

 坤集團有限公司
Khoon Group Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 924

Share Offer

坤

Sole Sponsor

SUNWAH KINGSWAY
新華滙富

KINGSWAY CAPITAL LIMITED

Joint Bookrunners and Joint Lead Managers

SUNWAH KINGSWAY
新華滙富

KINGSWAY FINANCIAL SERVICES GROUP LIMITED



聯合證券
Head & Shoulders Securities

Head & Shoulders Securities Limited

IMPORTANT

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

Khoon Group Limited **坤集團有限公司**

(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Total number of Offer Shares	: 250,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	: 25,000,000 Shares (subject to re-allocation)
Number of Placing Shares	: 225,000,000 Shares (subject to re-allocation and the Over-allotment Option)
Offer Price	: Not more than HK\$0.60 per Offer Share and expected to be not less than HK\$0.50 per Offer Share, 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
Stock code	: 924

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HEAD & SHOULDERS SECURITIES LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies in Hong Kong” in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) but in any event no later than Tuesday, 25 June 2019. The Offer Price will be not more than HK\$0.60 per Offer Share and is expected to be not less than HK\$0.50 per Offer Share, unless otherwise announced.

The Joint Bookrunners may, with our Company’s consent, reduce the number of Offer Shares under the Share Offer and/or the Offer Price stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of reduction in the number of Offer Shares and/or the Offer Price will be published on the website of the Stock Exchange at www.hkexnews.hk and website of our Company at khoongroup.com not later than the morning of the last day for lodging applications under the Public Offer. 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 Share Offer” and “How to Apply for Public Offer Shares”.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before Tuesday, 25 June 2019, the Share Offer 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 prospectus, including risk factors set out in the section headed “Risk Factors”. Pursuant to the Public Offer Underwriting Agreement, the Joint Bookrunners have the right in certain circumstances to terminate the obligations of the Public Offer Underwriters at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for Termination”.

20 June 2019

EXPECTED TIMETABLE

If there is any change in the following expected timetable, our Company will issue a separate announcement to be published on the websites of the Stock Exchange (www.hkexnews.hk) and of our Company (khoongroup.com).

(Note 1)

Application lists open ⁽²⁾	11:45 a.m. on Tuesday, 25 June 2019
Latest time to lodge WHITE and YELLOW Application Forms and to give electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Tuesday, 25 June 2019
Application lists close ⁽⁴⁾	12:00 noon on Tuesday, 25 June 2019
Expected Price Determination Date ⁽⁵⁾	Tuesday, 25 June 2019
(a) Announcement of the final Offer Price, the indication of level of interest in the Placing, the results of applications in the Public Offer and the basis of allocation under the Public Offer to be published on the website of the Stock Exchange at www.hkexnews.hk ⁽⁶⁾ and our Company's website at khoongroup.com ⁽⁶⁾ on or before ⁽⁶⁾	Thursday, 4 July 2019
(b) Results of allocations of the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for Public Offer Shares – 10. Publication of results" from	Thursday, 4 July 2019
A full announcement of the Public Offer containing (a) and (b) above to be published on the website of the Stock Exchange at www.hkexnews.hk ⁽⁵⁾ and our Company's website at khoongroup.com ⁽⁵⁾	Thursday, 4 July 2019
Results of allocations of the Public Offer will be available at www.ewhiteform.com.hk/results with a "search by ID" function on	Thursday, 4 July 2019
Despatch/collection of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ⁽⁷⁾	Thursday, 4 July 2019

EXPECTED TIMETABLE

Despatch/collection of refund cheque in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before⁽⁷⁾⁽⁸⁾ Thursday, 4 July 2019

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Friday, 5 July 2019

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated.
2. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for Public Offer Shares – 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
3. The announcement will be available for viewing on the “Main Board – Results of Allotment” page on the website of the Stock Exchange at www.hkexnews.hk.
4. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 25 June 2019, the application lists will not open and close on that day. Please refer to the section headed “How to apply for Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Tuesday, 25 June 2019, the dates mentioned in this section may be affected. Announcement will be made by us in such event.
5. The Price Determination Date is expected to be on or around Tuesday, 25 June 2019 or such other date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters). If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters) by the Price Determination Date, the Share Offer will not become unconditional and will lapse immediately.
6. None of the information contained on any website forms part of this prospectus.
7. Applicants who apply on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 4 July 2019 or any other date as notified by us as the date of despatch of share certificates/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to apply for Public Offer Shares” in this prospectus.
8. Refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

Share certificates are expected to be issued on Thursday, 4 July 2019 but will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms 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 prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer.

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SUMMARY

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

BUSINESS OVERVIEW

With an operating history of 30 years, we are a Singapore-based M&E service provider specialised in providing electrical engineering solutions. Our electrical engineering services mainly comprise (i) customisation and/or installation of electrical systems; (ii) assisting to obtain statutory approvals; and (iii) testing and commissioning.

Projects undertaken during the Track Record Period

Our electrical engineering services are widely required in new building developments, redevelopment, A&A and upgrading projects, which involve residential, commercial and industrial buildings. In particular, we have established solid track record in undertaking electrical engineering works in public residential developments initiated by the HDB, the public housing authority of the Singapore Government. During the Track Record Period, the majority of our revenue was derived from public residential developments. The following table sets forth a breakdown of our revenue, gross profit and gross profit margin during the Track Record Period by reference to the category of buildings involved:

	FY2015/16				FY2016/17				FY2017/18			
	Revenue	% of total	Gross profit	Gross profit margin	Revenue	% of total	Gross profit	Gross profit margin	Revenue	% of total	Gross profit	Gross profit margin
	<i>S\$'000</i>		<i>S\$'000</i>	%	<i>S\$'000</i>		<i>S\$'000</i>	%	<i>S\$'000</i>		<i>S\$'000</i>	%
Residential buildings	29,128	75.5	4,495	15.4	25,074	81.4	4,351	17.4	30,719	91.1	5,566	18.1
Commercial and industrial buildings	9,445	24.5	316	3.3	5,721	18.6	891	15.6	3,013	8.9	935	31.0
Total	38,573	100.0	4,811	12.5	30,795	100.0	5,242	17.0	33,732	100.0	6,501	19.3

SUMMARY

	Seven months ended 31 January 2018				Seven months ended 31 January 2019			
	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin
	S\$'000		S\$'000	%	S\$'000		S\$'000	%
	<i>(unaudited)</i>		<i>(unaudited)</i>					
Residential buildings	16,404	95.2	3,021	18.4	25,613	90.4	5,030	19.6
Commercial and industrial buildings	832	4.8	232	27.9	2,723	9.6	743	27.3
Total	17,236	100.0	3,253	18.9	28,336	100.0	5,773	20.4

We are engaged in both public and private sector projects. In respect of public sector projects, our customers were (i) construction contractors engaged by the HDB for new building development and redevelopment projects; and (ii) local statutory bodies in Singapore for A&A and upgrading projects. In general, where the HDB has decided to implement a new public residential development, it would normally invite construction contractors to participate in project tenders for undertaking the building and construction works in the project. As a common industry practice, the selected construction contractors would arrange to subcontract the electrical engineering works involved to M&E service providers (such as our Group). In respect of private sector projects, our customers were construction contractors engaged by property developers. The following table sets forth a breakdown of our revenue, gross profit and gross profit margin during the Track Record Period for private and public sector projects:

	FY2015/16				FY2016/17				FY2017/18						
	No. of projects	Revenue	% of total revenue	Gross profit	Gross profit margin	No. of projects	Revenue	% of total revenue	Gross profit	Gross profit margin	No. of projects	Revenue	% of total revenue	Gross profit	Gross profit margin
	(Note 1)	S\$'000		S\$'000	%	(Notes 1 and 2)	S\$'000		S\$'000	%	(Notes 2 and 3)	S\$'000		S\$'000	%
Public sector	31	25,991	67.4	4,023	15.5	41	21,653	70.3	3,837	17.7	38	30,686	91.0	5,564	18.1
Private sector	7	12,582	32.6	788	6.3	14	9,142	29.7	1,405	15.4	15	3,046	9.0	937	30.8
Total	38	38,573	100.0	4,811	12.5	55	30,795	100.0	5,242	17.0	53	33,732	100.0	6,501	19.3

SUMMARY

	Seven months ended 31 January 2018					Seven months ended 31 January 2019				
	No. of projects	Revenue	% of total revenue	Gross profit	Gross profit margin	No. of projects	Revenue	% of total revenue	Gross profit	Gross profit margin
	S\$'000		S\$'000	%	(Note 3)	S\$'000	%	S\$'000	%	
	<i>(unaudited)</i>		<i>(unaudited)</i>							
Public sector	32	16,382	95.0	3,021	18.4	38	24,458	86.3	4,953	20.3
Private sector	14	854	5.0	232	27.2	12	3,878	13.7	820	21.1
Total	46	17,236	100.0	3,253	18.9	50	28,336	100.0	5,773	20.4

Notes:

1. Out of the 55 projects which contributed revenue to FY2016/17, 26 projects also contributed revenue to FY2015/16.
2. Out of the 53 projects which contributed revenue to FY2017/18, 27 and 14 projects also contributed revenue to FY2016/17 and FY2015/16, respectively.
3. Out of the 50 projects which contributed revenue to the seven months ended 31 January 2019, 29, 21 and 14 projects also contributed revenue to FY2017/18, FY2016/17 and FY2015/16, respectively.

The following table sets forth a breakdown of our revenue during the Track Record Period by our role as main contractor or subcontractor in the projects:

	FY2015/16			FY2016/17			FY2017/18			Seven months ended 31 January 2018			Seven months ended 31 January 2019		
	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue	No. of projects	Revenue	% of total revenue
	S\$'000		S\$'000	S\$'000		S\$'000	S\$'000		S\$'000	S\$'000		S\$'000	S\$'000		
	<i>(unaudited)</i>														
Main contractor	8	2,865	7.4	24	4,857	15.8	24	5,633	16.7	24	3,145	18.2	17	959	3.4
Subcontractor	30	35,708	92.6	31	25,938	84.2	29	28,099	83.3	22	14,091	81.8	33	27,377	96.6
Total	38	38,573	100.0	55	30,795	100.0	53	33,732	100.0	46	17,236	100.0	50	28,336	100.0

SUMMARY

During the Track Record Period, we had a total of 112 projects with revenue contribution to us. Save for one completed project for which the job site was located at a commercial complex in Myanmar, our projects undertaken during the Track Record Period were performed at job sites in Singapore. The following table sets forth the number of projects for which we have received invitations, the number of projects for which we have submitted tenders, the number of projects awarded and our success rate during the Track Record Period and up to the Latest Practicable Date:

	FY2015/16	FY2016/17	FY2017/18	Seven months ended 31 January 2019	From 1 February 2019 up to the Latest Practicable Date
Number of projects for which we have received invitations	99	96	82	95	58
Number of projects for which we have submitted tenders	37	45	38	43 ^(Note 3)	33 ^(Note 4)
Number of projects awarded ^(Notes 1 and 2)	16	28	24	23	18
Success rate (%) ^(Notes 1 and 2)	43.2	62.2	63.2	53.5	54.5

Notes:

1. Excluding those projects tendered and projects awarded with contract sum at S\$50,000 or below, our adjusted tender success rate is 32.3%, 32.0%, 26.3%, 35.5% and 11.8% for FY2015/16, FY2016/17, FY2017/18, the seven months ended 31 January 2019, and from 1 February 2019 up to the Latest Practicable Date, respectively.
2. In the above table, success rate for a financial year/period is calculated based on the number of projects awarded (whether awarded in the same financial year/period or subsequently) in respect of tenders submitted during that financial year/period. Our executive Directors confirm that such calculation basis is consistent with the general industry practice in Singapore.
3. Out of the 43 projects for which we have submitted tenders for the seven months ended 31 January 2019, the results of seven projects were pending as at the Latest Practicable Date, of which the project owners (namely the HDB, a local statutory body in Singapore, a private property owner and a private developer) were finalising the contract terms with the main contractors (i.e. our potential customers).
4. Out of the 33 projects for which we have submitted tenders from 1 February 2019 up to the Latest Practicable Date, the results of 11 projects were pending as at the Latest Practicable Date, of which the project owners (namely the HDB, a private property owner, a private property developer and a hotel operator) were finalising the contract terms with the main contractors (i.e. our potential customers).

