions according to our own business needs. We have our own financial management system, internal control and accounting systems, accounting and finance personnel, independent treasury function for cash receipts and payments, and the ability to operate independently from our Controlling Shareholders from a financial perspective.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

During the Track Record Period, our Group had amounts due to our Directors, details of which are set out in note 19(c) to the accountants’ report set out in the Appendix I to this document. As at 30 June 2017, there was no outstanding amount due to Directors.

During the Track Record Period and as of the Latest Practicable Date, Mr. Ong’s personal fixed deposits account was pledged for a performance guarantee provided by a bank in Singapore amounting to approximately S\$174,000 as at the Latest Practicable Date. Our Directors confirmed that Mr. Ong’s personal fixed deposits account will be replaced by pledged deposits of our Group before [REDACTED].

Our Directors believe that, upon [REDACTED], our Group is capable of obtaining financing from third parties without the support of our Controlling Shareholders.

Based on all of the above, our Group will be financially independent from our Controlling Shareholders and/or any of their respective close associates.

Operational independence

Having considered that:

- (a) we have established our own operational structure comprising individual teams, each with specific areas of responsibilities;
- (b) we have established a set of internal control procedures to facilitate the effective operation of our business; and
- (c) we have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates,

our Directors consider that our Group’s business operation is independent from our Controlling Shareholders and their close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Management independence

Our Group’s management and operational decisions are made by our Board and a team of senior management. Our Board consists of six members, comprising of a non-executive Director as chairman, two executive Directors and three independent non-executive Directors. Although our Controlling Shareholders retain a controlling interest in our Company after the [REDACTED] and two of our Controlling Shareholders, namely Mr. Ong and Mr. Koh, will simultaneously be our executive Directors, we consider that our Board and team of management will function independently because:

- (a) each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum;
- (c) with three independent non-executive Directors out of a total of six Directors in our Board, there will be a sufficiently robust and independent voice to the decision-making process of our Board to protect the interests of our independent Shareholders; and
- (d) our senior management members are independent and possess in-depth experience and understanding of the industry in which our Group is engaged.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the [REDACTED].

Major suppliers’ independence

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Major customers’ independence

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

DEED OF NON-COMPETITION

For the purpose of the [REDACTED], each of our Controlling Shareholders, Mr. Ang, Mr. Ong, Mr. Koh, and Skylight Illumination (collectively, the “**Covenantors**”) has given certain non-competition undertakings in favour of our Company (for itself and as trustee for other members of our Group) under the Deed of Non-competition, pursuant to which each of the Covenantors, irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and as trustee for other members of our Group) on the following terms with effect from the [REDACTED] and for as long as our Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively with their close associates, are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Controlling Shareholders:

- (i) *undertaking not to engage in competing business*: each of the Covenantors shall not, and shall procure each of his/its close associates (other than our Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly (other than through our Group), whether as a shareholder, director, employee, partner, agent or otherwise (other than being a director or shareholder of our Group or members of our Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest (save for the holding in aggregate by the Covenantors and their close associates of not more than 5% shareholding interest in any company listed on the Stock Exchange or any other stock exchange) or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by our Group (“**Restricted Business**”);

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) *undertaking not to solicit staff etc.:* each of the Covenantors:
- a. will not, and will procure his/its close associates (other than our Group) not to, invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;
 - b. will not offer employment to, enter into a contract for the services of, or attempt to solicit or seek to entice away from our Group any individual who is a director, officer, manager or employee of our Group, or procure or facilitate the making of any such offer or attempt by any other person;
 - c. will not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as the Controlling Shareholder for any purposes other than for the exercise of shareholders’ rights; and
 - d. he/it will address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time;
- (iii) *undertakings in respect of new business opportunity:* if each of the Covenantors and/or any of his/its close associates (other than our Group) is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall:
- a. promptly in any event not later than seven days from the date of offer or becoming aware of the New Business Opportunity notify our Company in writing (“**Offer Notice**”) of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and
 - b. use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates (other than our Group).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

If our Group gives a written notice declining the New Business Opportunity and confirming that the New Business Opportunity would not constitute competition with the business of our Group, or if our Group has not sent such written notice to the Covenantors within 30 business days from our Group’s receipt of the Offer Notice, the Covenantors will be entitled to pursue the New Business Opportunity. The Covenantors agree to extend the 30 business days to a maximum of 60 business days if our Group requires further time to assess the New Business Opportunity by giving a written notice to the Covenantors within the original period of 30 business days.

- (iv) *general undertakings*: each of the Covenantors shall:
- a. provide our Company and our Directors (from time to time) with all information necessary and requested by the independent non-executive Directors, including but not limited to monthly turnover records and other relevant documents considered necessary by the independent non-executive Directors for their annual review with regard to the compliance and/or enforcement of the terms of Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;
 - b. provide our Group, after the end of each financial year of our Company, with a declaration made by each of the Covenantors which shall state whether or not he/it has during that financial year complied with all the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, where such declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year and such annual declaration shall be consistent with the principles of making voluntary disclosure in the corporate governance report of our Group; and
 - c. allow our Directors, their respective representatives and the auditors to have sufficient access to the records of the Covenantors and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

Each of the Covenantors has undertaken to our Company that he/it will abstain from voting on the board level or the shareholder level of our Company and will not be counted in the quorum if there is any actual or potential conflict of interest in relation to the Restricted Business and the New Business Opportunity.

To ensure that the terms of the Deed of Non-competition are observed, our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and the enforcement of the Deed of Non-competition; and (ii) all the decision made by our Group in relation to whether to take up any New Business Opportunity.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES TO SAFEGUARD THE INTEREST OF SHAREHOLDERS

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) we will comply with the Listing Rules and, in particular, strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules where applicable;
- (b) we have appointed Dakin Capital Limited as our compliance adviser to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations;
- (c) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the meetings of the Board on matters in which such Director or his/her close associates have an actual or potential material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (d) we [have appointed] three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. Our independent non-executive Directors will conduct annual review on the compliance with the Deed of Non-competition and the enforcement thereby by our Company. We believe our independent non-executive Directors possess the experience, competence and integrity, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and external opinion to protect the interests of our public Shareholders. Further details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management” in this document;
- (e) our Controlling Shareholders have undertaken and agreed to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (f) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors in relation to the compliance with and the enforcement of the Deed of Non-competition either through our Company’s annual report or by way of announcement to the public.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the date of submission of application for the [REDACTED] and immediately following the completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who are/will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity/Nature of interest	Number of Shares held/interested as at the date of the submission of application for [REDACTED] <i>(Note 1)</i>	Approximate percentage of shareholding in our Company as at the date of the submission of application for [REDACTED]	Number of Shares held/interested immediately after completion of the [REDACTED] and the Capitalisation Issue <i>(Note 1)</i>	Approximate percentage of interests in our Company immediately after completion of the [REDACTED] and the Capitalisation Issue
Skylight Illumination	Beneficial owner <i>(Note 3)</i>	[1]	100%	[REDACTED]	[REDACTED]
Mr. Ang	Interest in a controlled corporation; interest held jointly with another person <i>(Note 2)</i>	[1]	100%	[REDACTED]	[REDACTED]
Mr. Ong	Interest in a controlled corporation; interest held jointly with another person <i>(Note 2)</i>	[1]	100%	[REDACTED]	[REDACTED]
Mr. Koh	Interest in a controlled corporation; interest held jointly with another person <i>(Note 2)</i>	[1]	100%	[REDACTED]	[REDACTED]
Ms. Ong Bee Eng	Interest of spouse <i>(Note 4)</i>	[1]	100%	[REDACTED]	[REDACTED]
Ms. Wang Weling Joan	Interest of spouse <i>(Note 5)</i>	[1]	100%	[REDACTED]	[REDACTED]
Ms. Tan Peck Yen	Interest of spouse <i>(Note 6)</i>	[1]	100%	[REDACTED]	[REDACTED]

Notes:

- All interests stated are long positions.

SUBSTANTIAL SHAREHOLDERS

2. Skylight Illumination is beneficially owned as to 51% by Mr. Ang, 34% by Mr. Ong and 15% by Mr. Koh. On 7 September 2017, Mr. Ang, Mr. Ong and Mr. Koh entered into the Acting in Concert Confirmation to confirm, among other things, that they had been acting in concert with one another since the date on which they were contemporaneously the beneficial owners of shares and to continue to act in the same manner in our Group upon the [REDACTED]. For details, please refer to the section headed “Relationship with Controlling Shareholders – Acting in Concert Confirmation” in this document. By virtue of the SFO, Mr. Ang, Mr. Ong and Mr. Koh are deemed to be interested in all the Shares held by Skylight Illumination.
3. Skylight Illumination is the direct Shareholder of our Company.
4. Ms. Ong Bee Eng is the spouse of Mr. Ang. Accordingly, Ms. Ong is deemed or taken to be interested in the Shares Mr. Ang is interested in under the SFO.
5. Ms. Wang Weling, Joan is the spouse of Mr. Ong. Accordingly, Ms. Wang is deemed or taken to be interested in the Shares Mr. Ong is interested in under the SFO.
6. Ms. Tan Peck Yen is the spouse of Mr. Koh. Accordingly, Ms. Tan is deemed or taken to be interested in the Shares Mr. Koh is interested in under the SFO.

Save as disclosed above, our Directors are not aware of any person who will, as at the date of the submission of application for the [REDACTED] and immediately after completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), has an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the [REDACTED] and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):

<i>Authorised share capital</i>	<i>HK\$</i>
<u>[1,500,000,000]</u> Shares of par value HK\$0.01 each	<u>[15,000,000]</u>
<i>Shares issued and fully paid or credited as fully paid upon completion of the [REDACTED] and the Capitalisation Issue</i>	
[10,000] Shares in issue as at the date of this document	[100]
[REDACTED] Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
<u>[REDACTED]</u> Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u> Total issued Shares	<u>[REDACTED]</u>

ASSUMPTIONS

The above table assumes that the [REDACTED] and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase the Shares as referred to below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at least [REDACTED] of the total issued share capital of our Company must at all times be held by the public. The [REDACTED] [REDACTED] represent not less than [REDACTED] of the issued share capital of our Company upon [REDACTED].

SHARE CAPITAL

RANKING

The [REDACTED] are ordinary shares and will rank *pari passu* in all respects with all Shares now in issue or to be issued as mentioned in this document, and will qualify in full for all dividends or other distributions declared, made or paid on Shares in respect of a record date which falls after the date of [REDACTED] other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions in writing of the then sole Shareholder passed on [•] 2017, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors are authorised to allot and issue a total of [REDACTED] Shares credited as fully paid at par to the holder(s) of Shares on the register of members or the principal share register of our Company at the close of business on [•] 2017 (as nearly as possible in proportion to their then existing shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of Share)) by way of capitalisation of the sum of HK\$[REDACTED] standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issue Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and Conditions of the [REDACTED] – Conditions of the [REDACTED]” of this document, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Share to be allotted and issued or dealt with subject to the requirement that the total number of Shares so allotted and issued or agreed conditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the total number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company, if any, pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

SHARE CAPITAL

This general mandate to issue Shares does not cover Shares to be allotted, issued or dealt with under a rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Articles.

This general mandate to issue Shares will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the date by which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
- (c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors.

For further details of this general mandate to issue Shares, please refer to the paragraph headed “Further information about our Company and its subsidiaries – 3. Resolutions in writing of the then sole Shareholder passed on [•] 2017” in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and Conditions of the [REDACTED] – Conditions of the [REDACTED]” of this document, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of Shares in issue following completion of the [REDACTED] and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate to repurchase Shares only relates to repurchases made on the Stock Exchange, or any other exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this document regarding the repurchase of Shares is set out in “Further information about our Company and its subsidiaries – 6. Repurchase of our own securities” in Appendix IV to this document.

SHARE CAPITAL

This general mandate to repurchase Shares will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the date by which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
- (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors.

For further details of this general mandate to repurchase shares, please refer to the paragraph headed “Further information about our Company and its subsidiaries – 3. Resolutions in writing of the then sole Shareholder passed on [•] 2017” in Appendix IV to this document.

THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Other information – 1. Share Option Scheme” in Appendix IV to this document.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting of our Company are required are provided in our Articles of Association and the Companies Law. For a summary, see Appendix III to this document.

FINANCIAL INFORMATION

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 and FY2016/17, 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% and 72.0% for each of FY2014/15, FY2015/16 and FY2016/17, 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.

FINANCIAL INFORMATION

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.

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Hypothetical fluctuations in our subcontracting charges	-1.2%	-15.7%	+1.2%	+15.7%
Increase/(decrease) in profit before taxation (Note 1)	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
FY2014/15	40	528	(40)	(528)
FY2015/16	31	412	(31)	(412)
FY2016/17	39	506	(39)	(506)
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)
Hypothetical fluctuations in our direct materials costs	-0.5%	-8.7%	+0.5%	+8.7%
Increase/(decrease) in profit before taxation (Note 1)	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
FY2014/15	13	224	(13)	(224)
FY2015/16	7	114	(7)	(114)
FY2016/17	13	218	(13)	(218)
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)

Notes:

1. Our profit before taxation was approximately S\$4.1 million, approximately S\$3.0 million and approximately S\$6.1 million for each of FY2014/15, FY2015/16 and FY2016/17 respectively.
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 and FY2016/17 respectively.

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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.

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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
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Revenue	13,244	9,793	14,937
Costs of services/sales	<u>(7,971)</u>	<u>(6,187)</u>	<u>(8,432)</u>
Gross profit	5,273	3,606	6,505
Other income and other gains	23	50	182
Administrative expenses	(1,174)	(635)	(618)
Finance costs	<u>(2)</u>	<u>–</u>	<u>–</u>
Profit before taxation	4,120	3,021	6,069
Income tax expense	<u>(653)</u>	<u>(340)</u>	<u>(918)</u>
Profit for the year attributable to owners of the Company	<u><u>3,467</u></u>	<u><u>2,681</u></u>	<u><u>5,151</u></u>
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value change on available-for-sale financial assets, net of tax	–	(96)	223
Reclassified upon disposal of available-for-sale financial assets, net of tax	<u>–</u>	<u>–</u>	<u>(128)</u>
Total comprehensive income for the year	<u><u>3,467</u></u>	<u><u>2,585</u></u>	<u><u>5,246</u></u>

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 – Overview” and “Business – Projects undertaken during the Track Record Period” in this document.