SUMMARY

Myanmar Project undertaken during the Track Record Period

During the Track Record Period, our Group was engaged by Qingjian Group (being one of our top five customers during the Track Record Period) for the provision of electrical engineering solutions in relation to various types of electrical systems in a commercial complex comprising shopping mall and office building in Myanmar. The Myanmar Project commenced in March 2015 and was completed in August 2016. For further details, please refer to the paragraph headed “Business – Projects undertaken during the Track Record Period – Project awarded by Qingjian Group which was undertaken in Myanmar during the Track Record Period” in this prospectus.

Our customers

During the Track Record Period, our customers mainly included construction contractors and local statutory bodies in Singapore. The number of customers with revenue contribution to our Group was 26, 36, 43 and 34 for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively. For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, the percentage of our total revenue attributable to our top customer amounted to approximately 40.3%, 23.3%, 11.2% and 14.5%, respectively. The percentage of our total revenue attributable to our top five customers combined amounted to approximately 68.8%, 59.7%, 45.2% and 62.3%, respectively for the same periods. During the course of our business, there may be occasions where our customers pay on our behalf for materials used in our projects and subsequently deduct such payments when settling our service fees for the project. For further details, please refer to the paragraph headed “Business – Our customers” in this prospectus.

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 materials; and (iii) suppliers of other miscellaneous services including services provided by third party professionals (such as professional engineers and licenced electrical workers) for arranging external testing on our works as part of the certification procedures pursuant to the requirements under the Singapore laws and regulations. The following table sets forth a breakdown of our costs of subcontracting services and costs of materials and other services expenses during the Track Record Period by type of suppliers:

	FY2015/16		FY2016/17		FY2017/18		Seven months ended 31 January 2019	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Subcontracting								
services	15,633	57.1	12,873	63.0	14,155	63.1	12,394	64.3
Materials	10,722	39.1	7,048	34.5	7,917	35.3	6,839	35.5
Others ^(Note)	1,048	3.8	520	2.5	361	1.6	53	0.2
Total	27,403	100.0	20,441	100.0	22,433	100.0	19,286	100.0

Note: These miscellaneous services mainly included services provided by third party professionals (such as professional engineers and licenced electrical workers).

SUMMARY

Depending on our available labour resources and the types of specialised works involved, our Group may from time to time engage subcontractors to perform certain electrical engineering works. During the Track Record Period, we have engaged subcontractors mainly for performing CATV installation works, ELV works, fibre optic connection works, underground installation works and ACMV works.

We generally procured the materials required for our projects from suppliers based in Singapore on our own account on a project-by-project basis. The major types of materials that we purchased included electrical cables, switchgears, light fittings and other electrical components. On some occasions, we may purchase the necessary materials such as cement and electrical cables on behalf of our subcontractors at their costs and deduct the amount we incurred for the purchases from our payment to the subcontractors.

For further details, please refer to the paragraph headed “Business – Our suppliers” in this prospectus.

Our major licences and registrations

Khoon Engineering, our principal operating subsidiary, is registered under the workheads of CW01 (General Building) with “C3” grade, ME04 (Communication & Security Systems) with “L2” grade, ME05 (Electrical Engineering) with “L6” grade, ME06 (Fire Prevention & Protection Systems) with “L1” grade, ME10 (Line Plant Cabling/Wiring for Telecommunications) with “L1” grade and ME12 (Plumbing & Sanitary Works) with “L1” grade under the CRS maintained by the BCA. Khoon Engineering also holds a GB2 Licence granted by the BCA and a Telecommunication Wiring Contractor’s (Class) Licence granted by the IMDA. For further details, please refer to the paragraph headed “Business – Licences and registrations” in this prospectus.

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths include: (i) our established presence in the electrical engineering industry in Singapore; (ii) our established relationships with some of our major customers; (iii) our experienced and dedicated management team; and (iv) our stringent quality control and high safety standard and environmental impact control.

According to the F&S Report, being driven by the favourable economic environment of Singapore, it is predicted that there will be a growing number of construction works in both the public and private sectors, demanding more electrical engineering services. Thus, the revenue generated by the electrical engineering services will experience a growth from 2019 to 2022 at a CAGR of 6.6%, reaching S\$1,054.5 million by 2022.

SUMMARY

BUSINESS STRATEGIES

We intend to pursue the following key business strategies: (i) acquiring a Singapore-based ACMV contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least “L4” grade to capture the increasing market demand for ACMV services in Singapore; (ii) applying for registration under the workhead of ME15 (integrated building services) with “L6” grade to increase our exposure to integrated building service projects in the public sector; (iii) strengthening our manpower to increase our service capacity to capture the increasing market demand for electrical engineering services; (iv) expanding our premises for our various operational needs; (v) strengthening our financial position to undertake additional and sizeable electrical engineering projects with larger contract sum; (vi) enhancing our machinery and equipment to cope with our business development, increase our overall efficiency and capacity in performing electrical engineering works as well as our ability to cater for the different needs and requirement of various customers; (vii) investing in hardware devices and computer software to enhance our information technology capability and project implementation efficiency; and (viii) acquiring additional lorries to accommodate the increase in our transportation needs associated with the planned expansion of our manpower and the expected increase in number of electrical engineering projects we expect to undertake.

SALES AND MARKETING AND PRICING STRATEGY

During the Track Record Period, we secured new businesses mainly through direct invitations for tender 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 electrical engineering 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 management team would monitor the GeBIZ and newspaper for new and upcoming public building development projects and approach the construction contractors which are likely to tender or have tendered for these projects for possible participation in the relevant electrical engineering works. Our corporate website serves as a marketing platform which enables our customers to have a better understanding of our corporate profiles.

We prepare our tender price 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 and duration of the project; (ii) the prospect of obtaining future contracts from the customer; (iii) any possible positive effect of our Group’s reputation in the electrical engineering 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.

SUMMARY

RISK FACTORS

Potential investors are advised to carefully read the section headed “Risk factors” in this prospectus before making any investment decision in the Offer Shares. Some of the more particular risk factors include the following: (i) our revenue is mainly derived from our electrical engineering 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; (ii) reduction in the level of Singapore Government’s spending on public residential developments may materially and adversely affect our business and financial position; (iii) 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; (iv) failure to renew or any suspension or cancellation of any of our existing licences and registrations could materially affect our operations and financial performance; (v) we experienced a decline in our total revenue in FY2016/17 and recorded net operating cash outflow for FY2016/17 and FY2017/18; (vi) unsatisfactory performance and/or unavailability of our suppliers (including subcontractors) may adversely affect our operations and profitability; and (vii) potential mismatch in time between receipt of progress payments from our customers and payments to our suppliers may adversely affect our cash flows.

FOREIGN EMPLOYEES

During the Track Record Period, we employed foreign employees from India, Malaysia, Bangladesh and Myanmar. Our foreign workers were sourced and recruited through recruiting agencies. Based on the latest information available from the MOM database as at the Latest Practicable Date, 158 out of 186 of our employees were foreign labour who are subject to quota requirements (being S Pass or Work Permit holders). Based on the ratio of one full-time local worker to seven foreign workers, the maximum number of foreign workers Khoon Engineering can hire is 189, which means that we still have available quota to hire 31 additional foreign workers based on the dependency ceilings. In addition, our Group has employed 1 foreign worker who is an employment pass holder as at the Latest Practicable Date. 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 paragraph headed “Regulatory Overview – Employment of foreign workers” in this prospectus.

SUMMARY

KEY OPERATIONAL AND FINANCIAL DATA

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

Highlights of combined statements of profit or loss and other comprehensive income

	FY2015/16		FY2016/17		FY2017/18		For the seven months ended 31 January 2018		For the seven months ended 31 January 2019	
	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000
Revenue	38,573	221,409	30,795	176,763	33,732	193,622	17,236	98,935	28,336	162,649
Cost of services	(33,762)	(193,794)	(25,553)	(146,674)	(27,231)	(156,306)	(13,983)	(80,262)	(22,563)	(129,512)
Gross profit	4,811	27,615	5,242	30,089	6,501	37,316	3,253	18,673	5,773	33,137
Profit before taxation	3,599	20,658	4,472	25,669	4,261	24,458	2,231	12,806	2,715	15,584
Income tax expense	(539)	(3,094)	(646)	(3,708)	(760)	(4,362)	(426)	(2,445)	(791)	(4,540)
Profit and other comprehensive income for the year/period	3,060	17,564	3,826	21,961	3,501	20,096	1,805	10,361	1,924	11,044

Highlights of combined statements of financial position

	As at 30 June 2016		As at 30 June 2017		As at 30 June 2018		As at 31 January 2019	
	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000
Non-current assets	2,655	15,240	3,234	18,563	2,096	12,031	1,952	11,204
Current assets	28,333	162,631	29,665	170,277	22,831	131,050	33,497	192,273
Current liabilities	21,454	123,146	22,403	128,593	14,222	81,634	22,792	130,826
Non-current liabilities	163	936	298	1,711	6	34	34	195
Net current assets	6,879	39,485	7,262	41,684	8,609	49,416	10,705	61,447
Net assets	9,371	53,789	10,198	58,536	10,699	61,413	12,623	72,456

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Highlights of combined statements of cash flows

	FY2015/16		FY2016/17		FY2017/18		For the seven months ended 31 January 2018		For the seven months ended 31 January 2019	
	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000
Operating cash flows before movements in working capital	3,727	21,393	4,663	26,766	4,394	25,222	2,414	13,856	2,935	16,847
Net cash from (used in) operating activities	12,453	71,480	(1,386)	(7,956)	(7,001)	(40,186)	1,594	9,150	(403)	(2,313)
Net cash (used in) from investing activities	(767)	(4,403)	(2,649)	(15,205)	9,648	55,380	2,059	11,819	1,213	6,963
Net cash (used in) financing activities	(2,429)	(13,942)	(1,745)	(10,017)	(5,501)	(31,576)	2	11	(594)	(3,410)
Net increase (decrease) in cash and cash equivalents	9,257	53,135	(5,780)	(33,178)	(2,854)	(16,382)	3,655	20,980	216	1,240
Cash and cash equivalents at beginning of the year/period	5,375	30,853	14,632	83,988	8,852	50,810	8,852	50,810	5,998	34,428
Cash and cash equivalents at end of the year/period	14,632	83,988	8,852	50,810	5,998	34,428	12,507	71,790	6,214	35,668

Net cash used in operating activities for FY2016/17 amounted to approximately S\$1.4 million. Our net cash inflow from operating activities after adjusting for non-cash items (mainly including depreciation and bank interest income) but before changes in working capital was approximately S\$4.7 million. The difference of approximately S\$6.0 million was mainly attributable to the combined effect of (i) the increase in contract assets of approximately S\$2.8 million; (ii) the increase in trade receivables of approximately S\$1.5 million due to the increase in work done for certain sizeable projects which were billed at the time close to the end of June 2017; (iii) the decrease in contract liabilities of S\$1.3 million; (iv) the increase in other receivables, deposits and prepayments of approximately S\$0.6 million; which was partially offset by (v) the increase in trade and other payables of S\$1.3 million mainly due to settlement of directors' fee of approximately S\$1.0 million.

Net cash used in operating activities for FY2017/18 amounted to approximately S\$7.0 million. Our net cash inflow from operating activities after adjusting for non-cash items (mainly including depreciation, gain on disposal of property, plant and equipment and bank interest income) but before changes in working capital was approximately S\$4.4 million. The difference of approximately S\$11.4 million was mainly attributable to the combined effect of

SUMMARY

(i) the decrease in contract liabilities of S\$3.6 million; (ii) the increase in contract assets of approximately S\$3.7 million; (iii) the decrease in trade and other payables of S\$2.3 million mainly due to settlement of accrued discretionary bonus during the year; (iv) the decrease in amounts due to related parties of approximately S\$0.7 million after the cash settlement; and (v) the increase in trade receivables of approximately S\$1.0 million mainly because a retention money of S\$0.7 million was billed in June 2018 upon the expiry of the defect liability period.

We adopt the following measures in order to maintain our cashflow position from operations:

- After our customers acknowledge our monthly payment applications, our finance and accounting staff will closely communicate with the customers on the status of the certification process. Our executive Directors will ensure that any customers' feedbacks on our payment applications are promptly addressed.
- Material overdue payments are closely monitored and evaluated on a case-by-case basis in order to deduce the appropriate follow-up actions, including active communications and conducting follow up calls with the customers.

Summary of financial ratios

	FY2015/16 or as at 30 June 2016	FY2016/17 or as at 30 June 2017	FY2017/18 or as at 30 June 2018	For the seven months ended 31 January 2019 or as at 31 January 2019
Gross profit margin (%)	12.5	17.0	19.3	20.4
Net profit margin (%)	7.9	12.4	10.4	6.8
Return on equity (%)	32.7	37.5	32.7	15.2
Return on total assets (%)	9.9	11.6	14.0	5.4
Current ratio	1.3	1.3	1.6	1.5
Trade receivables turnover days	5 days	20 days	31 days	19 days
Trade payables turnover days	22 days	25 days	22 days	16 days
Gearing ratio (%)	2.5	3.5	N/A	N/A

Our total revenue decreased by approximately S\$7.8 million or 20.2%, from approximately S\$38.6 million for FY2015/16 to approximately S\$30.8 million for FY2016/17. Such decrease was mainly attributable to the drop of revenue from public residential projects and commercial and industrial projects, which was slightly offset by higher revenue contribution from private residential projects.

Our gross profit slightly increased from approximately S\$4.8 million for FY2015/16 to approximately S\$5.2 million for FY2016/17 by approximately S\$0.4 million, representing an increase of 9.0%. It was mainly because (i) the number and size of our projects involving residential buildings remained stable; and (ii) more medium size commercial and industrial projects with relatively higher profit margin as compared to the Myanmar Project were undertaken. As a result, our overall gross profit margin improved from approximately 12.5% for FY2015/16 to 17.0% for FY2016/17.

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Our total revenue increased by approximately S\$2.9 million or 9.5%, from approximately S\$30.8 million for FY2016/17 to approximately S\$33.7 million for FY2017/18. Such increase was mainly attributable to the increase in our revenue derived from public residential projects, which was partly offset by the decrease in revenue derived from commercial and industrial projects and private residential projects.

Our gross profit further increased by approximately S\$1.3 million or 24.0%, from approximately S\$5.2 million for FY2016/17 to approximately S\$6.5 million for FY2017/18, which was in line with our revenue growth of 9.5% for FY2017/18. It was mainly due to the increase in the amount of works done in the projects for residential buildings under public sector. In addition, our overall gross profit margin further improved from approximately 17.0% for FY2016/17 to 19.3% for FY2017/18 primarily due to (i) better performance of our public residential projects; and (ii) more engagement in commercial and industrial projects with relatively higher profit margin.

Our total revenue increased by approximately S\$11.1 million or 64.4%, from approximately S\$17.2 million for the seven months ended 31 January 2018 to approximately S\$28.3 million for the seven months ended 31 January 2019. It was primarily because the revenue contributed from public residential projects increased significantly by approximately S\$8.1 million or 49.3% during the period.

The average trade receivables turnover days for FY2015/16 and FY2016/17 are relatively low, which are approximately 5 days and 20 days, respectively, as the work done for certain sizeable projects had not yet been billed as our progress payment applications were still being examined by our customers as at 30 June 2015 and 2016. The average trade receivables turnover days for FY2017/18 was 31 days which is within our general credit term of 30 to 35 days.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), our ultimate Controlling Shareholders, Mr. JK Ang and Mr. KK Ang, through Lead Development (an investment holding company owned as to 87.27% by Mr. JK Ang and as to 12.73% by Mr. KK Ang) together indirectly hold 75% interest in our Company. Please refer to the section headed "Substantial Shareholders" in this prospectus for details of the shareholding interest of our Controlling Shareholders.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance. In addition, our Directors are not aware of any litigation, arbitration or claim pending or threatened by or against us which may have a material adverse effect on our business, financial condition or results of operations.

SUMMARY

OFFERING STATISTICS

The following table sets forth the statistics under the Share Offer:

Number of the Offer Shares	:	250,000,000 Shares (subject to the Over-allotment Option)
Offer Price	:	Not more than HK\$0.60 per Offer Share and expected to be not less than HK\$0.50 per Offer Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy)

		Based on an Offer Price of HK\$0.50 per Offer Share HK\$	Based on an Offer Price of HK\$0.60 per Offer Share HK\$
Market capitalisation ^(Note 1)	:	500,000,000	600,000,000
Unaudited pro forma adjusted combined net tangible assets per Share attributed to the Shareholders ^(Note 2)	:	0.18	0.21

Notes:

1. The calculation of the market capitalisation of the Shares is based on 1,000,000,000 Shares in issue and to be issued immediately after completion of the Share Offer but does not take into account any Shares which may be allocated and issued upon the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme or Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
2. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the figures.

LISTING EXPENSES

Our Group expects that the total Listing expenses, which is non-recurring in nature, will amount to approximately HK\$30.0 million (based on the mid-point of the indicative range of the Offer Price). HK\$7.2 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$22.8 million shall be charged to profit or loss, in which approximately S\$0.9 million (equivalent to HK\$5.2 million) and S\$1.7 million (equivalent to HK\$9.8 million) has already been charged to our combined statements of profit or loss and other comprehensive income of our Group for FY2017/18 and the seven months ended 31 January 2019, respectively, and approximately HK\$1.6 million and HK\$6.2 million will be charged to profit or loss for the five months ending 30 June 2019 and FY2019/20, respectively. The Listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds to be received by us from the Share Offer based on the Offer Price of HK\$0.55 per Share, being the mid-point of the indicative Offer Price range of HK\$0.50 per Offer Share to HK\$0.60 per Offer Share, after deducting related expenses of approximately HK\$30.0 million in connection with the Share Offer (assuming that the Over-allotment Option is not exercised at all), are estimated to be approximately HK\$107.5 million. Our Directors presently intend that the net proceeds will be applied as follows: (i) approximately HK\$45.9 million, representing approximately 42.7% of the estimated net proceeds, for the acquisition of a Singapore-based ACMV contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least “L4” grade; (ii) approximately HK\$16.5 million, representing approximately 15.3% of the estimated net proceeds, for strengthening our manpower by recruiting additional staff; (iii) approximately HK\$11.7 million, representing approximately 10.9% of the estimated net proceeds, for expanding our premises for our various operational needs; (iv) approximately HK\$10.8 million, representing approximately 10.0% of the estimated net proceeds, for financing our upfront costs and working capital requirements at the early stage of carrying out our electrical engineering projects; (v) approximately HK\$9.0 million, representing approximately 8.4% of the estimated net proceeds, for financing the acquisition of additional machinery and equipment; (vi) approximately HK\$5.8 million, representing approximately 5.4% of the estimated net proceeds, for purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading our enterprise resource planning system; (vii) approximately HK\$1.8 million, representing approximately 1.7% of the estimated net proceeds, for financing the acquisition of additional lorries; and (viii) approximately HK\$6.0 million, representing approximately 5.6% of the estimated net proceeds to be reserved as our general working capital.

DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation. Prior to the Reorganisation, Khoon Engineering, a subsidiary of our Group, has declared and paid the interim dividends of an aggregate amount of S\$3.0 million, S\$3.0 million, S\$3.0 million and nil for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively, to its then shareholders.

We currently do not have a specific dividend policy. After completion of the Listing, our Shareholders will be entitled to receive dividends declared by us. The proposal of payment and the amount of our dividends for the future years will be made at the discretion of our Board subject to the Cayman Islands law and our Articles, and will be depended on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Any declaration and distribution of final dividend shall also be subject to the approval of our Shareholders in a shareholders’ meeting. We cannot assure you that we will declare or pay such or any amount of dividends.

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RECENT DEVELOPMENT

As at the Latest Practicable Date, our Group had 26 projects on hand (representing projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) with an aggregate of S\$81.3 million yet to be recognised as revenue after the Track Record Period, among which, S\$17.6 million, S\$37.8 million and S\$25.9 million, are expected to be recognised as revenue from 1 February 2019 to 30 June 2019, in FY2019/20 and thereafter, respectively.