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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	
	\$S'000	%	\$S'000	%	\$S'000	%
Subcontracting charges	3,365	42.2	2,624	42.4	3,222	38.2
Direct materials	2,574	32.3	1,309	21.2	2,506	29.7
Staff costs	1,622	20.4	1,585	25.6	1,883	22.3
Rent	66	0.8	257	4.1	163	1.9
Consultancy fees	93	1.2	173	2.8	215	2.6
Depreciation	50	0.6	49	0.8	73	0.9
Other direct costs	<u>201</u>	<u>2.5</u>	<u>190</u>	<u>3.1</u>	<u>370</u>	<u>4.4</u>
Total	<u><u>7,971</u></u>	<u><u>100.0</u></u>	<u><u>6,187</u></u>	<u><u>100.0</u></u>	<u><u>8,432</u></u>	<u><u>100.0</u></u>

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, 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;

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- (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.

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
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Other income</i>			
Dividend income from available-for-sale financial assets	–	40	27
Government grants	23	10	14
Interest income	–	–*	–
Others	–	–	8
	<u>–</u>	<u>–</u>	<u>8</u>
 Total	 <u>23</u>	 <u>50</u>	 <u>49</u>
 <i>Other gains</i>			
Gain arising on disposal of property, plant and equipment	–	–	5
Gain arising on disposal of available-for-sale financial assets	–	–	128
	<u>–</u>	<u>–</u>	<u>128</u>
 Total	 <u>–</u>	 <u>–</u>	 <u>133</u>

* *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;

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- (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 Scheme” in this document);
- (c) interest income, which represented interests of S\$118 earned on bank deposits during FY2016/17;
- (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	
	S\$'000	%	S\$'000	%	S\$'000	%
Depreciation	28	2.4	27	4.3	26	4.2
Entertainment and travelling	95	8.1	32	5.0	20	3.2
Insurance	28	2.4	24	3.8	29	4.7
Staff costs, including directors' remuneration	897	76.4	446	70.2	447	72.3
Utilities and office expenses	33	2.8	30	4.7	27	4.4
Other expenses	<u>93</u>	<u>7.9</u>	<u>76</u>	<u>12.0</u>	<u>69</u>	<u>11.2</u>
	<u>1,174</u>	<u>100.0</u>	<u>635</u>	<u>100.0</u>	<u>618</u>	<u>100.0</u>

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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% of the tax payable for the Years of Assessment 2016 and 2017, subject to a cap of S\$20,000 and S\$25,000 respectively per year of assessment. Income tax expenses of our Group amounted to approximately S\$0.7 million, S\$0.3 million and S\$0.9 million for each of the three years ended 30 June 2015, 2016 and 2017.

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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
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Profit before taxation	4,120	3,021	6,068
Tax at applicable tax rate of 17%	700	514	1,032
Tax effect of expenses not deductible for tax purpose	3	3	2
Tax effect of income not taxable for tax purpose	–	(7)	(26)
Effect of tax concessions and partial tax exemption	<u>(50)</u>	<u>(170)</u>	<u>(90)</u>
Taxation for the year	<u>653</u>	<u>340</u>	<u>918</u>

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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 scales 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 scales and higher income as illustrated in the table below:

	FY2015/16	FY2016/17
	<i>No. of projects</i>	<i>No. of projects</i>
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	<u>54</u>	<u>64</u>
	<u>58</u>	<u>71</u>

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- (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.

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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
Revenue (S\$'000)	9,793	14,937
Gross profit (S\$'000)	3,606	6,505
Gross profit margin	36.8%	43.5%

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 43.5% 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; and (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.

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.

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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, 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
	<i>No. of projects</i>	<i>No. of projects</i>
Projects brought forward from prior year	23	1
New projects awarded to us during the year	<u>47</u>	<u>57</u>
	<u><u>70</u></u>	<u><u>58</u></u>

- (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.

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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 for FY2014/15 and FY2015/16 respectively were as follows:

	FY2014/15	FY2015/16
Revenue (<i>S\$’000</i>)	13,244	9,793
Gross profit (<i>S\$’000</i>)	5,273	3,606
Gross profit margin	39.8%	36.8%

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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 to the decrease in revenue due to reasons as discussed above.

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.

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%.

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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 proceeds from the [REDACTED] to finance a portion of our liquidity requirements.

As at [31 July] 2017, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and bank balances of approximately S\$3.1 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
	S\$'000	S\$'000	S\$'000
Net cash from operating activities	3,482	1,564	3,684
Net cash (used in)/from investing activities	(4)	(2,057)	1,953
Net cash used in financing activities	<u>(1,469)</u>	<u>(2,163)</u>	<u>(2,721)</u>
Net increase/(decrease) in cash and cash equivalents	2,009	(2,656)	2,916
Cash and cash equivalents at beginning of year	<u>1,743</u>	<u>3,752</u>	<u>1,095</u>
Cash and cash equivalents at end of year	<u><u>3,752</u></u>	<u><u>1,095</u></u>	<u><u>4,011</u></u>

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.

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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
	S\$'000	S\$'000	S\$'000
Profit before taxation	4,120	3,021	6,068
Adjustments for:			
Depreciation of property, plant and equipment	78	76	99
Finance costs	2	–	–
Dividend income	–	(40)	(27)
Interest income	–	–	–
Gain on disposal of available-for-sale financial assets	–	–	(128)
Gain on disposal of property, plant and equipment	–	–	(5)
Operating cash flow before movement in working capital	4,200	3,057	6,007
Increase in trade receivables	(473)	(353)	(1,156)
Decrease/(increase) in other receivables, deposits and prepayments	281	(32)	8
Decrease/(increase) in amounts due from customers for construction work	449	(1,189)	(699)
(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
(Decrease)/increase in amounts due to customers for construction work	(961)	276	(304)
Cash generated from operations	3,873	2,161	4,068
Income taxes paid	(391)	(597)	(384)
Net cash from operating activities	<u>3,482</u>	<u>1,564</u>	<u>3,684</u>

For FY2014/15, FY2015/16 and FY2016/17, 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.

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Cash flows from investing activities

	FY2014/15	FY2015/16	FY2016/17
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Payment for acquiring available-for-sale financial assets	–	(1,606)	–
Proceeds from disposal of available-for-sale financial assets	–	–	1,734
Purchase of property, plant and equipment	(4)	(99)	(160)
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
Interest received	–	–	–
	<hr/>	<hr/>	<hr/>
Net cash (used in)/from investing activities	<u>(4)</u>	<u>(2,057)</u>	<u>1,953</u>

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 S2.1 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.

FINANCIAL INFORMATION

Cash flows from financing activities

	FY2014/15	FY2015/16	FY2016/17
	S\$'000	S\$'000	S\$'000
Interest paid	(2)	–	–
Repayment of finance lease payables	(49)	(15)	–
Repayment of advance from directors	(523)	–	(850)
Advance from directors	40	10	802
Advance from related parties	14	110	1,926
Repayment of advance from related parties	(294)	(138)	(1,926)
Dividends paid	(655)	(2,130)	(2,673)
	<u>(1,469)</u>	<u>(2,163)</u>	<u>(2,721)</u>
Net cash used in financing activities	<u>(1,469)</u>	<u>(2,163)</u>	<u>(2,721)</u>

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 and FY2016/17, we recorded net cash used in financing activities of approximately S\$1.5 million, S\$2.2 million and S\$2.7 million, 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 and FY2016/17, our Group incurred capital expenditures of approximately S\$4,000, S\$99,000 and S\$160,000 respectively, as set out below:

	FY2014/15	FY2015/16	FY2016/17
	S\$'000	S\$'000	S\$'000
Plant and equipment	2	5	–
Computer and office equipment	2	5	54
Motor vehicles	–	89	91
Furniture and fittings	–	–	15
	<u>4</u>	<u>99</u>	<u>160</u>

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 net proceeds of the [REDACTED] as well as from cash flows generated from operations.

FINANCIAL INFORMATION

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our internal resources, cash generated from our operation, and the estimated net proceeds from the [REDACTED], we have 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 S\$'000	As at 30 June 2016 S\$'000	As at 30 June 2017 S\$'000	As at [31 July] 2017 S\$'000 (unaudited)
Current assets				
Available-for-sale financial assets	–	1,510	–	–
Trade receivables	1,969	2,322	3,478	3,706
Other receivables, deposits and prepayments	52	85	77	108
Amounts due from customers for construction work	305	1,494	2,193	2,516
Amounts due from related parties	51	347	–	–
Bank balances and cash	<u>3,752</u>	<u>1,095</u>	<u>4,011</u>	<u>3,142</u>
Total current assets	<u>6,129</u>	<u>6,853</u>	<u>9,759</u>	<u>9,472</u>
Current liabilities				
Trade and other payables	846	1,203	1,415	947
Amounts due to customers for construction work	28	305	–	708
Amounts due to related parties	704	–	–	–
Amounts due to directors	915	721	–	–
Obligation under finance leases – due within one year	16	–	–	–
Income tax payable	<u>685</u>	<u>425</u>	<u>950</u>	<u>39</u>
Total current liabilities	<u>3,194</u>	<u>2,654</u>	<u>2,365</u>	<u>1,694</u>
Net current assets	<u>2,935</u>	<u>4,199</u>	<u>7,394</u>	<u>7,778</u>

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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 [31 July] 2017, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately S\$7.8 million, which was relatively stable as compared with our net current assets as at 30 June 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 S\$'000	As at 30 June 2016 S\$'000	As at 30 June 2017 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.

FINANCIAL INFORMATION

Trade receivables

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

	FY2014/15	FY2015/16	FY2016/17
	S\$'000	S\$'000	S\$'000
Trade receivables	1,790	2,279	3,333
Retention receivables	156	16	145
Unbilled revenue	<u>23</u>	<u>27</u>	<u>–</u>
	<u><u>1,969</u></u>	<u><u>2,322</u></u>	<u><u>3,478</u></u>

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 further increased to 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 different settlement practices of different customers as well as the different credit periods granted by us.

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 and 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.

FINANCIAL INFORMATION

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 and nil as at 30 June 2015, 2016 and 2017 respectively as a result of the aforesaid billing procedures.

Concentration

As at 30 June 2015, 2016 and 2017, there were 3, 2 and 2 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% and 47.7% of our total trade receivables as at 30 June 2015, 2016 and 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
Trade receivables turnover days (<i>Note</i>)	53.9 days	75.8 days	68.6 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, then multiplied by the number of days of the year (i.e. 365 days for a full year).

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 and approximately 68.6 days for FY2016/17. 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 different settlement practices of different customers as well as the different credit periods granted by us.

FINANCIAL INFORMATION

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 S\$'000	As at 30 June 2016 S\$'000	As at 30 June 2017 S\$'000
Within 30 days	1,217	1,640	1,180
31 – 60 days	112	352	600
61 – 90 days	70	117	750
91 – 180 days	20	165	476
181 – 365 days	149	5	327
Over 1 year but not more than 2 years	<u>222</u>	<u>–</u>	<u>–</u>
	<u><u>1,790</u></u>	<u><u>2,279</u></u>	<u><u>3,333</u></u>

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
Within 30 days	–	–	–
31 – 60 days	58	2	28
61 – 90 days	2	48	476
91 – 180 days	20	165	476
181 – 365 days	149	5	327
Over 1 year but not more than 2 years	<u>222</u>	<u>–</u>	<u>–</u>
	<u><u>451</u></u>	<u><u>220</u></u>	<u><u>1,307</u></u>

Approximately 74.8%, 90.3% and 60.8% of our trade receivables as at 30 June 2015, 2016 and 2017 were neither past due nor impaired.

FINANCIAL INFORMATION

Up to the Latest Practicable Date, 55.9% of our trade receivables as at 30 June 2017 had been settled:

	Trade receivable as at 30 June 2017 S\$'000	Subsequent settlement up to the Latest Practicable Date S\$'000	%
Neither past due nor impaired	2,026	1,233	60.9
<i>Past due, grouped based on invoice date:</i>			
Within 30 days	–	–	–
31 – 60 days	28	3	10.7
61 – 90 days	476	411	86.3
91 – 180 days	476	43	9.1
181 – 365 days	327	173	52.9
	3,333	1,863	55.9

Approximately 45.5%, 57.7%, and 51.0% of our revenue for each of FY2014/15, FY2015/16 and FY2016/17 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. As at 30 June 2017, trade receivables which were past due but not impaired related to a number of independent customers that had a good track record of credit with us. Having considered the background of the relevant customers and their past credit history and given the subsequent settlement shown in the above table, our Directors believe that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

Trade and other payables

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

	As at 30 June 2015 S\$'000	As at 30 June 2016 S\$'000	As at 30 June 2017 S\$'000
Trade payables	193	836	1,093
Trade accruals	<u>480</u>	<u>161</u>	<u>39</u>
	<u>673</u>	<u>997</u>	<u>1,132</u>
Accrued operating expenses	12	7	66
Other payables			
Advanced billing	7	11	–
GST payable	96	103	94
Payroll payable	46	60	115
Others	<u>12</u>	<u>25</u>	<u>8</u>
	<u>173</u>	<u>206</u>	<u>283</u>
	<u><u>846</u></u>	<u><u>1,203</u></u>	<u><u>1,415</u></u>

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, mainly because of the actual works performed by our subcontractors near each year end. In particular, for trade payables as at 30 June 2017, S\$470,000 was billed by our subcontractors for our project undertaken for National University Hospital which commenced works in June 2017.

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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
Trade payables turnover days (<i>Note</i>)	12.3 days	30.4 days	41.8 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 cost of services/sales for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Our trade payables turnover days increased from approximately 12.3 days for FY2014/15 to approximately 30.4 days for FY2015/16, and further increased to approximately 41.8 days for FY2016/17, 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 S\$'000	As at 30 June 2016 S\$'000	As at 30 June 2017 S\$'000
Within 90 days	193	827	1,093
91 – 180 days	<u>–</u>	<u>9</u>	<u>–</u>
	<u><u>193</u></u>	<u><u>836</u></u>	<u><u>1,093</u></u>

Up to the Latest Practicable Date, 99% of our trade payables as at 30 June 2017 had been settled.

FINANCIAL INFORMATION

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 and 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.

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.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets forth our Group’s indebtedness as at the respective dates indicated. As of [31 July] 2017, 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, term loans, borrowings or indebtedness in the nature of borrowing, 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 July] 2017 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 S\$'000	As at 30 June 2016 S\$'000	As at 30 June 2017 S\$'000	As at [31 July] 2017 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.

FINANCIAL INFORMATION

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, 2016, 2017 and [31 July] 2017, our Group had obligations under finance leases repayable as follows:

	As at 30 June 2015		As at 30 June 2016		As at 30 June 2017		As at 31 July 2017	
	Present value of the minimum lease payment S\$'000	Total minimum lease payments S\$'000	Present value of the minimum lease payment S\$'000	Total minimum lease payments S\$'000	Present value of the minimum lease payment S\$'000	Total minimum lease payments S\$'000	Present value of the minimum lease payment S\$'000 (unaudited)	Total minimum lease payments S\$'000 (unaudited)
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.

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.

FINANCIAL INFORMATION

Operating lease commitments

Group as lessee

As at 30 June 2015, 2016, 2017 and [31 July] 2017, 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 S\$'000	As at 30 June 2016 S\$'000	As at 30 June 2017 S\$'000	As at [31 July] 2017 S\$'000 (unaudited)
Within one year	40	40	78	71
After one year but within two years	<u>–</u>	<u>–</u>	<u>13</u>	<u>10</u>
	<u>40</u>	<u>40</u>	<u>91</u>	<u>81</u>

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 personal fixed deposits account of Mr. Ong registered under this bank.

In relation to our existing performance guarantee, the personal fixed deposits account of Mr Ong will be replaced by fixed deposits account of Hwa Koon before [REDACTED].

Off-balance sheet arrangements and commitments

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

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

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

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.

FINANCIAL INFORMATION

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.

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.

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.

FINANCIAL INFORMATION

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. 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.

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.

FINANCIAL INFORMATION

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, then multiplied by the number of days of the year (i.e. 365 days for a full year).

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, then multiplied by the number of days of the year (i.e. 365 days for a full year).

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 and nil as at 30 June 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 and 2017.

Interest coverage

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

FINANCIAL INFORMATION

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, 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, conducting share buybacks, issue new Shares, and/or raising 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 June 2017 as if the [REDACTED] had taken place on 30 June 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, [REDACTED] has been charged during the Track Record Period, and approximately HK\$[REDACTED] million is expected to be incurred for 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].

FINANCIAL INFORMATION

DIVIDEND

For each of FY2014/15, FY2015/16 and FY2016/17, we declared dividends of S\$2.5 million, S\$1.3 million and S\$2.0 million 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 and 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		
	2015	2016	2017
	S\$	S\$	S\$
Shieldtech	50,756	–	85,500
BRC Global Pte. Ltd. (“BRC Global”)	<u>–</u>	<u>8,900</u>	<u>9,350</u>
	<u>50,756</u>	<u>8,900</u>	<u>94,850</u>

FINANCIAL INFORMATION

b. Purchases/Services/Subcontracting Services Received

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Shieldtech	5,900	–	–
BRC Global	<u>–</u>	<u>222,500</u>	<u>743,421</u>
	<u>5,900</u>	<u>222,500</u>	<u>743,421</u>

- (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. 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.

FINANCIAL INFORMATION

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 June 2017, and there had been no events since 30 June 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.

FUTURE PLANS AND [REDACTED]

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 proceeds from the [REDACTED].

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 [REDACTED] 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 42.2% 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.

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.

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 AND [REDACTED]

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 net proceeds 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 net proceeds will be applied as follows:

- (i) approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million), representing approximately [REDACTED]% of the estimated net proceeds, 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 (i) accommodate the planned expansion of our manpower; and (ii) 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 net proceeds, 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

FUTURE PLANS AND [REDACTED]

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 net proceeds, 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 net proceeds, for financing the acquisition of (i) additional motor vehicles to accommodate the increase in our transportation needs; and (ii) additional machinery to carry out lifting and carpentry works.

FUTURE PLANS AND [REDACTED]

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	2	HK\$[REDACTED] million
	- Lifting machinery	1	(equivalent to approximately S\$[REDACTED] million)
2019	- Motor vehicle	2	HK\$[REDACTED] million
	- Machinery for carpentry works	1	(equivalent to approximately S\$[REDACTED] million)
	- Lifting machinery	1	S\$[REDACTED] million)
2020	- Motor vehicle	2	HK\$[REDACTED] million
	- Machinery for carpentry works	1	(equivalent to approximately S\$[REDACTED] million)
	- Lifting machinery	1	S\$[REDACTED] million)

- (v) approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million), representing approximately [REDACTED]% of the estimated net proceeds, 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 net proceeds for use as our general working capital.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds 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.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE. THE INFORMATION IN THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-57 received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purposes of incorporation in this Document.

Deloitte.

德勤

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HKE HOLDINGS LIMITED AND DAKIN CAPITAL LIMITED

Introduction

We report on the historical financial information of HKE Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-57, which comprises the combined statements of financial position as at 30 June 2015, 2016 and 2017 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 30 June 2017 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-57 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the “**Document**”) in connection with the [REDACTED] shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

APPENDIX I

ACCOUNTANTS’ REPORT

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “*Accountants’ Reports on Historical Financial Information in Investment Circulars*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at 30 June 2015, 2016 and 2017 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about dividends paid by the Company's subsidiaries and states that no dividend have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of the accountants’ report.

The Historical Financial Information in this report was prepared based on the financial statements of Hwa Koon Engineering Pte Ltd (“Hwa Koon”) for the Track Record Period. The financial statements have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). The financial statements of Hwa Koon were audited by Deloitte & Touche LLP Singapore, a firm of Public Accountants and Certified Accountants registered in Singapore, in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Singapore dollars (“S\$”).

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 30 June		
		2015 S\$	2016 S\$	2017 S\$
Revenue	6	13,244,503	9,793,083	14,937,418
Costs of services/sales		<u>(7,971,327)</u>	<u>(6,187,490)</u>	<u>(8,432,129)</u>
Gross profit		5,273,176	3,605,593	6,505,289
Other income	7a	23,160	50,639	48,468
Other gains	7b	–	–	132,825
Administrative expenses		(1,173,671)	(634,716)	(618,196)
Finance costs	8	<u>(2,327)</u>	<u>(225)</u>	<u>–</u>
Profit before taxation	9	4,120,338	3,021,291	6,068,386
Income tax expense	10	<u>(653,575)</u>	<u>(340,367)</u>	<u>(917,764)</u>
Profit for the year		<u><u>3,466,763</u></u>	<u><u>2,680,924</u></u>	<u><u>5,150,622</u></u>
Other comprehensive (expense) income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Fair value change on available-for-sale financial assets, net of tax		–	(95,812)	223,323
Reclassified upon disposal of available-for-sale financial assets		<u>–</u>	<u>–</u>	<u>(127,511)</u>
		<u>–</u>	<u>(95,812)</u>	<u>95,812</u>
Total comprehensive income for the year		<u><u>3,466,763</u></u>	<u><u>2,585,112</u></u>	<u><u>5,246,434</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 30 June		
	NOTES	2015 S\$	2016 S\$	2017 S\$
Non-current assets				
Property, plant and equipment	14	<u>662,379</u>	<u>685,523</u>	<u>746,796</u>
Current assets				
Available-for-sale financial assets	15	–	1,510,000	–
Trade receivables	16	1,968,802	2,322,159	3,477,865
Other receivables, deposits and prepayments	17	52,595	85,070	76,985
Amounts due from customers for construction work	18	305,274	1,494,180	2,193,064
Amounts due from related parties	19a	50,756	346,982	–
Bank balances and cash	20	<u>3,751,835</u>	<u>1,095,434</u>	<u>4,011,269</u>
		<u>6,129,262</u>	<u>6,853,825</u>	<u>9,759,183</u>
Current liabilities				
Trade and other payables	21	845,637	1,202,772	1,415,017
Amounts due to customers for construction work	18	28,287	304,847	–
Amounts due to related parties	19b	703,562	–	–
Amounts due to directors	19c	915,543	720,970	–
Obligation under finance leases				
– due within one year	22	15,777	–	–
Income tax payable		<u>684,867</u>	<u>425,470</u>	<u>950,215</u>
		<u>3,193,673</u>	<u>2,654,059</u>	<u>2,365,232</u>

APPENDIX I

ACCOUNTANTS’ REPORT

		As at 30 June		
		2015	2016	2017
	NOTES	S\$	S\$	S\$
Net current assets		<u>2,935,589</u>	<u>4,199,766</u>	<u>7,393,951</u>
Total assets less current liabilities		<u>3,597,968</u>	<u>4,885,289</u>	<u>8,140,747</u>
Non-Current liability				
Deferred tax liabilities	23	<u>14,419</u>	<u>16,628</u>	<u>25,652</u>
Net assets		<u><u>3,583,549</u></u>	<u><u>4,868,661</u></u>	<u><u>8,115,095</u></u>
Capital and reserves				
Share capital	24	500,000	1,000,000	1,000,000
Reserves		<u>3,083,549</u>	<u>3,868,661</u>	<u>7,115,095</u>
Equity attributable to owners of the Company		<u><u>3,583,549</u></u>	<u><u>4,868,661</u></u>	<u><u>8,115,095</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital S\$	Reserves			Total S\$
		Available-for- sale financial assets reserve S\$	Accumulated profits S\$	Sub-total	
At 1 July 2014	500,000	–	2,116,786	2,116,786	2,616,786
Profit and other comprehensive income for the year	–	–	3,466,763	3,466,763	3,466,763
Dividend (<i>Note 12</i>)	–	–	(2,500,000)	(2,500,000)	(2,500,000)
At 30 June 2015	500,000	–	3,083,549	3,083,549	3,583,549
Profit for the year	–	–	2,680,924	2,680,924	2,680,924
Fair value change on available-for-sale financial assets, net of tax	–	(95,812)	–	(95,812)	(95,812)
Total comprehensive income for the year	–	(95,812)	2,680,924	2,585,112	2,585,112
Dividend (<i>Note 12</i>)	–	–	(1,300,000)	(1,300,000)	(1,300,000)
Issuance of shares (<i>Note 24</i>)	500,000	–	(500,000)	(500,000)	–
At 30 June 2016	1,000,000	(95,812)	3,964,473	3,868,661	4,868,661
Profit for the year	–	–	5,150,622	5,150,622	5,150,622
Fair value change on available-for-sale financial assets, net of tax	–	223,323	–	223,323	223,323
Reclassified upon disposal of available-for-sale financial assets	–	(127,511)	–	(127,511)	(127,511)
Total comprehensive income for the year	–	95,812	5,150,622	5,246,434	5,246,434
Dividend (<i>Note 12</i>)	–	–	(2,000,000)	(2,000,000)	(2,000,000)
At 30 June 2017	<u>1,000,000</u>	<u>–</u>	<u>7,115,095</u>	<u>7,115,095</u>	<u>8,115,095</u>

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COMBINED STATEMENTS OF CASH FLOWS

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Operating activities			
Profit before taxation	4,120,338	3,021,291	6,068,386
Adjustments for:			
Depreciation of property, plant and equipment	78,271	76,253	98,582
Finance costs	2,327	225	–
Dividend income	–	(40,500)	(27,000)
Interest income	–	–	(118)
Gain on disposal of available-for-sale financial assets	–	–	(127,511)
Gain on disposal of property, plant and equipment	–	–	(5,314)
	<u>–</u>	<u>–</u>	<u>(5,314)</u>
Operating cash flow before movement in working capital	4,200,936	3,057,269	6,007,025
<i>Movements in working capital:</i>			
Increase in trade receivables	(473,099)	(353,357)	(1,155,706)
Decrease (increase) in other receivables, deposits and prepayments	281,257	(32,475)	8,085
Decrease (increase) in amounts due from customers for construction work	448,324	(1,188,906)	(698,884)
(Increase) decrease in amounts due from related parties	(21,400)	44,856	–
Decrease in amounts due to related parties	(10,550)	–	–
Increase in trade and other payables	408,276	357,135	212,245
(Decrease) increase in amounts due to customers for construction work	(960,930)	276,560	(304,847)
	<u>(960,930)</u>	<u>276,560</u>	<u>(304,847)</u>
Cash generated from operations	3,872,814	2,161,082	4,067,918
Income taxes paid	(390,863)	(597,555)	(383,995)
	<u>(390,863)</u>	<u>(597,555)</u>	<u>(383,995)</u>
Net cash from operating activities	<u>3,481,951</u>	<u>1,563,527</u>	<u>3,683,923</u>

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ACCOUNTANTS’ REPORT

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Investing activities			
Payment for acquiring available-for-sale financial assets	–	(1,605,812)	–
Proceeds from disposal of available-for-sale financial assets	–	–	1,733,323
Purchase of property, plant and equipment	(3,993)	(99,397)	(159,855)
Proceeds from disposal of property, plant and equipment	–	–	5,314
Advances to related parties	–	(391,838)	–
Repayment of advances to related parties	–	–	346,982
Dividends received	–	40,500	27,000
Interest received	–	–	118
	<u>–</u>	<u>–</u>	<u>118</u>
Net cash (used in) from investing activities	<u>(3,993)</u>	<u>(2,056,547)</u>	<u>1,952,882</u>
Financing activities			
Interest paid	(2,327)	(225)	–
Repayment of finance lease payables	(48,541)	(15,777)	–
Repayment of advances from directors	(522,950)	–	(850,000)
Advance from directors	40,087	10,217	801,690
Advances from related parties	13,971	110,000	1,926,110
Repayment of advances from related parties	(294,014)	(137,806)	(1,926,110)
Dividends paid	(655,000)	(2,129,790)	(2,672,660)
	<u>(655,000)</u>	<u>(2,129,790)</u>	<u>(2,672,660)</u>
Net cash used in financing activities	<u>(1,468,774)</u>	<u>(2,163,381)</u>	<u>(2,720,970)</u>
Net increase (decrease) in cash and cash equivalents	2,009,184	(2,656,401)	2,915,835
Cash and cash equivalents at beginning of the year	<u>1,742,651</u>	<u>3,751,835</u>	<u>1,095,434</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash	<u><u>3,751,835</u></u>	<u><u>1,095,434</u></u>	<u><u>4,011,269</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 18 August 2017. The registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business is at 10 Admiralty Street, #02-47 North Link Building, Singapore 757695.

The Company is an investment holding company and the principal activities of its operating subsidiary, Hwa Koon, are provision of integrated design and building services in the medical and healthcare sectors with expertise in performing radiation shielding works.

The functional currency of the Company is Singapore dollars (“S\$”), which is also the presentation currency of the Historical Financial Information.

2. Group Reorganisation and Basis of Preparation and Presentation of Historical Financial Information

In preparing for the initial [REDACTED] of the shares of the Company on the Stock Exchange, the companies comprising the Group underwent a group reorganisation (the “Reorganisation”) as described below. Prior to the Reorganisation, Mr. Ang Kong Meng (“Mr. Ang”), Mr. Ryan Ong Wei Liang (“Mr. Ong”) and Mr. Koh Lee Huat (“Mr. Koh”) (collectively referred to as the “Controlling Shareholders”, who owned 51%, 34% and 15% equity interest in Hwa Koon respectively) have been controlling Hwa Koon on a collectively basis on decisions relating relevant activities, including but not limited to, financial, management and operational matters, of Hwa Koon. Each of the Controlling Shareholders have reiterated their agreement in writing that, in respect of the aforesaid matters in relation to Hwa Koon, they have always been acting in concert.