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 January 2019 and there had been no events since 31 January 2019 which would materially affect the information shown in our combined financial information included in the Accountants' Report set out in Appendix I to this prospectus.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

“A&A”	repair, additions and alterations works to existing buildings and structures
“ACMV”	air-conditioning and mechanical ventilation
“Acting in Concert Deed”	the deed of confirmation and undertaking dated 31 October 2018 executed by Mr. JK Ang and Mr. KK Ang, our ultimate Controlling Shareholders, whereby they confirmed their acting in concert arrangements (see section headed “Relationship with Controlling Shareholders – Acting in Concert Deed” of this prospectus for more details)
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 10 June 2019, a summary of which is set out in Appendix III to this prospectus, 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 Singapore
“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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Business Advisory Consultant”	NSK Consulting Pte. Ltd., the business advisory consultant to our Company in relation to our proposed acquisition of a Singapore-based ACMV contractor
“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
“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the allotment and issue of 749,970,000 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 10 June 2019” in Appendix IV to this prospectus
“CATV”	also known as communal antennae broadcasting distribution system which utilises network of cables to deliver multiple video and audio channels
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“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
“Company”	Khoon Group Limited (坤集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 24 July 2018 and registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 18 September 2018
“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 departments, statutory boards and other public sector organisations, and under which registration is required for companies wishing to participate in construction tenders or carry out construction projects (as main or sub-contractor) for the public sector
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, means Lead Development, Mr. JK Ang and Mr. KK Ang
“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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Countries subject to International Sanctions”	countries regarding which governments such as the U.S. or Australia, or governmental organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
“CPF” or “Central Provident Fund”	Central Provident Fund of Singapore, which is a comprehensive social security savings system that <i>inter alia</i> enables working Singapore citizens and permanent residents to set aside funds for retirement
“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 prospectus
“Deed of Indemnity”	the deed of indemnity dated 10 June 2019 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 – 13. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 10 June 2019 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 prospectus
“Director(s)”	the director(s) of our Company
“EBITDA”	earnings before interest, taxes, depreciation and amortisation
“ELV”	extra-low voltage
“EMA”	the Energy Market Authority of the Singapore Government

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Employment of Foreign Manpower Act”	the Employment of Foreign Manpower Act, Chapter 91A of Singapore
“F&S”	Frost & Sullivan Limited, an independent market research agency, which is an independent third party
“F&S Report”	a market research report commissioned by us and prepared by F&S on the overview of the industry in which our Group operates
“FSSD”	Singapore Civil Defence Force Fire Safety and Shelter Department of the Singapore Government
“FY2015/16”	the financial year ended 30 June 2016
“FY2016/17”	the financial year ended 30 June 2017
“FY2017/18”	the financial year ended 30 June 2018
“FY2018/19”	the financial year ending 30 June 2019
“FY2019/20”	the financial year ending 30 June 2020
“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 prospectus
“GB2 Licence”	Class 2 General Builder Licence and a builder with such a licence is restricted to undertake projects of S\$6 million or less
“GeBIZ”	the Singapore Government’s one-stop e-procurement portal where public sector’s invitations for quotations and tenders are posted by individual Singapore Government agencies
“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)

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“HDB”	the Housing & Development Board of the Singapore Government
“HKD” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar of our Company
“IFRSs”	International Financial Reporting Standards issued by the International Accounting Standards Board
“IMDA”	the Info-communications Media Development Authority of the Singapore Government
“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
“International Sanctions”	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, United Nations or the Government of Australia
“International Sanctions Legal Advisers”	Hogan Lovells, our legal advisers as to International Sanctions laws in connection with the Listing

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 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
“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
“Joint Bookrunner(s)” or “Joint Lead Manager(s)”	Kingsway Financial Services Group Limited and Head & Shoulders Securities Limited, being the underwriters, the joint bookrunners and the joint lead managers to the Share Offer
“Khoon Engineering”	Khoon Engineering Contractor Pte. Ltd., a private company limited by shares incorporated in Singapore on 28 May 1988 owned as to 87.27% by Mr. JK Ang and 12.73% by Mr. KK Ang immediately prior to the Reorganisation, and indirectly wholly-owned by our Company upon completion of the Reorganisation
“Latest Practicable Date”	Monday, 10 June 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Lead Development”	LEAD DEVELOPMENT INVESTMENT LIMITED, a company incorporated in the BVI with liability limited by shares on 4 July 2018 and owned as to 87.27% by Mr. JK Ang and 12.73% by Mr. KK Ang

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, 5 July 2019, on which dealings in the Shares first commence on the Main Board
“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
“M&E”	mechanical and electrical
“Main Board”	the Main Board of the Stock Exchange
“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 & Ventilation Works” and it refers to the installation, commissioning, maintenance and repairs of air-conditioning, refrigeration, cold rooms, cooling towers, heating and ventilation systems; further details of which are set forth in the sections headed “Business” and “Regulatory Overview” in this prospectus
“ME04”	one of the mechanical and electrical workheads classified under the Contractors Registration System, where the title of the ME04 workhead is “Communication & Security Systems” and it refers to (i) the installation and maintenance of communications system (e.g. intercom & wireless radio) and security systems (e.g. CCTV, security alarm, car park security control and card access system), and (ii) installation and maintenance of Central Antenna Television (CATV) systems; further details of which are set forth in the section headed “Regulatory overview” in this prospectus

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

- “ME05” one of the mechanical and electrical workheads classified under the Contractors Registration System, where the title of the ME05 workhead is “Electrical Engineering” and it refers to the installation, testing, commissioning, maintenance and repair of electrical based systems such as switchgears, transformers and large generators; it also includes the electrical installations (e.g. lightings) in building and marine vessels; further details of which are set forth in the section headed “Regulatory overview” in this prospectus
- “ME06” one of the mechanical and electrical workheads classified under the Contractors Registration System, where the title of the ME06 workhead is “Fire Prevention & Protection Systems” and it refers to the installation and maintenance of fire alarm, prevention and protection systems, and may include the supply of fire extinguishers and fire hoses if these items are part and parcel of the system installation or maintenance contract; further details of which are set forth in the section headed “Regulatory overview” in this prospectus
- “ME10” one of the mechanical and electrical workheads classified under the Contractors Registration System, where the title of the ME10 workhead is “Line Plant Cabling/ Wiring for Telecommunications” and it refers to the laying of underground telecommunication cables; further details of which are set forth in the section headed “Regulatory overview” in this prospectus
- “ME12” one of the mechanical and electrical workheads classified under the Contractors Registration System, where the title of the ME12 workhead is “Plumbing & Sanitary Works” and it refers to the installation, repairs and servicing of water and gas pipes, sanitary works and plumbing fixtures; further details of which are set forth in the section headed “Regulatory overview” in this prospectus

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“ME15”	one of the mechanical and electrical workheads classified under the Contractors Registration System, where the title of the ME15 workhead is “Integrated Building Services” and it refers to the installation, commissioning, maintenance and repairs of building services, which include some or all of the following: ME01, ME02, ME04, ME05, ME06, ME08, ME11, and ME12; further details of which are set forth in the sections headed “Business” and “Regulatory Overview” in this prospectus
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 10 June 2019, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“MOM”	Ministry of Manpower of the Singapore Government
“Mr. JK Ang”	Mr. Ang Jui Khoon (洪維坤), our executive Director and one of our Controlling Shareholders, as well as the father of Mr. KK Ang and Mr. YK Ang
“Mr. KK Ang”	Mr. Ang Kok Kwang (Hong Guoguang) (洪號光), our executive Director and one of our Controlling Shareholders, as well as the son of Mr. JK Ang and elder brother of Mr. YK Ang
“Mr. YK Ang”	Mr. Ang Yong Kwang (Hong Yongquan) (洪咏權), our executive Director, son of Mr. JK Ang and younger brother of Mr. KK Ang
“Myanmar”	the Republic of the Union of Myanmar
“Myanmar Legal Adviser”	VDB Loi Co., Ltd., the legal adviser to our Company as to Myanmar laws in respect of the Myanmar Project
“Myanmar Project”	a completed project undertaken by our Group during the Track Record Period with job site in Myanmar, details of which are set out in the paragraph headed “Business – Projects undertaken during the Track Record Period – Project awarded by Qingjian Group which was undertaken in Myanmar during the Track Record Period” in this prospectus

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“MYE”	man-year entitlements in respect of construction and process sector workers from NTS countries and the PRC
“NEA”	National Environment Agency of Singapore
“Nomination Committee”	the nomination committee of the Board
“NTS”	an acronym for Non-Traditional Sources, which include the following countries India, Sri Lanka, Thailand, Bangladesh, Myanmar and Philippines
“OFAC”	the U.S. Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or issued pursuant to the Share Offer
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“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
“Over-allotment Option”	the option expected to be granted by our Company under the Placing Underwriting Agreement to the Joint Bookrunners, which is exercisable in full or in part by the Joint Bookrunners (on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 37,500,000 Shares, representing approximately 15% of the initial number of Offer Shares offered under the Share Offer, at the Offer Price to cover over-allocations in the Placing, if any

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“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and other investors as set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 225,000,000 Shares being initially offered by our Company for subscription at Offer Price pursuant to the Placing, subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into on about Tuesday, 25 June 2019 by, among others, our Company, the Joint Bookrunners and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC”	the People’s Republic of China, which for the purpose of this prospectus, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Tuesday, 25 June 2019 on which the Price Determination Agreement is entered into but in any event no later than Tuesday, 25 June 2019
“proof of funds”	evidence to support that sufficient financial resources are readily available to fulfil specified purpose(s), generally including bank statements, financial reports or statements and other financial information published or publicly available

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“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (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 the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 25,000,000 Shares initially being offered for subscription under the Public Offer, subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set out in the section headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated Wednesday, 19 June 2019 relating to the Public Offer entered into between, among others, our Controlling Shareholders, our executive Directors, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“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 Listing as described in the paragraph headed “History, Development and Reorganisation – Reorganisation” in this prospectus
“Sanctioned Person(s)”	certain person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., European Union, United Nations or Australia
“SDN List”	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“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 nominal or par value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 10 June 2019, the principal terms of which are summarised in the paragraph headed “Other Information – 12. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Singapore”	the Republic of Singapore
“Singapore dollars”, “S\$” or “SGD”	Singapore dollars, the lawful currency of Singapore
“Singapore Government”	the government of Singapore
“Singapore Legal Adviser”	JLC Advisors LLP, the legal adviser to our Company as to Singapore laws
“Sponsor” or “Kingsway”	Kingsway Capital Limited, the sponsor to our Company’s application for the Listing and a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“sq.ft.”	square foot
“sq.m.”	square metre
“Stabilising Manager”	Head & Shoulders Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Lead Development and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 37,500,000 Shares to cover any over-allocations in the Share Offer

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“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 prospectus
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Top Stride”	TOP STRIDE INVESTMENT LIMITED, a company incorporated in the BVI with liability limited by shares on 28 June 2018 and directly wholly-owned by the Company as at the date of this prospectus
“Track Record Period”	FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019
“U.S. Securities Act”	United States Securities Act of 1933, as amended, modified and supplemented from time to time
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s) and to be completed in accordance with the instructions in the section headed “How to apply for Public Offer Shares” in this prospectus

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“WSHA”	the Workplace Safety and Health Act, Chapter 354A of Singapore
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS and to be completed in accordance with the instructions in section headed “How to apply for Public Offer Shares” in this prospectus
“%”	per cent

FORWARD-LOOKING STATEMENTS

This prospectus 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 prospectus.

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 prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, our Group’s intentions or those of any of our Directors are made as at the date of this prospectus. 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 prospectus 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 of the Offer Shares. 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 investments.

This prospectus 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 prospectus. Factors that could contribute to such differences are set out below as well as in other parts in this prospectus.

RISKS RELATING TO OUR BUSINESS

Our revenue is mainly derived from our electrical engineering 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 electrical engineering 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 FY2015/16, FY2016/17, FY2017/18, the seven months ended 31 January 2019 and from 1 February 2019 up to the Latest Practicable Date, the tender success rate for our electrical engineering services was 43.2%, 62.2%, 63.2%, 53.5% and 54.5%, respectively. Our tender 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 tender 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.

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.

RISK FACTORS

Reduction in the level of Singapore Government's spending on public residential developments may materially and adversely affect our business and financial position

For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, 67.4%, 70.3%, 91.0% and 86.3% of our total revenue was derived from providing electrical engineering services in public sector projects of which the project owners were HDB, the public housing authority of the Singapore Government, and local statutory bodies in Singapore. Therefore, a significant portion of our Group's business is attributable to the Singapore Government's policies and expenditure on public residential developments. There is no assurance that the Singapore Government will continue to commit to similar level of expenditure on the public residential buildings and related facilities.

If the Singapore Government formulates policies which reduce its support for public housing developments, there may be a reduction in government expenditure on the construction and upgrading of public residential buildings and related facilities. In the event of a reduction in number of electrical engineering projects related to public residential developments available for tender, our business and financial position and prospects could be materially and adversely affected.