The Reorganisation comprised of the following steps:

- On 29 May 2017, Skylight Illumination Limited (“Skylight Illumination”, a company not forming part of the Group) was incorporated in the British Virgin Islands (“BVI”) with limited liability. On 28 July 2017, 51 ordinary shares, 34 ordinary shares and 15 ordinary shares of Skylight Illumination were issued and allotted to Mr. Ang, Mr. Ong and Mr. Koh respectively.
- On 29 May 2017, Philosophy Global Limited (“Philosophy Global”) was incorporated in the BVI with limited liability. On 28 July 2017, 51 ordinary shares, 34 ordinary shares and 15 ordinary shares of Philosophy Global were issued and allotted to Mr. Ang, Mr. Ong and Mr. Koh respectively.

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- On 18 August 2017, the Company was incorporated in the Cayman Islands with limited liability with an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares with par value of HK\$0.01 each. On 18 August 2017, one nil-paid subscriber share, was allotted and issued to the initial subscriber and was transferred to Skylight Illumination on the same day.
- On 14 September 2017, Mr. Ang, Mr. Ong and Mr. Koh, as vendors and Philosophy Global, as purchaser, entered into a sale and purchase agreement, pursuant to which Philosophy Global acquired 510,000 shares, 340,000 shares and 150,000 shares of Hwa Koon, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh, respectively, for exchange of 51 ordinary shares, 34 ordinary shares and 15 ordinary shares issued and allotted by Philosophy Global, credited as fully paid, to Mr. Ang, Mr. Ong and Mr. Koh, respectively.
- On [•], Mr. Ang, Mr. Ong and Mr. Koh, as vendors and the Company, as purchaser, entered into a sale and purchase agreement, pursuant to which the Company acquired by [102] ordinary shares, [68] ordinary shares and [30] ordinary shares of Philosophy Global, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh, respectively, for exchange of [9,999] shares issued and allotted by the Company, credited as fully paid, to Skylight Illumination. Upon the completion of the above acquisition on [•], Philosophy Global became a wholly-owned subsidiary of the Company.

The Group resulting from the Reorganisation, which involves interspersing the Company, Philosophy Global and other investment holding company between Hwa Koon and the Controlling Shareholders, is to be regarded as a continuing entity. Accordingly, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective date of incorporation, where this is a shorter period.

The combined statements of financial position of the Group as at 30 June 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the companies comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. Application of IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRSs that are effective for the financial year beginning on 1 July 2016 throughout the Track Record Period.

At the date of issuance of this report, the Group has not applied the following new and amendments to IFRSs and International Accounting Standards (“IAS”) and the new interpretations that have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ³
IFRS 17	Insurance Contracts ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ³
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 7	Disclosure Initiative ⁵
Amendments to IAS 1	Recognition of Deferred Tax Assets for Unrealised Losses ⁵
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle ⁶

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after a date to be determined

⁵ Effective for annual periods beginning on or after 1 January 2017

⁶ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Except as described below, the management of the Group considers that the application of the amendments to IFRSs, IASs and the new interpretations is unlikely to have a material impact on the Group’s financial position and performance as well as disclosure in future.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are described below:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In general, the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items.

In the opinion of the directors of the Company, based on the historical experience of the Group, the default rate of the outstanding balances with customers and related parties is low. Hence, the directors of the Company anticipate that the application of IFRS 9 would not have material impact on the Group's future financial statements. It is also expected that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 30 June 2017.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on preliminary analysis, the management of the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have significant impact on revenue recognition but will result in more disclosures.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the IFRS 16 lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of S\$90,800, as disclosed in Note 25. A preliminary assessment indicates that approximately S\$51,200 out of these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value

or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes.

The Group’s liabilities arising from financing activities consist of finance leases and amounts due to directors. The directors of the Company anticipate that the application of the amendment in the future will result in disclosure of the reconciliation of changes in liabilities arising from financing activities.

4. Significant Accounting Policies

The Historical Financial Information has been prepared on the historical cost basis, other than available-for-sale financial assets which are measured at fair value, and in accordance with the following accounting policies which conform with IFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved when a company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

Revenue recognition

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, revenue is recognised in profit or loss as follows:

(i) Revenue from provision of Integrated design and building services (as defined in Note 6)

Revenue from construction works is recognised in accordance with the Group's accounting policy on construction contracts (see below construction contracts policy).

(ii) Revenue from provision of Maintenance and other services (as defined in Note 6)

Revenue from maintenance services is recognised when the services are provided according to the terms of the agreements.

Revenue from provision of other ancillary services (as detailed in Note 6) is recognised upon receipt of the certification and acceptance of the customers i.e. at the time the future economic benefits expected to flow to the Group is probable.

(iii) Sales of tools and materials

Revenue from the sale of tools and materials is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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(iv) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

(v) Dividend income

Dividend income from investments is recognised when the shareholder’s right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. Where the outcome of a construction contract can be estimated reliably, revenue and costs are 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.

Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probably recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of construction contracts include costs that relate directly to the specific contract and costs that are attributable to contract activity and can be allocated to the contract. Such costs include but are not limited to material, labour, depreciation and hire of equipment, interest expense, subcontract cost and estimated costs of rectification and guarantee work, including expected warranty costs.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for construction work. For contracts where progress billings exceed construction costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade receivables.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as obligation under finance lease. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the combined statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments made to Central Provident Fund (“CPF”) are recognised as expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deduction of any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible assets

At the end of each reporting period, the management of the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating-units, or otherwise they are allocated to the smallest group of cash-generating-units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair values less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Historical Financial Information in the period in which the dividends are approved by the group companies shareholders or directors, where appropriate.

Financial instruments

Financial assets and liabilities are recognised in the Historical Financial Information when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs (if any).

The Group’s financial assets are classified into available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as AFS financial assets and traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group’s right to receive dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of “Available-for-sale financial assets reserve”. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the “Available-for-sale financial assets reserve” is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below.)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from related parties and bank balances and cash), are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS financial assets, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

For other financial assets held by the Group, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flow discounted at the financial asset’s original effective interest rate.

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For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group companies after deducting all of its liabilities. Equity instruments issued by the group companies are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables, amounts due to related parties and amounts due to directors) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

De-recognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On de-recognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Key Sources of Estimation Uncertainty

In the application of the Group’s accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage 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.

Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Management reviews the construction contracts for foreseeable losses whenever there is an indication that the estimated contract revenue is lower than the estimated total contract cost. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

The carrying amounts of assets and liabilities arising from construction contracts are disclosed in Note 18 to the Historical Financial Information.

Estimated impairment of trade receivables

Management assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. If there is objective evidence that an impairment loss on trade receivables has been incurred, the amount of loss is measured as the difference between the assets’ carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, an impairment loss may arise. The carrying amounts of the trade receivables are disclosed in Note 16 to the Historical Financial Information.

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6. Revenue and Segment Information

Revenue represents the fair value of amounts received and receivable from (i) provision of services including preparation and consultation on building design and specifications, performance of building works (mainly including radiation shielding works, M&E works and fitting-out works) and assisting to obtain statutory approvals and certifications for the building works (“Integrated design and building services”) to external customers, (ii) provision of maintenance services generally comprise conducting examinations, replacement of parts and repair works (if necessary) in relation to the radiation shielding works and mechanical & electrical works, and provision of other ancillary services generally include minor renovation and installation works, dismantling and disposal of used medical equipment, removal of construction waste materials, and cleaning of the work sites upon completion of building works, etc. (“Maintenance and other services”) and (iii) sales of tools and materials (such as fabricated radiation shielding products, signage boards, lead sheet and lead glass) (“Sales of tools and materials”).

Information is reported to the Controlling Shareholders, being the chief operating decision maker (“CODM”) of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as Group’s accounting policies described in Note 4. The CODM reviews revenue by nature of services, i.e. “Integrated design and building services”, “Maintenance and other services” and “Sales of tools and materials”. No other analysis of the Group’s results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial performance of the Group as a whole. Accordingly, the CODM has identified one operating segment. Only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

An analysis of the Group’s revenue for the Track Record Period is as follows:

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
<i>Revenue from:</i>			
Integrated design and building services	12,868,708	9,330,736	14,571,194
Maintenance and other services	323,910	367,451	330,370
Sales of tools and materials	<u>51,885</u>	<u>94,896</u>	<u>35,854</u>
	<u>13,244,503</u>	<u>9,793,083</u>	<u>14,937,418</u>

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Major customers

The revenue from customers individually contributed over 10% of total revenue of the Group during the Track Record Period are as follows:

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Customer I	3,082,776	N/A*	N/A*
Customer II	3,067,227	2,036,468	3,618,049
Customer III	2,442,475	2,049,999	N/A*
Customer IV	1,651,213	2,968,423	N/A*
Customer V	N/A*	N/A*	2,487,259
Customer VI	N/A*	N/A*	1,725,000

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the reporting period.

Geographical information

The Group principally operates in Singapore, which is also the place of domicile. Revenue derived from Singapore represents 99.3%, 98.8% and 97.5% of total revenue for the years ended 30 June 2015, 2016 and 2017, respectively, based on the location of products and services are delivered and the Group’s property, plant and equipment are all located in Singapore.

7. a. Other Income

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Dividend income from available-for-sale financial assets	–	40,500	27,000
Government grants (<i>note</i>)	23,160	10,139	13,430
Interest income	–	–	118
Others	–	–	7,920
	<u>23,160</u>	<u>50,639</u>	<u>48,468</u>

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Note:

Government grants mainly include the Wage Credit Scheme, the Productivity and Innovation Credit Scheme (“PIC”) and the Temporary Employment Credit, all of them are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.

Included in the amounts are S\$13,628, S\$3,289 and S\$3,517, representing grants received under the Wage Credit Scheme for the years ended 30 June 2015, 2016 and 2017 respectively. Under this credit scheme, the government provides assistance to Singapore-registered businesses by way of co-funding 40%, 20% and 20% of wage increases given to Singapore Citizen employees earning a gross monthly wage of S\$4,000 and below in 2015, 2016 and 2017, respectively.

During the year ended 30 June 2015, S\$9,340 grants under the PIC was received. Under this scheme, the government provides 60% cash payout rate for qualifying expenditure for the year.

During the years ended 30 June 2016 and 2017, the Group received S\$6,850 and S\$8,332 grants under the Temporary Employment Credit respectively. Under the Temporary Employment Credit scheme, the government provides assistance to alleviate business costs due to increases in contribution rates of employee’s national saving schemes.

b. Other Gains

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Gain arising on disposal of property, plant and equipment	–	–	5,314
Gain arising on disposal of available-for-sale financial assets	–	–	127,511
	<u>–</u>	<u>–</u>	<u>132,825</u>

8. Finance Costs

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
<i>Interest on:</i>			
Obligation under finance leases	<u>2,327</u>	<u>225</u>	<u>–</u>

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9. Profit before Taxation

Profit before taxation has been arrived at after charging:

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Auditor’s remuneration	–	–	–
Depreciation of property, plant and equipment			
– Recognised as cost of services/sales	50,452	49,005	72,958
– Recognised as administrative expenses	<u>27,819</u>	<u>27,248</u>	<u>25,624</u>
	<u>78,271</u>	<u>76,253</u>	<u>98,582</u>
Directors’ and chief executive’s remuneration (Note 11)	221,535	326,090	326,111
Other staff costs			
– Salaries and other benefits	2,178,058	1,588,378	1,879,868
– Contributions to CPF	<u>119,435</u>	<u>116,198</u>	<u>124,069</u>
Total staff costs	<u>2,519,028</u>	<u>2,030,666</u>	<u>2,330,048</u>
Cost of materials recognised as cost of services/sales	2,574,082	1,308,611	2,505,649
Subcontractor costs recognised as cost of services/sales	<u>3,365,032</u>	<u>2,623,849</u>	<u>3,221,925</u>

10. Income Tax Expense

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Tax expense comprises:			
Current tax			
– Singapore corporate income tax (“CIT”)	653,020	338,158	908,740
Deferred tax expense (Note 23)	<u>555</u>	<u>2,209</u>	<u>9,024</u>
	<u>653,575</u>	<u>340,367</u>	<u>917,764</u>

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Singapore CIT is calculated at 17% of the estimated assessable profit and Hwa Koon is further eligible for CIT rebate of 50%, capped at S\$20,000 and S\$25,000 for the Years of Assessment 2016 and 2017 respectively, and 20%, capped at \$10,000 for Year of Assessment 2018, determined based on financial year end date of the company. Hwa Koon can also enjoy 75% tax exemption on the first S\$10,000 of chargeable income and a further 50% tax exemption on the next S\$290,000 of chargeable income. Hwa Koon is entitled to additional 300% tax deductions/allowances for qualified capital expenditures and operating expenses under the PIC scheme in Singapore for the year of assessment of 2015, 2016 and 2017.

The taxation for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Profit before taxation	<u>4,120,338</u>	<u>3,021,291</u>	<u>6,068,386</u>
Tax at applicable tax rate of 17%	700,457	513,619	1,031,626
Tax effect of expenses not deductible for tax purpose	3,010	3,347	1,987
Tax effect of income not taxable for tax purpose	–	(6,885)	(26,267)
Effect of tax concessions and partial tax exemption	<u>(49,892)</u>	<u>(169,714)</u>	<u>(89,582)</u>
Taxation for the year	<u>653,575</u>	<u>340,367</u>	<u>917,764</u>

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11. Directors’ and Chief Executive’s Emoluments and Employees’ Remuneration

Directors’ and chief executive’s emoluments

Mr. Ang, Mr. Koh and Mr. Ong were appointed as directors of the Company on 18 August 2017 respectively.

The emoluments paid or payable to the directors and chief-executive of the Company (including emoluments for services as employee/directors of the Group prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follows:

Details of the emoluments paid to each of the directors and chief executive of the Company are as follows:

Year ended 30 June 2015

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to CPF S\$	Total S\$
Directors					
Mr. Ang	100,000	-	-	-	100,000
Mr. Koh	20,000	-	91,500	10,035	121,535
	<u>120,000</u>	<u>-</u>	<u>91,500</u>	<u>10,035</u>	<u>221,535</u>

Year ended 30 June 2016

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to CPF S\$	Total S\$
Directors					
Mr. Ang	-	-	114,000	5,925	119,925
Mr. Koh	-	-	96,000	11,355	107,355
Mr. Ong	-	-	85,188	13,622	98,810
	<u>-</u>	<u>-</u>	<u>295,188</u>	<u>30,902</u>	<u>326,090</u>

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Year ended 30 June 2017

	Fees S\$	Discretionary bonus S\$	Salaries and allowances S\$	Contributions to CPF S\$	Total S\$
Directors					
Mr. Ang	104,500	-	9,500	461	114,461
Mr. Koh	-	-	97,350	12,375	109,725
Mr. Ong	-	-	87,000	14,925	101,925
	<u>104,500</u>	<u>-</u>	<u>193,850</u>	<u>27,761</u>	<u>326,111</u>

- (i) Mr. Koh acts as chief executive of the Company with effect from 18 August 2017.
- (ii) No other retirement benefits were paid to the above directors in respect of their respective services in connection with the management of the affairs of the Group.