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 FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 accounted for approximately 68.8%, 59.7%, 45.2% and 62.3% of our revenue respectively. During the Track Record Period, we secured new businesses mainly through direct invitation for 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.

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

Our revenue is derived from our electrical engineering projects. The contract sum quoted in the tender is determined after evaluation of our scope of work and taking into account all related costs involved including estimated costs for 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 prospectus.

RISK FACTORS

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 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.

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

Khoon Engineering, our principal operating subsidiary, is registered under the workheads of CW01 (General Building) with “C3” grade, ME04 (Communication & Security Systems) with “L2” grade, ME05 (Electrical Engineering) with “L6” grade, ME06 (Fire Prevention & Protection Systems) with “L1” grade, ME10 (Line Plant Cabling/Wiring for Telecommunications) with “L1” grade and ME12 (Plumbing & Sanitary Works) with “L1” grade under the CRS maintained by the BCA. Khoon Engineering also holds a GB2 Licence granted by the BCA and a Telecommunication Wiring Contractor’s (Class) Licence granted by the IMDA.

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 – Builder’s licence and contractors registry” and “Business – Licences and registrations” in this prospectus.

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 electrical engineering works, thereby materially and adversely affecting our business, financial position, results of operations and prospect.

RISK FACTORS

Our profitability may be affected by the potential increase in amortisation and depreciation expenses upon our planned acquisitions of a property and additional machinery and equipment, if our revenue fails to increase proportionately

It is part of our business strategies to acquire (i) additional machinery and equipment; and (ii) a property for storage, industrial training and ancillary office use by utilising a portion of our net proceeds from the Share Offer, as further discussed in the section headed “Business – Business Strategies” in this prospectus. As a result of the aforesaid planned acquisitions, it is expected that our Group will incur additional depreciation and amortisation expenses, which may therefore affect our financial performance and operating results. There is no assurance that we will secure more projects and increase our profitability after such planned acquisitions. Should we be unable to obtain more projects and increase our profitability after such planned acquisitions, our business, financial positions and prospect may be adversely affected.

Any defects in our electrical engineering works may adversely affect our industry reputation and relationships with our customers

Our electrical engineering works are generally undertaken for connecting various electrical systems throughout the buildings to the power supply safely and reliably. The reliability of our electrical engineering works are affected by numerous factors including but not limited to (i) the services and/or materials supplied by our subcontractors or suppliers; (ii) the customisation and installation processes undertaken by us; and (iii) the complexity of our customers’ requirements and specifications. In the event that our customers discover any defects with our electrical engineering works, it may adversely affect our reputation in the industry and our customers may decline to engage us in their future projects.

Inability to attract and/or retain management staff and/or qualified personnel for our various licences and registrations 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 our executive Directors, Mr. JK Ang, Mr. KK Ang and Mr. YK Ang. Details of the background and experience of our management team are set out in the section headed “Directors and senior management” in this prospectus.

Our key personnel together with their operational and management experience in the electrical engineering 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

Further, in order to maintain our various licences and registrations, we are required to appoint individuals with appropriate qualifications and/or experience for fulfilling the relevant personnel requirements. For further details of such requirements, please refer to the section headed “Regulatory overview – Builder’s licence and contractors registry” in this prospectus.

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

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

We experienced a decline in our total revenue in FY2016/17

Our total revenue decreased from approximately S\$38.6 million for FY2015/16 to approximately S\$30.8 million for FY2016/17. Please refer to the paragraph headed “Financial information – Review of historical results of operation” in this prospectus 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.

We recorded net operating cash outflow for FY2016/17 and FY2017/18

We recorded net cash used in operating activities of approximately S\$1.4 million and S\$7.0 million for FY2016/17 and FY2017/18, respectively. Please refer to the section headed “Financial information – Liquidity and capital resources – Cash flow from operating activities” in this prospectus for further information. We cannot guarantee that we will be able to generate positive cash flows from operating activities in the future. In particular, we cannot predict the amount and timing of receipts from our customers for our trade receivables. Negative operating cash flows may materially and adversely affect our liquidity and financial conditions, and hence may require us to obtain sufficient external financing to meet our financial needs and obligations. If we rely on external financing to generate additional cash, we will incur financing costs and we cannot assure you that we will be able to obtain external financing on terms acceptable to us, or at all.

RISK FACTORS

Approximately 84.9% of our workforce is made up of foreign labour who are subject to quota requirements and any difficulties in recruiting and/or retaining foreign labour could materially affect our operations and financial performance

Based on the latest information available from the MOM database as at the Latest Practicable Date, 158 out of 186 of our employees are foreign labour who are subject to quota requirements (being S Pass or Work Permit holders), representing approximately 84.9% of our total workforce. During the Track Record Period, we recruited our foreign labours from India, Malaysia, Bangladesh and Myanmar. There is no assurance that we can continually recruit sufficient foreign labour to support our business operation for the following reasons:

- possible shortage in the supply of foreign labour;
- possible increase in the salaries and wages of foreign labour; and
- possible changes in the relevant laws and regulations relating to the employment of foreign labours in Singapore, such as (i) a substantial increase in foreign worker levy and security bond; (ii) decrease in dependency ceilings ratio for the construction industry; (iii) decrease in MYE or work passes allocations from our customers and/or 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 of foreign workers” in Singapore in this prospectus. 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 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.

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 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 materials; and (iii) suppliers of other miscellaneous services including services provided by third party professionals (such as professional engineers and licenced electrical workers) for arranging external testing on our works as part of the certification procedures pursuant to the requirements under the Singapore laws and regulations.

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

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

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

The credit term granted by us to our customers is generally 30 to 35 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 2016, 2017, 2018 and 31 January 2019, we recorded trade receivables of approximately S\$1.0 million, S\$2.5 million, S\$3.4 million and S\$1.6 million, respectively, of which approximately S\$0.4 million, S\$1.0 million, S\$0.8 million and S\$0.5 million respectively have been past due but not impaired. Further, for each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our average trade receivables turnover days were approximately 5 days, 20 days, 31 days and 19 days, respectively. Any difficulty in collecting a substantial portion of our trade receivables from our customers could materially and adversely affect our cash flows and financial position.

RISK FACTORS

Potential mismatch in time between receipt of progress payments from our customers and payments to our suppliers may adversely affect our cash flows

We may experience net cash outflows as project up-front costs at the initial stage of a project which include (i) subcontracting charges for work done by subcontractors; (ii) payments made to suppliers for materials and (iii) other costs associated with site preparation. Our customers generally make progress payments according to our work progress, and such payments are required to be certified by our customers before we issue an invoice to them. In addition, our customers generally withhold up to 10% of the total contract sum as retention money, which will be released to us by stages. As at 30 June 2016, 2017, 2018 and 31 January 2019, retention receivables (before netting off respective contract liabilities) of approximately S\$3.8 million, S\$4.2 million, S\$2.7 million and S\$3.8 million, respectively were retained by our customers as retention money. Further, some of our customers may also require us to provide performance guarantees issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of our customers, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. For further information, please refer to the section headed “Business – Our customers – Principal terms of engagement” in this prospectus.

Accordingly, our cash flow typically turns from net outflows at the early stage of a project into accumulative net inflows gradually as the project progresses. This results in a cash flow gap and in the event that we have more projects at the initial stage or that a substantial amount of retention money from various projects are being withheld by our customers at any given point of time, our liquidity 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 electrical engineering projects and provision of performance guarantee, our cash flow and financial position could be materially and adversely affected.

The amount of revenue that we are able to derive from a project may be higher or lower than the original contract sum due to factors such as variation orders

The aggregate amount of revenue that we are able to derive from a project may be different from the original contract sum specified in the relevant contract for the project due to factors such as variation orders (including additions, modifications or cancellations of certain contract works) placed by our customers from time to time during the course of the project. As such, there is no assurance that the amount of revenue derived from our projects on hand will not be substantially different from the original contract sum as specified in the relevant contracts. For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our revenue attributable to the variation orders amounted to approximately S\$50,000, S\$294,000, S\$559,000 and S\$2.4 million, respectively. The increase in our variation orders received for the seven months ended 31 January 2019 was mainly attributable to the (i) supplemental orders placed by our customer for the supply and installation of smart distribution board, smart switches and smart metering for our project on hand located at Punggol North, Singapore (Project No. 10), which amounted to approximately S\$1.0 million;

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(ii) supplemental orders placed by our customer for additional site preparation works, including setup of site office and mock-up units, for our project on hand located at Clementi, Singapore (Project No. 7), which amounted to approximately S\$0.5 million; and (iii) supplemental orders placed by our customer for additional home fire alarm devices for our project on hand located at Bukit Batok, Singapore (Project No. 5), which amounted to approximately S\$0.3 million. For further details of these projects on hand, please refer to the paragraph headed “Business – Projects on hand” in this prospectus.

Furthermore, the variation orders may relate to different aspects of works, including but not limited to (i) additions, substitutions, alterations, changes in quality, form, character, kind, position or dimension of works; and (ii) changes to the sequence, method or timing of works specified in the original contract. In addition, the variation orders may be of differing natures, complexities and time schedules. Therefore, the profit margin derived from projects after variation orders may vary. For further details of variation orders, please refer to the section headed “Business – Operation flow – Variation orders (if any)” in this prospectus.

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 M&E service 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 use of proceeds” in this prospectus. 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, 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.

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

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

For each non-Malaysian foreign worker who is successfully granted with a work permit, a security bond of S\$5,000 in the form of a banker's guarantee or insurance guarantee is required to be furnished to MOM 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 prospectus 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 public liability insurance which covers our legal liability to third parties arising out of our business. We have also taken out third party liability insurance on our motor vehicles and 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

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disasters, or other events which are not covered or are inadequately covered by our insurance, our business may be adversely affected, potentially lead to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

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

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

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

According to the F&S Report, the public housing sector in Singapore is highly attributable to the continuous efforts and commitment of the Singapore Government in providing affordable housing units to its citizens. There is no assurance that the Singapore Government will continue to pursue development and continual support in the public housing sector. If the Singapore Government reduces its expenditure or continual support on the public housing sector, our business, results of operations and prospects may be adversely affected.

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

According to the F&S Report, one of the challenges to the construction industry (including the electrical engineering 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 ranges from S\$300 to S\$950,

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depending on their nationality and whether they are basic skilled or higher skilled and if they are on MYE waiver. For further information, please refer to the paragraph headed “Regulatory Overview – Employment of foreign workers – Quota and levy”. There is no guarantee that the Singapore Government will not further increase the foreign worker levy rate in the future, thereby increasing our costs and adversely affecting 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.

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 prospectus. Nevertheless, there is no guarantee that regulatory requirements applicable to our operation will not change in the future. In particular, please refer to the paragraph headed “Risk factors – Risks relating to our business – Approximately 84.9% of our workforce is made up of foreign labour who are subject to quota requirements and any difficulties in recruiting and/or retaining foreign labour could materially affect our operations and financial performance” above for the risks we may face in recruiting and/or retaining foreign labours should there be a change in the relevant laws and regulations in relation to the employment of foreign labour in Singapore. 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

M&E service providers in Singapore may apply for registrations under different M&E workheads under the CRS of the BCA, depending on their business needs. Registrations under M&E workheads of the CRS are subject to certain financial, personnel, track record, certification and other requirements, which are set forth in detail in the section headed “Regulatory overview – Builder’s licence and contractors registry” in this prospectus. Market players meeting such requirements may enter the market and compete for electrical engineering-related contracts in Singapore. There is no assurance that competition in the industry will not increase in the future. Increased competition may result in an adverse impact on our business and financial position and prospect.

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Failure to refine our know-how in response to technological advancements in the electrical engineering industry may render our services obsolete

We believe that our success is partly attributable to our know-how in carrying out electrical engineering works, which connect the various electrical systems throughout the buildings to the power supply safely and reliably.

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

RISKS RELATING TO THE SHARE OFFER

Investors will experience immediate dilution

Given the Offer Price of our Shares is higher than the combined net tangible assets per Share immediately prior to the Share Offer, investors of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible assets value to approximately HK\$0.18 per Share and HK\$0.21 per Share, respectively, based on the indicative Offer Price range of HK\$0.50 per Offer Share to HK\$0.60 per Offer Share.

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 Listing, there is no public market for the Shares. The listing 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 Share Offer. 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 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 Offer Price or at all.

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

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options on the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may adversely affect our Group's results of operation. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the paragraph headed "Other information – 12. Share Option Scheme" in Appendix IV to this prospectus.

Any disposal by our Controlling Shareholders of a substantial number of Shares in the public 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 Listing. 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 Joint Bookrunners are entitled to terminate the Underwriting Agreements

Prospective investors should note that the Joint Bookrunners (for themselves and on behalf of other Underwriters) are entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in the section headed "Underwriting – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. 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 Share Offer, our Controlling Shareholders will own 75% 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.

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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.

RISKS RELATING TO THIS PROSPECTUS

Statistics and industry information contained in this prospectus 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 prospectus 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 F&S, 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 prospectus. 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 Share Offer 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.

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

Included in this prospectus 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 prospectus. Investors should read this entire prospectus 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 Share Offer including, in particular, any financial projections, valuations or other forward-looking statements.

Prior to the publication of this prospectus, there may be press or other media which contains information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, or the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer 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 prospectus or is inconsistent or conflicts with the information contained in this prospectus, 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 Offer Shares. You should rely only on the information contained in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waivers 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 listing 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 the above, 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. KK Ang, our executive Director, and Ms. Leung Hoi Yan, 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. Leung Hoi Yan, 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;
- (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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (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 Kingsway 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 listing 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 Listing Date. Kingsway Capital Limited will provide professional advice on matters relating to compliance with the Listing Rules and other obligations for companies listed in Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. Details of the terms of the Share Offer are described in the section “Structure and Conditions of the Share Offer” and in the related Application Forms.

The Listing is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters and Placing is expected to be fully underwritten by the Placing Underwriters.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or related Application Forms in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus and/or related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus or the related Application Forms and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, any of its respective directors, agents or advisers or any other person or party involved in the Share Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons who come into possession of this prospectus or any of the related Application Forms should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

Each person or body corporate acquiring the Offer Shares will be required to confirm, or be deemed by his or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

Under Section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

All the Offer Shares will be registered on the Hong Kong branch share register to be maintained by Boardroom Share Registrars (HK) Limited. Dealings in the Offer Shares registered on the Company's branch share register maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal share register of the Company maintained by Estera Trust (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Directors, the Sponsor, the Underwriters, their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

STABILISATION AND OVER-ALLOTMENT OPTION

In connection with the Share Offer, the Stabilising Manager, or any person acting for it, may over-allot Shares or effect any other transactions with a view to stabilising and maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the date of Listing. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action.

In connection with the Share Offer, our Company is expected to grant to the Placing Underwriters the Over-allotment Option, which is exercisable in full or in part by the Joint Bookrunners (on behalf of the Placing Underwriters) up to (and including) the date which is the 30th day after the last day for lodging applications under the Public Offer. Pursuant to the Over-allotment option, our Company may be required to issue at the Offer Price up to an aggregate of 37,500,000 Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer, to cover over-allocations in the Placing, if any.

For further details on the stabilisation and the Over-allotment Option, please refer to the section headed “Structure and Conditions of the Share Offer – Stabilisation and over-allotment” in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sum of amounts listed therein are due to rounding.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out in the section headed “How to apply for Public Offer Shares” and on the related Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on or about Friday, 5 July 2019. The Shares will be traded in board lots of 8,000 Shares each.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and related Application Forms and the Chinese translation of this prospectus and related Application Forms, the English version of this prospectus and related Application Forms shall prevail.

CURRENCY TRANSLATIONS

Unless otherwise specified, conversion of S\$ into HK\$ and USD into S\$ (or vice versa) in this prospectus is based on the exchange rate set out below (for illustration purposes only):

S\$1.00 : HK\$5.74

USD1.00 : S\$1.37

No representation is made that any amounts in S\$, HK\$ and USD can be or could have been converted at the relevant dates at the above exchange rate or any other rate or at all.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Ang Jui Khoon (洪維坤)	41 Jalan Asas, Singapore 678802	Singaporean
Mr. Ang Kok Kwang (Hong Guoguang) (洪號光)	51 Jalan Bunga Rampai #03-02, Singapore 538420	Singaporean
Mr. Ang Yong Kwang (Hong Yongquan) (洪咏權)	116A Farrer Road, Singapore 259247	Singaporean
<i>Independent non-executive Directors</i>		
Ms. Tan Pei Fung (陳旆芬)	3 Grove Avenue, Singapore 279179	Singaporean
Mr. Yeo Kwang Maccann (楊光)	21 Pasir Ris Link #08-01, Singapore 518168	Singaporean
Mr. Hon Chin Kheong (Han Zhenqiang) (韓振強)	33 Tampines Street 34, #02-35, Singapore 529238	Singaporean

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor

Kingsway Capital Limited

A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

7/F, Tower One
Lippo Centre
89 Queensway
Hong Kong

Joint Bookrunners, Joint Lead Managers and Public Offer Underwriters

Kingsway Financial Services Group Limited

A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities) and type 9 (asset management)

7/F, Tower One
Lippo Centre
89 Queensway
Hong Kong

Head & Shoulders Securities Limited

A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in future contracts) and type 4 (advising on securities)

Room 2511, 25/F
Cosco Tower
183 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law

Guantao & Chow Solicitors and Notaries

Suites 1801-3, 18/F
One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to Singapore law

JLC Advisors LLP
80 Raffles Place
#43-03 UOB Plaza I
Singapore 048624

As to Myanmar law

VDB Loi Co., Ltd.
Level 10, Units 01-05
Junction City Office Tower
Bogyoke Aung San Road
Pabedan Township, Yangon
Myanmar

As to International Sanctions law

Hogan Lovells
11th Floor, One Pacific Place
88 Queensway
Hong Kong

As to Cayman Islands law

Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

**Legal advisers to the Sponsor,
the Joint Lead Managers,
the Joint Bookrunners and
the Underwriters**

As to Hong Kong law

David Fong & Co.
Unit A, 12th Floor
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

Reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditors	Deloitte & Touche LLP <i>Public Accountants and Chartered Accountants Singapore</i> 6 Shenton Way OUE Downtown 2 #33-00 Singapore 068809
Industry consultant	Frost & Sullivan Limited Suite 1706, One Exchange Square 8 Connaught Place Hong Kong
Internal control adviser	CT Partners Consultants Limited Unit 1601A, 16th Floor, Tower 6 China Hong Kong City 33 Canton Road Tsim Sha Tsui, Kowloon Hong Kong
Property valuer	Ascent Partners Valuation Service Limited Suite 2102, 21/F Hong Kong Trade Centre 161-167 Des Voeux Road Central Hong Kong
Compliance adviser	Kingsway Capital Limited 7/F, Tower One Lippo Centre 89 Queensway Hong Kong
Receiving bank	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong

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	Unit B, 17/F, United Centre 95 Queensway Hong Kong
Headquarters and principal place of business	Block 5000 Ang Mo Kio Avenue 5 #04-01 Techplace II Singapore 569870
Authorised representatives	Mr. Ang Kok Kwang (Hong Guoguang) (洪號光) 51 Jalan Bunga Rampai #03-02 Singapore 538420 Ms. Leung Hoi Yan (梁皚欣), <i>HKICS</i> Flat G, 12/F, Block 10, Caribbean Coast 1 Kin Tung Road Tung Chung New Territories
Company secretary	Ms. Leung Hoi Yan (梁皚欣), <i>HKICS</i> Flat G, 12/F, Block 10, Caribbean Coast 1 Kin Tung Road Tung Chung New Territories
Audit Committee	Ms. Tan Pei Fung (陳旆芬) (<i>Chairlady</i>) Mr. Yeo Kwang Maccann (楊光) Mr. Hon Chin Kheong (Han Zhenqiang) (韓振強)
Remuneration Committee	Mr. Yeo Kwang Maccann (楊光) (<i>Chairman</i>) Ms. Tan Pei Fung (陳旆芬) Mr. Ang Kok Kwang (Hong Guoguang) (洪號光)

CORPORATE INFORMATION

Nomination Committee	Mr. Ang Jui Khoon (洪維坤) (<i>Chairman</i>) Mr. Ang Yong Kwang (Hong Yongquan) (洪咏權) Ms. Tan Pei Fung (陳旃芬) Mr. Yeo Kwang Maccann (楊光) Mr. Hon Chin Kheong (Han Zhenqiang) (韓振強)
The Cayman Islands principal share registrar and transfer office	Estera Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Boardroom Share Registrars (HK) Limited 2103B, 21/F, 148 Electric Road North Point Hong Kong
Principal banks	RHB Bank Berhad (Bukit Timah Branch) 440/442 Upper Bukit Timah Road The Rail Mall Singapore 678064 United Overseas Bank Limited 80 Raffles Place, UOB Plaza Singapore 048624
Company website	khoongroup.com (<i>information on this website does not form part of this prospectus</i>)

INDUSTRY OVERVIEW

The information and statistics in this section, unless otherwise indicated, are derived from various private and official governmental publications, publicly available sources and the F&S Report. We believe that the sources of the information in this section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information prepared by F&S and set out in this section has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer (which, for the purpose of this paragraph, excludes F&S) and they do not give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

SOURCE AND RELIABILITY OF INFORMATION

Our Group commissioned F&S, an independent market research company, to conduct an analysis of, and to produce a report on, the M&E services market in Singapore for use in this prospectus. F&S is an independent global consulting firm founded in 1961, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries. The information from F&S disclosed in this prospectus is extracted from the F&S Report, a report commissioned by us for a fee of HK\$620,000 and is disclosed with the consent of F&S.

The F&S Report was undertaken through both primary and secondary research obtained from various sources. Primary research included interviews with industry experts and participants in the Singapore M&E services market. Secondary research involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on F&S' own database. While making projections on the macroeconomic environment, the overall M&E services market and various segment markets in Singapore, F&S assumed that (i) Singapore's economy is expected to grow at a steady rate supported by favourable government policies as well as global economic recovery, among other factors; and (ii) the social, economic and political environment of Singapore is likely to remain stable during the forecast period, which will ensure a sustainable and steady development of the M&E services market in Singapore.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report. Our Directors confirm that after taking reasonable care, the sources of information used in this section, which are extracted from the F&S Report, are reliable and not misleading as F&S is an independent professional market research agency with extensive experience, and there is no material adverse change in the overall market information since the date of the F&S Report that would materially qualify, contradict or have an impact on such information.