During the Track Record Period, no remuneration was paid by the Group to the director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. Each of the directors has not waived or agreed to waive any remuneration during the Track Record Period.

Employees’ remuneration

One, three and three directors are included in the remunerations of the five highest paid individuals during the year ended 30 June 2015, 2016 and 2017, respectively. Details of the remuneration for the remaining highest paid employees who are not directors of the Company are as follows:

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Salaries and allowances	299,300	192,000	192,000
Discretionary bonus*	119,200	66,500	56,500
Contribution to retirement benefits scheme	<u>35,270</u>	<u>14,900</u>	<u>15,930</u>
	<u>453,770</u>	<u>273,400</u>	<u>264,430</u>

* *The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group’s performance.*

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The number of the highest paid individuals, who are not directors of the Company, whose remuneration within the following bands were as follows:

	Number of employees		
	2015	2016	2017
Emolument bands			
Nil to HK\$1,000,000 (in equivalent to approximately to S\$180,000)	<u>4</u>	<u>2</u>	<u>2</u>

During the Track Record Period, no remuneration was paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Dividend

During each of the three years ended 30 June 2017, Hwa Koon declared S\$2,500,000, S\$1,300,000 and S\$2,000,000 dividends to its then shareholders.

No dividend was paid or declared by the Company since its incorporation.

The rate of dividend and number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

13. Earnings Per Share

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Track Record Period that is prepared on a combined basis as set out in Note 2.

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14. Property, Plant and Equipment

	Plant and machinery	Properties	Computer and office equipment	Motor vehicles	Furniture and fittings	Total
	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$
<i>Cost</i>						
At 1 July 2014	41,708	631,290	56,091	254,454	30,112	1,013,655
Additions	<u>2,210</u>	<u>-</u>	<u>1,543</u>	<u>-</u>	<u>240</u>	<u>3,993</u>
At 30 June 2015	43,918	631,290	57,634	254,454	30,352	1,017,648
Additions	<u>4,743</u>	<u>-</u>	<u>5,501</u>	<u>89,153</u>	<u>-</u>	<u>99,397</u>
At 30 June 2016	48,661	631,290	63,135	343,607	30,352	1,117,045
Additions	308	-	53,667	90,800	15,080	159,855
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,200)</u>	<u>-</u>	<u>(39,200)</u>
At 30 June 2017	<u>48,969</u>	<u>631,290</u>	<u>116,802</u>	<u>395,207</u>	<u>45,432</u>	<u>1,237,700</u>
<i>Accumulated Depreciation</i>						
At 1 July 2014	24,157	103,267	18,514	111,171	19,889	276,998
Charge for the year	<u>8,086</u>	<u>11,691</u>	<u>10,649</u>	<u>42,365</u>	<u>5,480</u>	<u>78,271</u>
At 30 June 2015	32,243	114,958	29,163	153,536	25,369	355,269
Charge for the year	<u>5,153</u>	<u>11,691</u>	<u>10,778</u>	<u>43,852</u>	<u>4,779</u>	<u>76,253</u>
At 30 June 2016	37,396	126,649	39,941	197,388	30,148	431,522
Charge for the year	3,680	11,691	13,095	69,276	840	98,582
Elimination on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,200)</u>	<u>-</u>	<u>(39,200)</u>
At 30 June 2017	<u>41,076</u>	<u>138,340</u>	<u>53,036</u>	<u>227,464</u>	<u>30,988</u>	<u>490,904</u>
<i>Carrying Values</i>						
At 30 June 2015	<u>11,675</u>	<u>516,332</u>	<u>28,471</u>	<u>100,918</u>	<u>4,983</u>	<u>662,379</u>
At 30 June 2016	<u>11,265</u>	<u>504,641</u>	<u>23,194</u>	<u>146,219</u>	<u>204</u>	<u>685,523</u>
At 30 June 2017	<u>7,893</u>	<u>492,950</u>	<u>63,766</u>	<u>167,743</u>	<u>14,444</u>	<u>746,796</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives after taking into account the residual values:

Plant and machinery	5 years
Properties	54 years
Computer and office equipment	5 years
Motor vehicles	5 years
Furniture and fittings	5 years

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The carrying value of below items are assets held under finance leases:

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Motor vehicles	<u>100,918</u>	<u>–</u>	<u>–</u>

15. Available-for-sale Financial Assets

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Listed equity securities in Singapore	<u>–</u>	<u>1,510,000</u>	<u>–</u>

During the financial year ended 30 June 2017, the Group disposed of all available-for-sale investments. The cumulative fair value change arising on the revaluation of available-for-sale financial assets accumulated in the other comprehensive income in prior year has been reclassified to profit or loss upon disposal.

16. Trade Receivables

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Trade receivables	1,790,439	2,278,721	3,332,464
Retention receivable (<i>note</i>)	155,639	16,189	145,401
Unbilled revenue	<u>22,724</u>	<u>27,249</u>	<u>–</u>
	<u>1,968,802</u>	<u>2,322,159</u>	<u>3,477,865</u>

Note: The balances at 30 June 2015, 2016 and 2017 are all aged within one year, representing retention monies withheld by customers relating to provision of Integrated design and building services that will be released after the completion of maintenance period of the relevant contracts, and are classified as current as they are expected to be received within the Group’s normal operating cycle.

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The Group grants credit terms to customers typically ranging from 30 to 90 days from the invoice date for trade receivables to all customers. The following is an analysis of trade receivables by age presented based on the invoice date at the end of each reporting period:

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Within 30 days	1,217,188	1,639,836	1,180,156
31 days to 60 days	112,275	351,896	600,421
61 days to 90 days	70,433	117,133	749,595
91 days to 180 days	19,574	165,336	475,557
181 days to 1 year	148,516	4,520	326,735
Over 1 year but not more than 2 years	<u>222,453</u>	<u>–</u>	<u>–</u>
	<u>1,790,439</u>	<u>2,278,721</u>	<u>3,332,464</u>

The carrying values of trade receivables approximate their fair values.

Included in the Group’s trade receivables are aggregate carrying amounts of approximately S\$450,288, S\$219,902 and S\$1,306,678 which are past due at 30 June 2015, 2016 and 2017, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer.

Aging of trade receivables which are past due but not impaired based on invoice date at each reporting date:

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Within 30 days	–	184	–
31 days to 60 days	57,940	2,033	28,516
61 days to 90 days	1,805	47,829	475,870
91 days to 180 days	19,574	165,336	475,557
181 days to 1 year	148,516	4,520	326,735
Over 1 year but not more than 2 years	<u>222,453</u>	<u>–</u>	<u>–</u>
	<u>450,288</u>	<u>219,902</u>	<u>1,306,678</u>

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Allowance for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts, determined by reference to individual customer’s credit quality. In determining the recoverability of trade receivables, the management of the Group considers any change in the credit quality of the trade receivables from the initial recognition date to the end of each reporting period. In the opinion of the management of the Group, the trade receivables at the end of each reporting period are of good credit quality which considering the high credibility of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

The Group does not charge interest or hold any collateral over these balances.

17. Other Receivables, Deposits and Prepayments

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Deposits	48,150	82,165	55,320
Prepayments	3,010	2,905	6,995
Others	<u>1,435</u>	<u>–</u>	<u>14,670</u>
	<u>52,595</u>	<u>85,070</u>	<u>76,985</u>

18. Amounts due from (to) Customers for Construction Work

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Contract costs incurred plus recognised profits			
less recognised losses	583,093	2,739,338	5,791,440
Less: progress billings	<u>(306,106)</u>	<u>(1,550,005)</u>	<u>(3,598,376)</u>
	<u>276,987</u>	<u>1,189,333</u>	<u>2,193,064</u>
<i>Analysed for reporting purposes as:</i>			
Amounts due from customers			
for construction work	305,274	1,494,180	2,193,064
Amounts due to customers			
for construction work	<u>(28,287)</u>	<u>(304,847)</u>	<u>–</u>
	<u>276,987</u>	<u>1,189,333</u>	<u>2,193,064</u>

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19. Amounts due from (to) Related Parties/directors

a. Amounts due from related parties

	As at 1 July 2014 S\$	As at 30 June 2015 S\$	As at 30 June 2016 S\$	2017 S\$
Analysed as:				
<i>Non-trade related*</i>				
– Mr. Ong Cher Tiok	–	–	346,982	–
<i>Trade related</i>				
– Shieldtech Engineering & Construction Sdn. Bhd. (“Shieldtech”)		50,756	–	–
		<u>50,756</u>	<u>346,982</u>	<u>–</u>

Mr. Ong’s father – Mr. Ong Cher Tiok, who held equity interest in Hwa Koon on trust for the benefit of Mr. Ong until the interest were transferred to Mr. Ong on 24 April 2017, has controlling equity interest in Shieldtech.

The Group granted Shieldtech a credit period for sale of goods of 30 days from the invoice date. The following is an aged analysis of trade related amount due from the related party presented based on the invoice date at the end of each reporting period:

	As at 30 June 2015 S\$	As at 30 June 2016 S\$	2017 S\$
Within 90 days	<u>50,756</u>	<u>–</u>	<u>–</u>

* The balance as at 30 June 2016 is non-trade related, unsecured, non-interest bearing and without a fixed repayment term. The maximum amounts outstanding during the years ended 30 June 2014, 2015, 2016 and 2017 were nil, nil, S\$346,982 and S\$346,982 respectively.

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b. Amounts due to related parties

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Analysed as:			
<i>Non-trade related*</i>			
– Mr. Ong Cher Tiok	697,662	–	–
<i>Trade related</i>			
– Shieldtech	5,900	–	–
	<u>703,562</u>	<u>–</u>	<u>–</u>

The average credit period for provision of services is 30 days. The aging of trade related amount due to the related company presented based on the invoice date at the end of each reporting period is as follows:

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Within 90 days	<u>5,900</u>	<u>–</u>	<u>–</u>

* At 30 June 2015, the amount included dividend payable amounting to S\$625,000. The balance as at 30 June 2015 is non-trade related, unsecured, non-interest bearing and without a fixed repayment term.

c. Amounts due to directors

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Mr. Ang	499,424	463,251	–
Mr. Koh	416,119	162,319	–
Mr. Ong	–	95,400	–
	<u>915,543</u>	<u>720,970</u>	<u>–</u>

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At 30 June 2015 and 2016, the amount included dividend payables amounting to S\$877,450 and S\$672,660.

The balances as at 30 June 2015 and 30 June 2016 are non-trade related, unsecured, non-interest bearing and without a fixed repayment term.

20. Cash and Bank Balances

Other than approximately S\$59,660 included in the bank balances at 30 June 2017 which carries interest rate of 0.78% per annum, the remaining bank balances at 30 June 2015, 2016 and 2017 are not interest bearing.

21. Trade and Other Payables

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Trade payables	192,887	836,495	1,093,110
Trade accruals	<u>479,989</u>	<u>160,909</u>	<u>39,306</u>
	<u>672,876</u>	<u>997,404</u>	<u>1,132,416</u>
Accrued operating expenses	12,081	6,383	65,677
Other payables			
Advanced billing	6,600	11,104	–
Goods and Services Tax ("GST") payable	96,200	103,000	93,615
Payroll and CPF payable	46,067	59,979	115,435
Others	<u>11,813</u>	<u>24,902</u>	<u>7,874</u>
	<u>845,637</u>	<u>1,202,772</u>	<u>1,415,017</u>

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The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Within 90 days	192,887	826,984	1,093,110
91 days to 180 days	<u>—</u>	<u>9,511</u>	<u>—</u>
	<u>192,887</u>	<u>836,495</u>	<u>1,093,110</u>

The credit period on purchases from suppliers and subcontractors is between 14 to 90 days or payable upon delivery.

22. Obligations under Finance Leases

	Minimum lease payments			Present value of minimum lease payments		
	As at 30 June			As at 30 June		
	2015	2016	2017	2015	2016	2017
	S\$	S\$	S\$	S\$	S\$	S\$
Amounts payable under finance leases						
– Within one year	<u>16,002</u>	<u>—</u>	<u>—</u>	<u>15,777</u>	<u>—</u>	<u>—</u>
Less: future finance charges	<u>(225)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>15,777</u>	<u>—</u>	<u>—</u>	<u>15,777</u>	<u>—</u>	<u>—</u>
Less: Amount due for settlement within one year (shown under current liabilities)				<u>(15,777)</u>	<u>—</u>	<u>—</u>
Amount due for settlement after one year				<u>—</u>	<u>—</u>	<u>—</u>

Interest rates underlying the obligations under finance leases are fixed at respective contract dates during the Track Record Period:

	Year ended 30 June		
	2015	2016	2017
Interest rate per annum	<u>6%</u>	<u>6%</u>	<u>—</u>

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The Group’s obligations under finance leases are secured by the lessor’s charge over the leased assets (*Note 14*). The charges is released upon settlement of the lease payables during the year ended 30 June 2016.

23. Deferred Tax Liabilities

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
As at 1 July	13,864	14,419	16,628
Charged to profit or loss for the year:			
– Accelerated tax depreciation	<u>555</u>	<u>2,209</u>	<u>9,024</u>
As at 30 June	<u><u>14,419</u></u>	<u><u>16,628</u></u>	<u><u>25,652</u></u>

The deferred tax liabilities resulted from temporary taxable differences arising from accelerated depreciation in relation to capital allowance claims on qualified assets in accordance with prevailing tax laws in Singapore.

24. Share Capital

At 30 June 2015, 2016 and 2017, the balances represent share capital of Hwa Koon.

During the year ended 30 June 2016, Hwa Koon capitalised and appropriated the sum of up to \$500,000 being part of the sum standing to the credit of the Hwa Koon’s reserve account and to apply such sum to paying up in full 500,000 new ordinary shares at no par value. These shares were issued to then shareholders in proportion to their shareholding held by each of them at the date of issuance.

25. Operating Lease Commitments

The Group as lessee

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Minimum lease payments paid during each of the year under operating lease in respect of staff dormitories	<u><u>42,120</u></u>	<u><u>43,290</u></u>	<u><u>72,120</u></u>

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Future minimum rental payable under non-cancellable leases as at the end of reporting period are as follows:

	As at 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Within one year	39,600	39,600	78,000
After one year but within two years	<u>–</u>	<u>–</u>	<u>12,800</u>
	<u>39,600</u>	<u>39,600</u>	<u>90,800</u>

The leases have tenures ranging from one to two years. The lease payments are fixed over the lease term and no contingent rent provision is included in the contracts.

26. Retirement Benefit Plan

As prescribed by the Central Provident Fund Board of Singapore, the Group’s employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For the years ended 30 June 2015, 2016 and 2017, the Group contributes up to 16%, 17% and 17% of the eligible employees’ salaries to the CPF scheme. Each of employee’s qualifying salary is capped at S\$5,000 per month prior to 1 January 2016, and are adjusted to S\$6,000 per month afterwards.

The total costs charged to profit or loss, amounting to S\$129,470, S\$147,100 and S\$151,830 for the years ended 30 June 2015, 2016 and 2017 respectively, represent contributions paid to the retirement benefits scheme by the Group.

As at 30 June 2015, 2016 and 2017, contributions of S\$20,373, S\$26,640 and S\$23,879 were due respectively but had not been paid to the CPF. The amounts were paid subsequent to the end of the respective years.

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27. Related Party Transactions

Apart from disclosures made in Notes 11 and 19, the Group entered into the following transactions with related parties during the Track Record Period:

a. Sales

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Shieldtech	50,756	–	85,500
BRC Global Pte. Ltd. (“BRC Global”) (note)	–	8,900	9,350
	<u>50,756</u>	<u>8,900</u>	<u>94,850</u>

b. Purchases/Services/Subcontracting Services Received

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Shieldtech	5,900	–	–
BRC Global (note)	–	222,500	743,421
	<u>5,900</u>	<u>222,500</u>	<u>743,421</u>

Note: Mr. Ong was formerly a director of and held 33.33% equity interest in BRC Global. In March 2017, Mr. Ong resigned from his directorship and disposed of all his equity interest in BRC Global and the company is no longer regarded as a related party to the Group since then.

c. Funding arrangement

During the years ended 30 June 2015, 2016 and 2017, the Group received funds from directors amounting to S\$40,087, S\$10,217 and S\$801,690, respectively, all of which are non-interest bearing, unsecured and repayable on demand.

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d. Personal guarantee

During the year ended 30 June 2017 and as at the year then ended, Mr. Ong provided his personal fixed deposits account of approximately S\$174,000 as pledge to a bank in Singapore for a performance guarantee in benefit to the Group.

e. Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during each year of the Track Record Period were as follows:

	Year ended 30 June		
	2015	2016	2017
	S\$	S\$	S\$
Short-term benefits	842,425	432,580	447,470
Post-employment benefits	<u>21,817</u>	<u>44,110</u>	<u>42,481</u>
	<u>864,242</u>	<u>476,690</u>	<u>489,951</u>

28. Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes advances from the directors and obligation under finance leases, as disclosed in Notes 19c and 22, respectively, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital and reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of items in the context of capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

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29. Financial Instruments

Categories of financial instruments

	2015	2016	2017
	S\$	S\$	S\$
Financial assets			
<i>– Loans and receivables</i>			
Trade receivables	1,968,802	2,322,159	3,477,865
Other receivables and deposits*	49,585	82,165	69,990
Amounts due from related parties	50,756	346,982	–
Bank balances and cash	<u>3,751,835</u>	<u>1,095,434</u>	<u>4,011,269</u>
	5,820,978	3,846,740	7,559,124
<i>– Available-for-sale financial assets</i>			
Listed equity investments	<u>–</u>	<u>1,510,000</u>	<u>–</u>
	<u>5,820,978</u>	<u>5,356,740</u>	<u>7,559,124</u>
Financial liabilities			
<i>– Amortised cost</i>			
Trade and other payables [#]	742,837	1,088,668	1,321,402
Amounts due to related parties	703,562	–	–
Amounts due to directors	<u>915,543</u>	<u>720,970</u>	<u>–</u>
	2,361,942	1,809,638	1,321,402
Obligation under finance leases	<u>15,777</u>	<u>–</u>	<u>–</u>
	<u>2,377,719</u>	<u>1,809,638</u>	<u>1,321,402</u>

* *Prepayments are excluded*

GST payables and advance billing are excluded

Financial risk management objectives

The Group’s major financial instruments include available-for-sale financial assets, trade and other receivables, amounts due from/to related parties/directors, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) *Market risk*

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has assessed there is minimal exposure of the interest rate risk on the variable rate of interest earned in the bank balance. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance leases. It is the Group’s policy to raise borrowings at fixed-rate or variable-rate according to business needs and as to minimise the fair value and cash flow interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity of interest rate risk is prepared as the Group has no material variable interest bearing financial instruments.

Currency risk

The Group has certain trade receivables and payables denominated in United States dollar (“US\$”) and Malaysia Ringgit (“MYR”) other than the functional currency of respective group companies, which exposes the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rate.

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The carrying amounts of the Group’s monetary assets and liabilities denominated in foreign currencies at the end of reporting period is as below:

	2015	2016	2017
	S\$	S\$	S\$
Monetary assets			
– denominated in US\$	–	–	<u>253,289</u>
Monetary liabilities			
– denominated in MYR	–	–	<u>15,981</u>

Sensitivity analysis

If the US\$ strengthens/weakens by 10% against the functional currency of respective group companies, the Group’s profit for the year ended 30 June 2017 would increase/decrease by S\$21,023.

If the MYR strengthens/weakens by 10% against the functional currency of respective group entity, the Group’s profit for the year ended 30 June 2017 would decrease/increase by S\$1,326.

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the years.

Price risk

At 30 June 2016, the Group is exposed to equity price risk through its available-for-sale financial assets representing investments in Singapore listed equity securities. The management of the Group manages the exposure by maintaining a portfolio of investment with different risks.

Sensitivity analysis

If the price of respective equity instruments had been 10% higher/lower, the “available-for-sale financial assets reserve” at 30 June 2016 would increase/decrease by approximately S\$133,000 for the Group as a result of the changes in fair value of respective listed securities.

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In the management’s opinion, the sensitivity analysis is unrepresentative of the inherence price risk as the year end exposure does not reflect the exposure during the year.

(b) Credit risk

The Group’s concentration of credit risk by geographical locations is mainly in Singapore, which accounted for 100% of the total financial assets as at 30 June 2015, 2016 and 97% as at 30 June 2017.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer’s credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group’s credit risk is significantly reduced.

Approximately 89%, 96% and 73% of total trade receivables outstanding at 30 June 2015, 2016 and 2017 were due from top 5 customers which exposed the Group to concentration of credit risk.

Those five largest customers are with good creditworthiness based on historical settlement record. In order to minimise the concentration of credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group’s exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, management of the Group considers that the Group’s credit risk is significantly reduced.

Other than concentration of credit risk on bank balances, placed in two, three and three banks as at 30 June 2015, 2016 and 2017, which the counterparties are financially sound, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

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The credit risk in respect of amounts due from related parties are minimal as the Group keeps close monitoring procedures to collect the debts.

At the end of each reporting period, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

	Weighted average interest rate	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	Total undiscounted cash flows S\$	Carrying amount S\$
<i>As at 30 June 2015</i>						
<i>Non-interest bearing</i>						
Trade and other payables	N/A	742,837	-	-	742,837	742,837
Amounts due to related parties	N/A	703,562	-	-	703,562	703,562
Amount due to directors	N/A	915,543	-	-	915,543	915,543
<i>Interest bearing</i>						
Obligation under finance lease	6%	9,965	4,542	1,495	16,002	15,777
		<u>2,371,907</u>	<u>4,542</u>	<u>1,495</u>	<u>2,377,944</u>	<u>2,377,719</u>

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	Weighted average interest rate	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	Total undiscounted cash flows S\$	Carrying amount S\$
As at 30 June 2016						
<i>Non-interest bearing</i>						
Trade and other payables	N/A	1,088,668	-	-	1,088,668	1,088,668
Amounts due to directors	N/A	<u>720,970</u>	<u>-</u>	<u>-</u>	<u>720,970</u>	<u>720,970</u>
		<u>1,809,638</u>	<u>-</u>	<u>-</u>	<u>1,809,638</u>	<u>1,809,638</u>

	Weighted average interest rate	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	Total undiscounted cash flows S\$	Carrying amount S\$
As at 30 June 2017						
<i>Non-interest bearing</i>						
Trade and other payables	N/A	<u>1,321,402</u>	<u>-</u>	<u>-</u>	<u>1,321,402</u>	<u>1,321,402</u>

(d) *Fair value*

Fair value of the Group’s financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Groups considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

Fair value of the Group’s financial assets that are measured at fair value on recurring basis

The available-for-sale financial assets are measured at fair value for financial reporting purpose. In estimating the fair value, the Group uses market-observable data to the extent it is available.

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Fair value hierarchy

	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$
At 30 June 2016				
<i>Financial assets</i>				
Available-for-sale financial assets				
- listed securities	<u>1,510,000</u>	<u>-</u>	<u>-</u>	<u>1,510,000</u>

The fair value is determined by reference to the quoted bid prices in an active market.

There were no transfer between Level 1 and 2 during the Track Record Period.

30. Non-cash Transactions

During the year ended 30 June 2015, (i) an amount of S\$88,419, being receivable from Mr. Ong Cher Tiok, was set off with the payables to him; (ii) an amount of S\$997,550 was set off between amounts due from and dividend payables to Mr. Ang.

During the year ended 30 June 2016, (i) Shieldtech set off its receivable from the Group amounting to S\$5,900 to its payable to the Group, (ii) an amount of S\$44,856 was set off between amounts due from/to Mr. Ong Cher Tiok.

31. Contingent Liabilities

As at 30 June 2017, the Group has provided guarantee to a customer in respect of performance bonds in favor of the customer amounting to approximately S\$174,000.

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32. Particulars of Subsidiaries

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and the date of incorporation	Issued and fully paid capital	Equity interest attributable to the Company as at 30 June			As at the date of this report	Principal activities	Notes
			2015	2016	2017			
<i>Directly held:</i>								
Philosophy Global	BVI, 29 May 2017	N/A	N/A	N/A	N/A	100%	Investment holding	(a)
<i>Indirectly held:</i>								
Hwa Koon	Singapore, 5 April 1994	SS1,000,000	100%	100%	100%	100%	Provision of integrated design and building services	(b)

All subsidiaries now comprising the Group are limited liability companies and have adopted 30 June as their financial year end date.

Notes:

- (a) No audited financial statements of Philosophy Global has been prepared since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirements.
- (b) The statutory financial statements of Hwa Koon for the year ended 30 June 2015, 2016 and 2017 were prepared in accordance with Singapore Financial Reporting Standards (“SFRSs”) issued by Accounting Standards Council in Singapore and were audited by Chan Kok Poh & Company, S.H. NG & Co., Deloitte & Touche LLP for the year ended 30 June 2015, 2016 and 2017 respectively, all are Public Accountants and Chartered Accountants registered in Singapore.

33. Subsequent Events

The following events and transactions took place subsequent to 30 June 2017:

[•]

34. Subsequent Financial Statements

No audited financial statement of the Company, any of its subsidiaries or the Group has been prepared in respect of any period subsequent to 30 June 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the accountants’ report on the historical financial information of the Group for each of the three years ended 30 June 2017 (the “Track Record Period”) (the “Accountants’ Report”) prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this Document, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountants’ Report set out in Appendix I to this Document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules is for illustration only, and is set out in this appendix to illustrate the effect of the proposed [REDACTED] and [REDACTED] of the Company’s shares (“[REDACTED]”) on the adjusted combined net tangible assets of the Group as at 30 June 2017, as if [REDACTED] had taken place on such date.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 30 June 2017 or any future dates following the [REDACTED].

The following unaudited pro forma adjusted combined net tangible assets of the Group is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 as set out in Appendix I to this document, and adjusted as described below.

Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 S\$ (Note 1)	Estimated net proceeds from the proposed [REDACTED] S\$ (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 S\$ (Note 3)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 per Share S\$ HK\$ (Note 3) (Note 4)
Based on [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u> <u>[REDACTED]</u> <u>[REDACTED]</u>
Based on [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u> <u>[REDACTED]</u> <u>[REDACTED]</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company is derived from the net assets of the Group as set out in the Accountants’ Report set out in Appendix I to this Document.
- (2) The estimated net proceeds from the issue of the new Shares pursuant to the proposed [REDACTED] are based on [REDACTED] new Shares at the [REDACTED] of lower limit and upper limit of HK\$[REDACTED] and HK\$[REDACTED] per new Share, respectively, after deduction of the associated [REDACTED] and fees and other related expenses.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the sections headed “General mandate to issue Shares” or “General mandate to repurchase Shares” in this Document. The estimated net proceeds from the proposed [REDACTED] are converted from Hong Kong dollars into Singapore dollars at an exchange rate of S\$1.00 to HK\$5.67. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to Singapore dollars, or vice versa, at that rate or at all.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 per Share is calculated based on [REDACTED] Shares, being Shares in issue immediately following Group Reorganisation and after the completion of the proposed [REDACTED] and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the sections headed “General mandate to issue Shares” or “General mandate to repurchase Shares” in this Document.
- (4) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 per Share is converted from Singapore dollars into Hong Kong dollars at the rate of S\$1.00 to HK\$5.67. No representation is made that the Singapore dollars amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017.

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 August 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [•]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

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The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

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If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

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At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

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- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

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Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

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(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

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(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

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- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

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(d) **Meetings of member**

(i) ***Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) ***Voting rights and right to demand a poll***

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

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(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

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(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

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(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

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(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

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Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

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(g) Inspection of corporate records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

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If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 18 August 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

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(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

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(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

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(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

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- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from [•].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

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(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

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In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

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(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 18 August 2017. Our Company has established a principal place of business in Hong Kong at Suites 1604-6, 16/F, ICBC Tower, 3 Garden Road, Central, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [•]. In connection with such registration, Mr. Koh Lee Huat of 301 Jalan Bukit Ho Swee, #11-04, Meraprim, Singapore (169568) and Ms. Cheng Florence Ga Sui of Flat E, 32/F, Tung Shing Terrace, 39 Bridges Street, Mid-levels, Hong Kong, our company secretary, has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this document.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares with par value of HK\$0.01 each. On 18 August 2017, one nil-paid subscriber Share was allotted and issued to the initial subscriber pursuant to the memorandum and articles of association of our Company, which was subsequently transferred to Skylight Illumination on the same date.
- (b) On [•] 2017, Mr. Ang, Mr. Ong and Mr. Koh transferred [102], [68] and [30] ordinary shares respectively in Philosophy Global to our Company. As settlement of the consideration, our Company allotted and issued [9,999] new Shares to Skylight Illumination, all credited as fully paid, and credited as fully paid at par the one nil-paid Share held by Skylight Illumination.
- (c) Pursuant to the written resolutions of the then sole Shareholder passed on [•] 2017, the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 ordinary shares of par value HK\$0.01 each to HK\$[15,000,000] divided into [1,500,000,000] ordinary shares of par value HK\$0.01 each, by the creation of an additional [1,490,000,000] Shares.