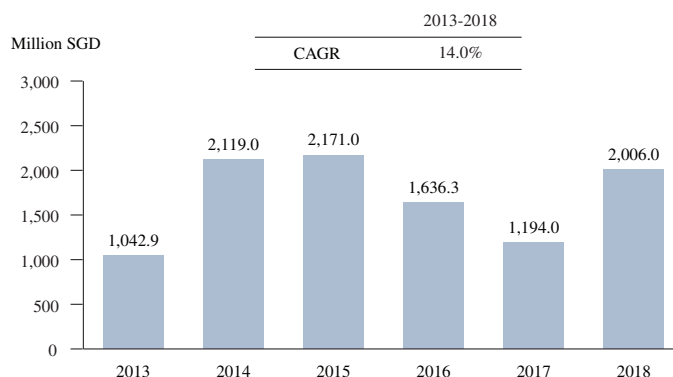
OVERVIEW OF MACROECONOMIC ENVIRONMENT IN SINGAPORE

Government expenditure on public residential housing

The public housing sector in Singapore is highly attributable to the continuous efforts and commitment of the Singapore Government in providing affordable housing units to its citizens. HDB is a self-financing public housing authority in Singapore, partly subsidised by the Singapore Government. The government grant to the HDB has recorded a substantial fluctuation from SGD1,042.9 million in 2013 to SGD2,006.0 million by 2018, at a CAGR of 14.0%. The increase from 2013 to 2014 is mainly due to the strong demand of public housing as indicated in the rise in number of applicants received under the Registration for Flat System (RFS) and the growing population density. The decrease in government expenditure from 2015 to 2017 is majorly due to the economic downturn in Singapore, leading to a cut in expenditure on residential upgrade and construction demand. However, with the supportive government policies on HDB projects including the maintenance and upgrading work on existing HDB buildings, the government expenditure on public residential housing is expected to increase in the coming future. With the increasing number of public housing projects and housing schemes, the government expenditure on public residential housing recorded a significant rise, reached SGD2,006 million in 2018.

INDUSTRY OVERVIEW

Government Expenditure on Public Residential Housing, 2013-2018

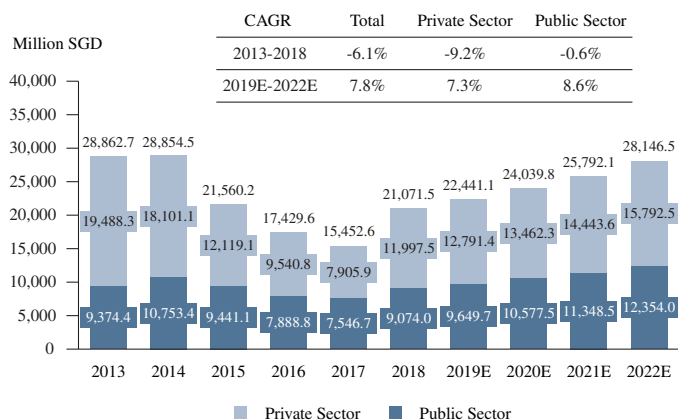


Source: HDB, Singapore Department of Statistics, F&S

Total building works contracts awarded

According to the Singapore Department of Statistics, the value of contracts awarded for building works has been decreasing from SGD28,862.7 million in 2013 to SGD21,071.5 million in 2018, at a negative CAGR of 6.1%. This decrease is mainly led by the diminishing number of building work contracts in the private sector, plummeted from SGD19,488.3 million in 2013 to SGD11,997.5 million in 2018, representing a negative CAGR of 9.2%. Contracts awarded from the public sector, which are mostly awarded by HDB, have also decreased from SGD9,374.4 million in 2013 to SGD9,074.0 million in 2018, representing a negative CAGR of 0.6%. It is expected the amount of building works will achieve a positive growth, as it is supported by various government projects such as its new public housing construction, upgrading works for HDB flats as well as some sizeable HDB development projects. The contracts awarded in the public sector are predicted to increase in the future at a CAGR of 8.6%, reaching SGD12,354.0 million by 2022. With the increase in population density and incoming immigrants and the forecasted positive growth in economy of Singapore, the contracts awarded from private sector are predicted to reach SGD15,792.5 million by 2022 supported by the recent development projects at Shunfu Road, Stirling Road, Hougang Avenue 7 and upper Serangoon Road. Public residential developments initiated by the HDB are generally awarded to a limited number of established construction contractors in Singapore which conform to the Singapore Government's quality standard. It is not uncommon for electrical engineering solutions providers who undertake public residential development projects initiated by the HDB to rely on a few construction contractors and such customer concentration is not uncommon in the industry.

Contracts Awarded by Building Works in Public and Private Sector, 2013-2022E



Source: BCA, F&S

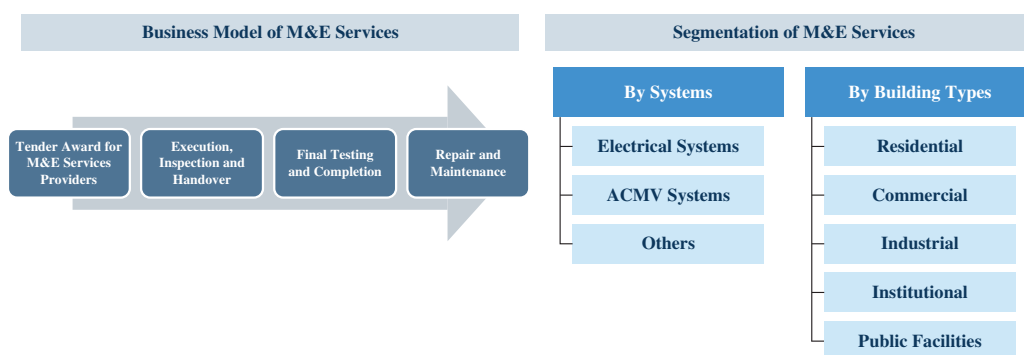
INDUSTRY OVERVIEW

OVERVIEW OF M&E SERVICES MARKET IN SINGAPORE

Definition

M&E services cover design, installation, operation, monitoring and maintenance for a range of specialized systems such as electrical systems, ACMV systems and others. The M&E services market in Singapore is characterised by various M&E service aspects, among which the major components comprise (i) electrical engineering services; (ii) ACMV services; and (iii) integrated building services in respect of M&E systems.

The key segments for application of M&E services include residential, commercial, industrial, institutional buildings and public facilities, i.e. airport, railway, tunnels, under public and private sectors. The M&E services are applicable to all industries, which include but are not limited to process, construction, healthcare, education etc. As a common practice in construction industry, contractors for M&E services are usually required to go through tendering process prior to commencement of works.

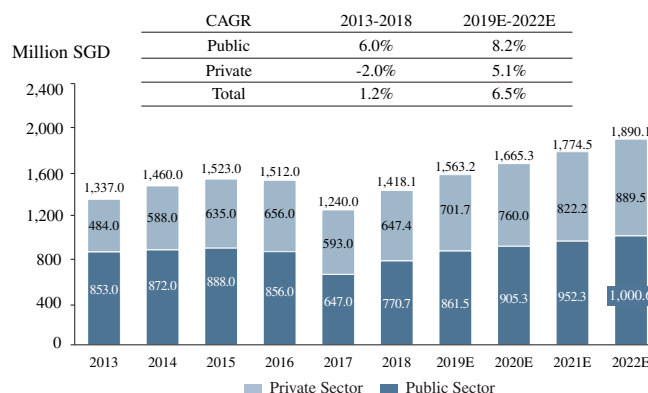


Source: F&S

Market size

Influenced by the economic situations of Singapore, there is a drop in construction demand over the past years, affecting the Singapore M&E services market directly. The revenue generated by the M&E services market has fluctuated from SGD1,337.0 million in 2013 to SGD1,418.1 million in 2018, representing a CAGR of 1.2%. The decrease in the revenue of Singapore M&E services market in 2017 was attributable to (i) the deterioration of the economic situation in Singapore during the same period; and (ii) the reduction in Singapore Government's expenditure on public residential housing in 2017. These factors had also adversely affected the market demand for electrical engineering and ACMV services, which are two of the major segments of the M&E service market in Singapore. With the favourable government support and expected positive economic outlook of Singapore, it is predicted to continue its growth in the future, reaching SGD1,890.1 million by 2022, at a CAGR of 6.5% from 2019 to 2022.

Market Size by Revenue of Singapore M&E Engineering Services Market (Public and Private Sector), 2013-2022E



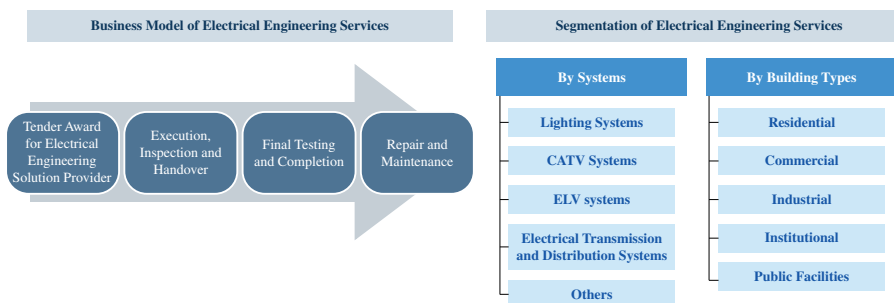
Source: F&S

INDUSTRY OVERVIEW

OVERVIEW OF ELECTRICAL ENGINEERING SERVICES MARKET IN SINGAPORE

Definition

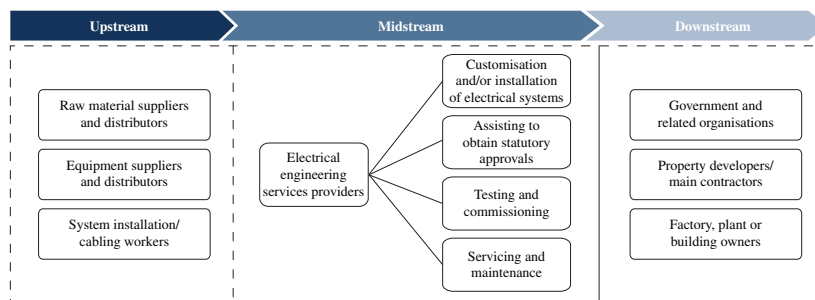
Electrical engineering services are a segment under the M&E services market. According to the BCA, the electrical engineering services refer to the installation, testing, commissioning, maintenance and repair of electrical based systems such as switchgears, transformers and large generators. The service scope would also include the electrical installations (e.g. lightings) in building and marine vessels. The key segments for application of electrical engineering includes residential, commercial, industrial, institutional buildings, and public facilities (e.g. airport, railway, tunnels) under public and private sectors.



Source: F&S

Value chain analysis

The value chain of the electrical engineering services market in Singapore can be mainly divided into upstream, midstream, and downstream.



Source: F&S

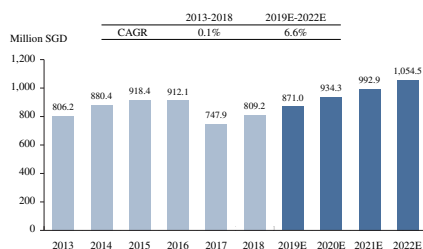
Market size

The overall revenue generated by the electrical engineering services market in Singapore has fluctuated from SGD806.2 million in 2013 to SGD809.2 million in 2018, representing a CAGR of 0.1%. Supported by the favourable economic environment of Singapore, it is predicted that there will be a growing number of construction works in both the public and private sectors, demanding more electrical engineering services. Thus, the revenue generated by the electrical engineering services will experience a growth from 2019 to 2022 at a CAGR of 6.6%, reaching SGD1,054.5 million by 2022.