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- (d) Immediately following completion of the [REDACTED] and the Capitalisation Issue (but without taking into account any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$[15,000,000] divided into [1,500,000,000] Shares and the issued share capital of our Company will be HK\$[REDACTED] divided into [REDACTED] Shares fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued. Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraph headed “3. Resolutions in writing of the then sole Shareholder passed on [•] 2017” in this appendix and the allotment and issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in its general meeting, no issue of shares will be made which would effectively alter the control of our Company.

Save as disclosed in this document, there has been no alteration in our Company’s share capital since its incorporation.

3. Resolutions in writing of the then sole Shareholder passed on [•] 2017

Pursuant to the resolutions in writing passed by the then sole Shareholder on [•], among other matters:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) our Company increased its authorised share capital from HK\$100,000 divided into 10,000,000 ordinary shares of par value HK\$[0.01] each to HK\$[15,000,000] divided into [1,500,000,000] ordinary shares of par value HK\$[0.01] each by creation of [1,490,000,000] additional ordinary shares of par value HK\$[0.01] each, which shall, when issued and paid, rank *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;

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- (c) conditional on (i) the Stock Exchange granting the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document on the Stock Exchange; (ii) the [REDACTED] having been executed by the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company and becoming effective on the [REDACTED]; and (iii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including the waiver of any condition(s) by the sponsor and/or the [REDACTED] (for itself and on behalf of the [REDACTED])) and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case, on or before the dates and times specified in the [REDACTED] (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this document;
- (i) the [REDACTED] was approved and our Directors were authorised to allot and issue the new Shares under the [REDACTED];
- (ii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the [REDACTED] by our Company pursuant to the [REDACTED], our Directors were authorised to capitalise HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for allotment and issue to the Shareholder(s) whose name(s) appear on the register of members or the principal share register of our Company at the close of business on [•] (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their respective shareholdings in our Company, and the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;
- (iii) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the [REDACTED] or the Capitalisation Issue) Shares or securities convertible into Shares with a total number of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (bb) the total number of Shares which may be purchased by our

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Company pursuant to the authority granted to our Directors in paragraph (iv) below, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (iii), whichever occurs first;

- (iv) a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors to exercise all powers of our Company to purchase on the Stock Exchange the Shares with a total number of not exceeding 10% of the number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (iv), whichever occurs first; and
- (v) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Other information – 1. Share Option Scheme” below, were approved and adopted, and our Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group’s structure in preparation for the [REDACTED] of the Shares on the Stock Exchange. Please see the section headed “History, Development and Reorganisation – Reorganisation” in this document for further details.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in note 32 to the Accountants’ Report, the text of which is set out in Appendix I to this document. Save for the subsidiaries mentioned in the Accountants’ Report, we do not have any other subsidiary. Save as disclosed in the section headed “History, Development and Reorganisation” in this document, there have been no changes to the share capital made by our subsidiaries during the two years preceding the date of this document.

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6. Repurchase of our own securities

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase of Shares by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders’ approval

The Listing Rules provide that all proposed repurchase of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: A general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority given to our Directors, pursuant to the written resolutions passed by the sole Shareholder on [•] 2017.

(ii) Source of funds

Any repurchase of securities by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement of otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

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Any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both of the profits of our Company or our Company’s share premium account, before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement, otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Connected parties

Our Company is prohibited from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person” (as defined in the Listing Rules), which by definition includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(iv) Trading restrictions

Our Company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange up to a maximum of 10% of the number of issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. Our Company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. Our Company is also prohibited from making securities repurchase on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. Our Company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

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(v) Status of repurchased securities

The [REDACTED] of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the certificates of the relevant securities must be cancelled and destroyed. Under Cayman Islands law, shares repurchased by a Cayman Islands company may be treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be taken as reduced.

(vi) Suspension of repurchase

Our Company shall not purchase its Shares on the Stock Exchange at any time after inside information has come to our knowledge until such time as the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not purchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if our Company has breached the Listing Rules.

(vii) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors'

report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. Our Company shall make arrangements with its broker who effects the purchase to provide our Company in a timely manner the necessary information in relation to the purchase made on behalf of the company to enable our Company to report to the Stock Exchange.

(b) *Exercise of the Repurchase Mandate*

On the basis of [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the Capitalisation Issue and taking no account of any Share to be issued upon exercise of any options which may be granted under the Share Option Scheme, our Directors would be authorised under the Repurchase Mandate to repurchase up to [REDACTED] Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(d) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

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(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

No core connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the [REDACTED] falling below [REDACTED] of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) the sale and purchase agreement dated 14 September 2017 entered into among Mr. Ang, Mr. Ong and Mr. Koh as vendors and Philosophy Global as purchaser, pursuant to which Philosophy Global acquired 510,000 shares, 340,000 shares and 150,000 shares of Hwa Koon, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh at the consideration of S\$2,346,000, S\$1,564,000 and S\$690,000, respectively, and in return, Philosophy Global issued and allotted 51 ordinary shares, 34 ordinary shares and 15 ordinary shares, credited as fully paid, to Mr. Ang, Mr. Ong and Mr. Koh, respectively;

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- (b) the sale and purchase agreement dated [•] among Mr. Ang, Mr. Ong and Mr. Koh as vendors and our Company as purchaser pursuant to which our Company acquired [102] ordinary shares, [68] ordinary shares and [30] ordinary shares of Philosophy Global, representing all of its issued shares in aggregate, from Mr. Ang, Mr. Ong and Mr. Koh respectively, which was satisfied by our Company issuing and allotting [9,999] Shares, credited as fully paid, to Skylight Illumination, and crediting as fully paid at par one nil-paid Share held by Skylight Illumination, at the instructions of Mr. Ang, Mr. Ong and Mr. Koh;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-competition; and
- (e) the [REDACTED].

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had not applied for the registration of or registered any trademarks.

(b) Domain name

As at the Latest Practicable Date, our Group was the registered owner of the following domain name, which is material to our Group’s business:

Domain name	Registrant	Expiry date
hwakoon.com	Hwa Koon	30 March 2018

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FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Directors

(a) Particulars of Directors' service contracts

Each of our executive Directors has entered into a service contract with our Company. The principal particulars of these service contracts are (a) each of them agreed to act as an executive Director for an initial term of three years commencing from the [REDACTED], which may be terminated by not less than three months' written notice served by either party on the other, and (b) is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles. Each of our executive Directors is entitled to a fixed basic annual salary as remuneration and director's fee for his services. Our Board shall have the complete discretion whether to grant any increase in the salary and any increase so granted shall take effect from such date as our Board may specify. In addition, each of our executive Directors is also entitled to a discretionary management bonus for the financial year ending 30 June 2018 and onwards as may be determined by our Board at its sole discretion. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him.

Each of our non-executive Director and independent non-executive Directors has signed an appointment letter with our Company. The principal particulars of these appointment letters are (a) each of them agreed to act for an initial term of [one] year commencing from the [REDACTED] with a director's fee, which may be terminated by not less than one month' written notice served by either party on the other, and (b) is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

Save as aforesaid, none of our Directors has or is proposed to have a service contract or an appointment letter with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

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(b) Remuneration of Directors

- (i) The annual salaries of our executive Directors and the annual director's fees of our independent non-executive Directors are as follows:

Name	Annual amount (S\$)
<i>Executive Directors</i>	
Mr. Ong	108,750
Mr. Koh	122,250
<i>Non-executive Directors</i>	
Mr. Ang	142,500
<i>Independent non-executive Directors</i>	
[Mr. Siu Man Ho Simon]	30,000
[Mr. Cheung Kwok Yan Wilfred]	30,000
[Mr. Kee Ah Tee@Kee Swee Ann]	30,000

- (ii) The executive Directors may be granted a discretionary management bonus for the financial year ending 30 June 2018 and onwards at the sole discretion of our Board.
- (iii) For each of FY2014/15, FY2015/16 and FY2016/17, the aggregate of the remuneration (including fees, salaries, contributions to retirement benefit schemes, other allowances and benefits in kind) paid by our Group to our Directors was approximately S\$222,000, S\$326,000 and S\$326,000.
- (iv) Under the arrangements currently in force at the date of this document, the aggregate of the remuneration (excluding discretionary bonus) payable by our Company and other members of our Group to, and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 30 June 2018, are expected to be approximately S\$412,000.
- (v) No amount was paid to, or receivable by, our Directors, for each of the three financial years of our Company immediately preceding the issue of this document as an inducement to join or upon joining our Company.

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- (vi) No compensation was paid to, or receivable by, our Directors (including past Directors) for each of the three financial years of our Company immediately preceding the issue of this document for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (vii) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years of our Company immediately preceding the issue of this document.

(c) *Interests and short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations*

Immediately following completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Long position in the Shares*

Name of Director	Capacity/Nature of interest	Number of Shares held/interested immediately after completion of the [REDACTED] and the Capitalisation Issue	Percentage of shareholding immediately after completion of the [REDACTED] and the Capitalisation Issue
Mr. Ang <i>(Note 1)</i>	Interest in a controlled corporation; interest held jointly with another person	[REDACTED]	[REDACTED]
Mr. Ong <i>(Note 1)</i>	Interest in a controlled corporation; interest held jointly with another person	[REDACTED]	[REDACTED]
Mr. Koh <i>(Note 1)</i>	Interest in a controlled corporation; interest held jointly with another person	[REDACTED]	[REDACTED]

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Note:

1. Skylight Illumination is beneficially owned as to 51% by Mr. Ang, 34% by Mr. Ong and 15% by Mr. Koh. On 7 September 2017, Mr. Ang, Mr. Ong and Mr. Koh entered into the Acting in Concert Confirmation to confirm, among other things, that they had been acting in concert with one another since the date on which they were contemporaneously the beneficial owners of shares and to continue to act in the same manner in our Group upon the [REDACTED]. For details, please refer to the section headed “Relationship with Controlling Shareholders – Acting in Concert Confirmation” in this document. By virtue of the SFO, Mr. Mr. Ang, Mr. Ong and Mr. Koh are deemed to be interested in all the Shares held by Skylight Illumination.

(ii) Long position in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/Nature of interest	Number of share(s) held	Percentage of interest
Mr. Ang	Skylight Illumination (<i>Note 1</i>)	Beneficial owner	51	51%
Mr. Ong	Skylight Illumination (<i>Note 1</i>)	Beneficial owner	34	34%
Mr. Koh	Skylight Illumination (<i>Note 1</i>)	Beneficial owner	15	15%

Note:

1. Skylight Illumination is the direct Shareholder of our Company and is an associated corporation within the meaning of Part XV of the SFO.

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2. Substantial Shareholders

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or chief executive of our Company) will, immediately following completion of the Capitalisation Issue and the [REDACTED], have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries:

Name	Capacity	Number of Shares held/interested immediately after completion of the [REDACTED] and the Capitalisation Issue <i>(Note 1)</i>	Percentage of shareholding immediately after completion of the [REDACTED] and the Capitalisation Issue
Skylight Illumination <i>(Note 2)</i>	Beneficial Owner <i>(Note 3)</i>	[REDACTED]	[REDACTED]
Ms. Ong Bee Eng	Interest of spouse <i>(Note 4)</i>	[REDACTED]	[REDACTED]
Ms. Wang Weling, Joan	Interest of spouse <i>(Note 5)</i>	[REDACTED]	[REDACTED]
Ms. Tan Peck Yen	Interest of spouse <i>(Note 6)</i>	[REDACTED]	[REDACTED]

Note:

1. All interests stated are long positions.
2. Skylight Illumination is beneficially owned as to 51% by Mr. Ang, 34% by Mr. Ong and 15% by Mr. Koh. On 7 September 2017, Mr. Ang, Mr. Ong and Mr. Koh entered into the Acting in Concert Confirmation to confirm, among other things, that they had been acting in concert with one another since the date on which they were contemporaneously the beneficial owners of shares and to continue to act in the same manner in our Group upon the [REDACTED]. For details, see “Relationship with Controlling Shareholders – Acting in Concert Confirmation”. By virtue of the SFO, Mr. Mr. Ang, Mr. Ong and Mr. Koh are deemed to be interested in all the Shares held by Skylight Illumination.
3. Skylight Illumination is the direct Shareholder of our Company.
4. Ms. Ong Bee Eng is the spouse of Mr. Ang. Accordingly, Ms. Ong is deemed or taken to be interested in the Shares Mr. Ang is interested in under the SFO.
5. Ms. Wang Weling, Joan is the spouse of Mr. Ong. Accordingly, Ms. Wang is deemed or taken to be interested in the Shares Mr. Ong is interested in under the SFO.
6. Ms. Tan Peck Yen is the spouse of Mr. Koh. Accordingly, Ms. Tan is deemed or taken to be interested in the Shares Mr. Koh is interested in under the SFO.

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3. Disclaimers

Save as disclosed in this document:

- (a) taking no account of any Shares which may be taken up or acquired under the [REDACTED] or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the [REDACTED] and the Capitalisation Issue will have an interest or short position in our Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other members of our Group;
- (b) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (c) none of the Directors or the experts named in the sub-paragraph headed “Other information – 9. Qualifications and consents of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the three years immediately preceding the issue of this document, acquired or disposed of by or leased any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors or the experts named in the sub-paragraph headed “Other information – 9. Qualifications and consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (e) none of the Directors or the experts named in the sub-paragraph headed “Other information – 9. Qualifications and consents of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

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- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Board and the written resolutions of our then sole Shareholder on [•].

For the purpose of this section, the following expressions have the meanings set out below unless context otherwise requires:

- | | |
|---------------------|---|
| “Adoption Date” | means [•], the date on which the Share Option Scheme is conditionally adopted by our Company by the written resolutions of the Shareholders; |
| “Board” | means our Board from time to time or a duly authorised committee thereof; |
| “Eligible Employee” | means any employee (whether full time or part time employee, including any executive Directors) of our Company, any of its subsidiaries and any Invested Entity; |
| “Grantee” | means any Participant who accepts the offer of the grant of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal representative of such person; |

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“Group”	means our Company and its subsidiaries from time to time and “member(s) of our Group” shall be construed accordingly;
“Invested Entity”	means any entity in which our Group holds any equity interest;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting;
“Option Period”	means in respect of any particular Option, the period during which such Option is exercisable as our Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and that our Board may at its discretion determine the minimum period for which the Option has to be held before the exercise of the Option;
“Participant”	means any person belonging to any of the following classes of participants: <ul style="list-style-type: none">(a) any Eligible Employee;(b) any non-executive director (including independent non-executive directors) of our Company, any of its subsidiaries or any Invested Entity;(c) any supplier of goods or services to any member of our Group or any Invested Entity;(d) any customer of our Group or any Invested Entity;(e) any person or entity that provides research, development or other technological support to our Group or any Invested Entity;(f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

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- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of our Group or any Invested Entity; and
- (h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of our Group, and for the purposes of the Share Option Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust; and

“Scheme Period” means a period commencing on the Adoption Date and ending on the tenth anniversary of the Adoption Date (both dates inclusive).

(a) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity.

(b) Who may join

Subject to Share Option Scheme and the Listing Rules, our Board shall be entitled at any time and from time to time within the Scheme Period to offer to grant to any Participant as our Board may in its absolute discretion select, and subject to such conditions as our Board may think fit, an Option to subscribe for such number of Shares as our Board may determine at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of an offer for grant of Option(s), the Participant shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date of the grant.

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(c) Grant of Option and acceptance of offer

No offer of grant of Options shall be made where inside information has come to our Company’s knowledge until an announcement of such inside information has been published in accordance with the Listing Rules and/or Part XIVA of the SFO. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approval of the results of our Company for any year, half-year or quarter-year period (if applicable) or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of the results for any year, half year or quarterly (if applicable) or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. Our Board may not grant any option to a Participant who is a Director during the periods or times in which such Directors are prohibited from dealing in the Shares prescribed by Model Code for Securities Transactions by Directors of Listed Issues of the Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

No Participant shall be granted Options which if exercised in full would result in the total number of Shares already issued under all the Options granted to him which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of Shares in issue, provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, our Company may make further grant of Options to such Participant (the “Further Grant”) notwithstanding that the Further Grant would result in the total number of Shares already issued under all the Options granted to such Participant which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue. In such circumstances, we must send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted and Options previously granted to such Participant and all the information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Participant must be fixed before the Shareholders’ approval and the date of the meeting of our Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the relevant subscription price.

Unless our Board otherwise determined and stated in the offer of the grant of Options to a Participant, a Grantee is not required to achieve any performance target before any Options granted under the Share Option Scheme can be exercised.

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(d) Price of Shares

The subscription price for the Shares subject to any particular Option shall be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant Option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of the grant of the Option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of the grant of the Option; and (iii) the nominal value of a Share.

For the purpose of determining the relevant subscription price where the Shares have been listed on the Stock Exchange for less than five trading days preceding the date of the grant of the Option, the issue price of the Shares shall be deemed to be the closing price of the Shares on the [REDACTED] for any trading day falling within the period before the Shares are listed on the Stock Exchange.

(e) Maximum amount of Shares

- (i) The total number of Shares which may be issued upon exercise of all Options (excluding for this purpose Options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue on the [REDACTED]. On the basis of [REDACTED] Shares in issue on the [REDACTED], the limit will be equivalent to [REDACTED] Shares, representing 10% of the Shares in issue as at the [REDACTED].
- (ii) Our Company may refresh the 10% limit by seeking prior approval from Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all Options and any other share option schemes of our Company, in aggregate, must not exceed 10% of the total number of Shares in issue as at the date of such Shareholders’ approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the refreshed limit.

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- (iii) Our Company may also grant Options beyond the 10% limit by seeking Shareholders' approval in a general meeting, provided that the Grantee(s) of such Option(s) must be specifically identified by our Company before such approval is sought. In such event, our Company shall send a circular to its Shareholders containing a generic description of the specified Grantees who may be granted such Options, the number and terms of such Options to be granted, the purpose of granting such Options, an explanation as to how the terms of the Options serve such purpose and the information required by the Listing Rules.
- (iv) Notwithstanding the foregoing, our Company must not grant any options if the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company, exceed 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by our Board absolutely, provided that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme. Our Board may, at its discretion, determine the minimum period for which the Option has to be held before the Option can be exercised.

The exercise of any Option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of Options.

(g) Rights are personal to Grantee

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Grantee shall entitle us to cancel any outstanding Option or part thereof granted to such Grantee (to the extent not already exercised) without incurring any liability on our Company.

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(h) Rights on death

If a Grantee dies before exercising the Options in full, his legal personal representative(s) may exercise the Options in whole or in part (to the extent that it has become exercisable and not already exercised prior to such date of death) within a period of 12 months from the date of death, failing which such Option will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganisation of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the subscription price; and/or
- (iii) the method of exercise of the Option; and/or
- (iv) the maximum number of Shares referred in sub-paragraph (e) above and the Further Grant referred in sub-paragraph (c) above.

Our Company's independent financial adviser or auditors shall certify in writing to our Board as to whether the corresponding alterations are in their opinion fair and reasonable. Any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he was entitled to before such alteration and that the aggregate subscription price payable by a Grantee on the full exercise of any Option shall remain as close as possible (but shall not be greater than) as it was before such event. No such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group for cash or as consideration in a transaction.

The capacity of our Company's auditors and independent financial advisers is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and binding on our Company and the Participants. The cost of our independent financial advisers and the auditors shall be borne by us.

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(j) Rights on take-over

In the event of a general or partial offer (whether by way of take-over offer, merger, share repurchase offer, or privatisation proposed by scheme of arrangement or otherwise in like manner), is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror, we shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee’s notice to us in exercise of the Option at any time with 14 days after the date on which such offer becomes or is declared unconditional.

(k) Rights on a compromise or arrangement

- (i) In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee, subject to the provisions of all applicable laws (or where permitted under sub-paragraph (h) above, and his legal personal representative(s)) shall be entitled to exercise all or any of his Options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to us, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon we shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

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- (ii) In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any Grantee (or where permitted under sub-paragraph (h) above his legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court be entitled to exercise his Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. We may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his Option so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(l) Rights of Grantee ceasing to be a Participant

In the event of the Grantee ceasing to be a Participant for any reason other than his death or termination of his employment on one or more of the grounds specified in the sub-paragraph (m)(v) below, then, if the Option Period has not at the date of such cessation commenced, the Option shall lapse and if the Option Period has commenced, the Grantee may exercise the Option in accordance with the Share Option Scheme, up to his entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) which date shall be the last actual working day with our Company or the relevant subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as our Board may determine.

(m) Lapse of Option

An Option shall lapse automatically and shall cease to be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);
- (ii) the expiry of any periods referred to in paragraphs (h) and (l);
- (iii) the date on which the offer (or the case may be, revised offer) referred to in subparagraph (j) above closes;

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- (iv) subject to sub-paragraph (k)(i) above, the date of the commencement of the winding-up of our Company;
- (v) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary or the relevant Invested Entity. A resolution of our Board or the board of directors of the relevant subsidiary or the board of directors of the relevant Invested Entity to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee;
- (vi) subject to sub-paragraph (k)(ii) above, the date when the proposed compromise or arrangement becomes effective;
- (vii) the date on which the Grantee commits a breach of sub-paragraph (g) above; or
- (viii) if our Directors at their absolute discretion determine that the Grantee (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and our Group or any Invested Entity on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, our Directors shall determine that the outstanding Options granted to the Grantee (whether exercisable or not) shall lapse. In such event, his Options will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

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(n) Ranking of Shares

Shares allotted and issued upon exercise of an Option will be subject to all provisions of our Company's articles of associations amended from time to time and will carry the same rights in all respects with the existing fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date when the name of the Grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the Grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of our Company is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of our Company is re-opened. A Share allotted upon exercise of an Option shall not carry any voting right until the completion of the registration of the Grantee as the holder thereof.

(o) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be subject to the prior written consent of the relevant Grantee and approval of our Directors.

Where our Company elects to cancel Options and issue new ones to the same Grantee, the issue of such new Options may only be made under a scheme with available unissued Options (excluding cancelled Options) within the limit approved by the Shareholders.

(p) The Scheme Period

Subject to the termination of the Share Option Scheme, the Share Option Scheme will be valid and effective for the Scheme Period, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the Scheme Period and remain unexercised immediately prior to the end of the Scheme Period shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the Share Option Scheme.

(q) Alteration and termination of Share Option Scheme

The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Participants except (i) with the approval of the Shareholders in general meeting; or (ii) where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Board in relation to any alteration to the term of the Share Option Scheme shall be approved by the Shareholders in general meeting except where the alteration takes effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules and no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to Options granted under the Share Option Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our Company must provide to all Grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

Our Company, by ordinary resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered. On termination, the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

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(r) Granting of Option to a Director, chief executive of our Company or substantial Shareholder or any of their associates

Where Options are proposed to be granted to a Director, chief executive of our Company or substantial Shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 17.04(1) of the Listing Rules and be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options).

If a grant of Options to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5.0 million,

then the proposed grant of Options must be approved by the Shareholders in a general meeting. At such general meeting, the Grantee, his associates and all core connected persons of our Company must abstain from voting, unless they intend to vote against the proposed grant and provided that the Grantee’s intention to do so has been stated in the circular that our Company will send out. Our Company will send to our Shareholders containing all the information required under the Listing Rules, including (i) details of the number and terms of the Options (including the Option Period, performance targets (if any), basis of determination of subscription price and the rights attached to the Shares or the Option) to be granted to each substantial Shareholder or independent non-executive Director, or any of their respective associates, which must be fixed before the Shareholders meeting, and the date of our Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a Grantee of the Options) to the independent Shareholders as to voting; and (iii) all other information as required by the Listing Rules.

In addition, any change in the terms of the Option granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the Shareholders in a general meeting.

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The requirements for the grant of an option to a Director or chief executive of our Company set out in Rules 17.04(1), (2) and (3) of the Listing Rules shall not apply where the proposed grantee is only a proposed Director or chief executive of our Company.

(s) Conditions of Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting approval of the [REDACTED] of and permission to deal in the Shares which fall to be issued upon exercise of the Options granted under the Share Option Scheme; and (ii) the commencement of dealings in the Shares on the Stock Exchange.

As at the Latest Practicable Date, no Options had been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of Options under Share Option Scheme and [REDACTED] of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

2. Tax and other indemnities

Our Controlling Shareholders (collectively the “Indemnifiers”) have pursuant to the Deed of Indemnity, on a joint and several basis, given indemnities to our Company (for itself and as trustee for other members of our Group) in connection with, among other things:

- (a) taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the [REDACTED] or any event or transaction on or before the [REDACTED] whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company;
- (b) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may properly incur in connection with:
 - (i) the investigation, assessment or contesting of any claim under paragraph (a) above;
 - (ii) the settlement of any claim under the Deed of Indemnity;
 - (iii) any legal or arbitration proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgement, award or decision is given in favour of any member of our Group; or

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- (iv) the enforcement of any such settlement or decision or judgement or award;
- (c) any and all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any violations or breaches or non-compliance of any laws, rules or regulations and/or all litigations, arbitrations, claims, complaints, demands and/or legal proceedings by or against any of the member of our Group in Hong Kong, the Singapore, the Cayman Islands, BVI or any other part of the world, which was issued, accrued and/or arising from any act of any of the member of our Group at any time on or before the [REDACTED], including but not limited to our Group's non-compliance matters which occurred during the Track Record Period.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for any taxation, liability or claims mentioned in the three paragraphs immediately above where:

- (i) to the extent that provision has been made for such taxation, liabilities or claim in the audited accounts of any member of our Group up to 30 June 2017;
- (ii) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 July 2017 and ending on the [REDACTED], unless such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
 - (aa) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets before the [REDACTED]; or
 - (bb) carried out, made or entered into pursuant to a legally binding commitment created before the [REDACTED] or pursuant to any statement of intention made in this document; or
- (iii) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the relevant authority coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect;

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- (iv) to the extent that such taxation is discharged prior to the [REDACTED] by another person who is not a member of our Group and that none of the members of our Group is required to reimburse such person in respect of the discharge of the taxation; or
- (v) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2017 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers’ liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

3. Litigation

Save as disclosed in the section headed “Business – Legal and Compliance” in this document, neither our Company nor any of its subsidiaries are engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

4. Agency fees or commissions received

Except as disclosed in the section headed “[REDACTED]” in this document, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the three years immediately preceding the date of this document.

5. Sponsor

The Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document, including the [REDACTED] and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue and (b) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the [REDACTED]. The Sponsor is entitled to a sponsor’s fee in the amount of HK\$5.0 million.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

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6. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Dakin Capital Limited as its compliance adviser to provide consultancy services to our Company to ensure compliance with the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year ending 30 June 2019.

7. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately USD4,300 (equivalent to approximately HK\$33,540) and are payable by our Company.

8. Promoters

Our Company has no promoter. Within the three years immediately preceding the date of this document, no amount or benefit has been paid or given to the promoter in connection with the [REDACTED] or the related transactions described in this document.

9. Qualifications and consents of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this document are as follows:

Name	Qualification
Dakin Capital Limited	A licensed corporation under SFO to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Shook Lin & Bok LLP	Legal advisers to our Company as to Singapore law
Appleby	Legal advisers to our Company as to Cayman Islands law
Ipsos Pte. Ltd.	Industry consultant

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Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

10. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

11. Bilingual [REDACTED]

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Taxation of holders of Shares

(a) Hong Kong

(i) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

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(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged on each of the purchaser and seller at the current rate of 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111, Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(b) The Cayman Islands

Under the Cayman Islands law currently in force, no stamp duty is payable in the Cayman Islands on transfers of our Shares except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

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13. Miscellaneous

- (a) Save as disclosed herein:
- (i) within the three years immediately preceding the date of this document:
 - (aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (cc) our Company has no outstanding convertible debt securities or debentures; and
 - (dd) no founder, management or deferred shares or any debentures (including convertible bonds) of our Company have been issued or agreed to be issued;
 - (ii) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up);
 - (iii) there has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this document;
 - (iv) none of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought;
 - (v) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
 - (vi) there are no arrangements under which future dividends are waived or agreed to be waived; and
 - (vii) all necessary arrangements have been made to enable the Shares to be admitted into [REDACTED];

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- (b) Subject to the provisions of the Companies Law, the principal share register of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch share register of our Company will be maintained in Hong Kong by [REDACTED]. Unless our Board otherwise agree, all transfers and other documents of title of our Shares must be lodged for registration with and registered by our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

- (h) the legal opinion prepared by Shook Lin & Bok LLP in respect of our Group’s operation in Singapore;
- (i) the service contracts and appointment letters referred to in the paragraph headed “Further information about our Directors, substantial Shareholders and experts – 1. Directors – (a) Particulars of Directors’ service contracts” in Appendix IV to this document;
- (j) the rules of the Share Option Scheme referred to in the paragraph headed “Other information – 1. Share Option Scheme” in Appendix IV to this document;
- (k) the material contracts referred to in the paragraph headed “Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this document; and
- (l) the written consents referred to in the paragraph headed “Other information – 9. Qualifications and consents of experts” in Appendix IV to this document.