The overall electrical engineering services revenue generated from the Singapore residential sector is experiencing a growth at a CAGR of 0.6% from 2013 to 2018. The electrical engineering services revenue generated from the public residential sector has increased from SGD249.5 million in 2013 to SGD261.0 million in 2018, at a CAGR of 0.9%. However, in order to meet the rising demand for flats mainly caused by the rising population, there is a growing number of residential building works, as well as maintenance on existing residential buildings, which drives the demand for electrical engineering services from the residential sector. The revenue of the electrical engineering services market from the residential sector is therefore predicted to increase at a CAGR of 5.7% from 2019 to 2022 amounting to SGD665.4 million in 2022. Driven by the future development plans of public residential buildings as well as the upgrading work plans – Home Improvement Programme (HIP) in upgrading existing old flats, the revenue generated by the public residential sector is expected to rise at a CAGR of 6.2%, reaching SGD333.8 million by 2022.

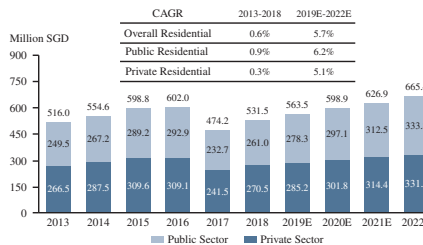
INDUSTRY OVERVIEW

Market Size by Revenue of Singapore Electrical Engineering Services Market, 2013-2022E



Source: F&S

Market Size by Revenue of Singapore Electrical Engineering Services Market generated from the Residential Sector (2013-2022E)



Source: F&S

Market driver analysis

- **Increase in construction demand from the public sector**

The growing population in Singapore and the increasing population density lead to a rising demand on residential buildings as indicated in the rise in number of applicants received under the Registration for Flat System (RFS). There are a number of new public housing construction projects in the pipeline, including but not limited to the upgrading works for HDB flats and condominium projects. As electrical engineering is necessary for all public housings, the steady flow of projects largely benefits the electrical engineering service providers in Singapore, especially those who focus their scope of work in the public sector. For the private sector, strong construction demand of residential, commercial, and industrial natures is expected. In particular, there are expansion plans for the integrated resorts in line aiming to rejuvenate the tourism sector, including but not limited to Marina Bay Sands and Resorts World Sentosa. Investment for these projects would create a high demand for construction work, translating into opportunities for M&E engineering contractors in Singapore.

- **Technological advancement**

With the advancement of technology, coupled with increasing disposable income and demand for a higher living standard, clients from both the public and private sectors are looking for better and more stable electrical engineering infrastructure. It is noted that high-value electrical engineering equipment are more commonly utilised in the construction projects. Aged buildings are also looking to upgrade the cabling system and internet infrastructure for a safer operating environment. Such technological demand applies to virtually all kinds of premises, including but not limited to private and public residential, manufacturing plants, public facilities, etc., translating into opportunities to the Singapore electrical engineering services providers.

Market trends

- **Smart and sustainable building**

Demand for ELV services has increased significantly over the years, largely driven by the rising significance of smart and sustainable buildings in Singapore which involve various ELV systems. Acknowledging the environmental advantage and sustainable living benefits gaining from smart building premises, the HDB is placing more emphasis in such developments on public housings and planning to incorporate smart features into premises such as intelligent control systems, integration of various components under the electrical engineering systems. Smart building solutions are highly complex and require sophisticated system design and installations. As such, a higher requirement on electrical engineering services is expected.

- **Electric vehicles**

Due to the rising global awareness on environmental issues, there is a wave of adoption in electric vehicles worldwide, for lessening emission in carbon dioxide significantly. In Singapore, the Land Transport Authority (LTA) has been gradually introducing electric and hybrid vehicles to the city in the recent years. The introduction of electric vehicles to Singapore will place a higher demand on electrical supply in parking spaces for vehicles charging purposes, causing a higher demand on efficient power devices and power conversion in the electrical engineering segment.

- **Environmentally friendly**

Environmental protection has gained in popularity in the building industry as it is the second largest energy consumption industry in Singapore, which also impacted the electrical engineering services industry. Buildings will be designed, constructed, renovated, operated and reused in an ecological and resource-efficient manner, and will be required to efficiently use energy, water and other resources. The “Public Sector Sustainability Plan 2017” marked the initiative to reduce electricity consumption by at least 15% from 2013 to 2020. The electrical engineering services providers thus need to comply with these guidelines and provide green services solution.

INDUSTRY OVERVIEW

Market opportunities

- **Favourable economic environment and government policies**

With the strengthened economic outlook and the upturn in the overall property sentiment, the overall construction industry will be positively influenced. The positive overall economic outlook will allow the government to place more resources in various development projects, even for those that might have a slowdown in development due to the cut in budget in the previous years. The expected increase in government spending on construction projects will in turn benefit the overall electrical engineering services market.

- **Rising energy consumption**

Singapore has witnessed a higher demand on electricity due to the growing urbanisation and industrialisation of the country. The demand has been surging mainly caused by the strong consumption from industrial and transportation sector development, as well as the rising energy demand from the commercial and residential sectors. This would require a higher demand on electrical engineering services for construction of new buildings and maintenance and upgrade work for aged buildings.

Market challenges

- **Shortage in labour**

Electrical engineering systems in general require in-depth industry knowledge and skillset, it is a prerequisite for electrical engineers and technicians to have a professional background and relevant qualifications to work in the field. They are required to obtain a license for carrying out various electrical work and the license is graded under the handling of different amount of electric volts. In Singapore, it is considered relatively difficult to hire professionals, given the current labour shortage in the professional field. In addition, the MOM is raising the criteria for the Employment Pass (EP) for foreign labour, which will directly affect the number of successful applicants and the number of workers in the electrical engineering services field. This will therefore hinder the growth and development of the electrical engineering services market in Singapore.

- **Safety risk of workers**

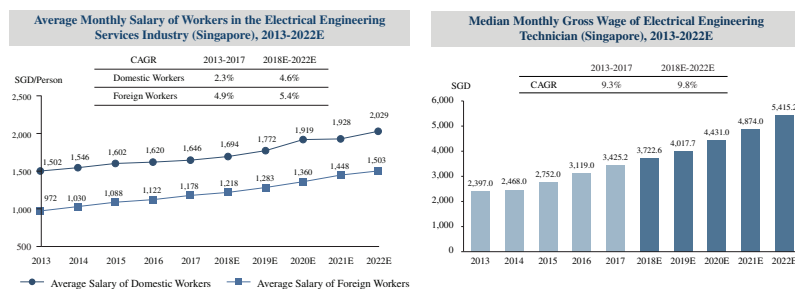
Electrical engineering work poses potential hazards to the workers as they are working in various stages of the construction, such as falling from elevated work surfaces, exposure to hazardous substances, electrical hazards and falling objects etc. In light of the injuries and accidents due to construction works in Singapore in the past decade, the Singapore Government has imposed WSHA to safeguard the workplace safety of the construction workers. Furthermore, there are other initiatives to reduce the potential construction and demolition risks in the public sector. For example, main contractors and subcontracts employed are required to obtain a bizSAFE Level 3 license as a minimum requirement.

Cost structure analysis

Due to labor shortage, domestic workers in Singapore require higher salary than foreign workers who are from developing areas, such as Southeast Asia. The average monthly salary of domestic workers in Singapore electrical engineering services industry has increased from approximately SGD1,502 per person in 2013 to approximately SGD1,646 per person in 2017. With the sustained growth of Singapore economy and the development of electrical engineering services industry, the average monthly salary of domestic workers in Singapore electrical engineering services industry is expected to further increase at a CAGR of 4.6%, reaching SGD2,029 per person in 2022.

On the other hand, the average monthly salary of foreign workers has increased at a CAGR of 4.9%, from SGD972 per person in 2013 to SGD1,178 per person in 2017. With the development of electrical engineering services industry in Singapore, the average monthly salary of foreign workers in Singapore is projected to further increase to approximately SGD1,503 per person in 2022.

Due to the labour shortage problem in Singapore and the increasing demand for electrical engineering services, contractors are increasing the salaries of technicians so as to retain and attract them. According to the MOM, the median monthly gross wage of electrical engineering technician has increased from SGD2,397.0 in 2013 to SGD3,425.2 in 2017, representing a CAGR of 9.3%. The labour shortage problem is expected to continue in the near future, causing a further increase of the salaries from SGD3,722.6 in 2018 to SGD5,415.2 in 2022, representing a CAGR of 9.8%.



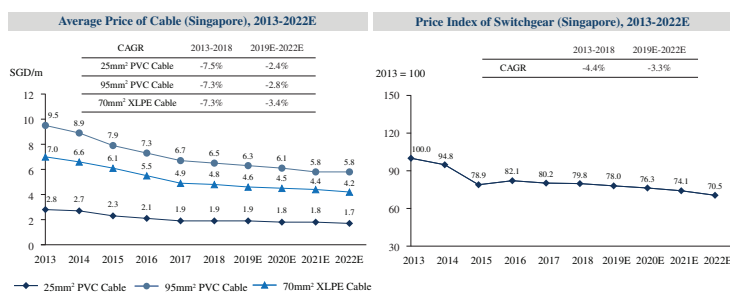
INDUSTRY OVERVIEW

Note: Latest available data as of 2017.

Source: MOM, F&S

Cable is one of the major types of materials used in the electrical engineering services industry, the price of which largely depends on the price of raw materials such as copper, aluminum, rubber, plastics etc. The average price of cables has recorded a fall over the past six years, at a CAGR of -7.5%, -7.3% and -7.3%, respectively, for 25mm² PVC Cable, 95mm² PVC Cable, and 70mm² XLPE Cable. The fall in cable prices is attributable to the drop in raw materials prices over the corresponding period. A lower cost of major materials is expected to benefit the electrical engineering service providers by yielding a higher project margin in projects.

Switchgear is another major type of material used in the electrical engineering services industry. The price index has dropped from 100 in 2013 to 79.8 in 2018, representing a negative CAGR of 4.4%. The fall in price index is attributable to the decrease in production cost of steel plate, which is the major raw material to form switchgear.



Source: F&S

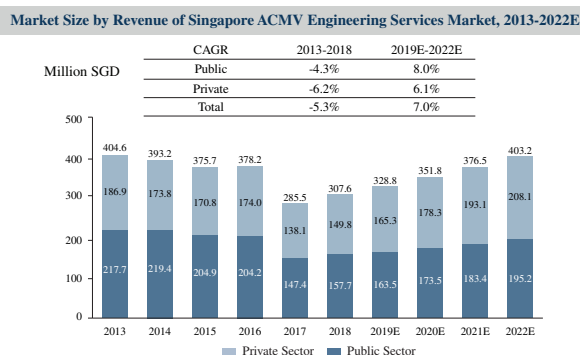
OVERVIEW OF ACMV SERVICES MARKET IN SINGAPORE

Definition

ACMV is a segment under the M&E services. According to the BCA, ACMV services cover the installation, commissioning, maintenance and repairs of air-conditioning, refrigeration, cold rooms, and ventilation systems. As a common practice in construction industry, contractors for ACMV services are usually registered under the ME01 workhead in BCA and are usually required to undergo tendering process prior to the commencement of works.

Market size

The revenue generated by the ACMV services market dropped from SGD404.6 million in 2013 to SGD307.6 million in 2018, representing a negative CAGR of 4.3%. Stimulated by the positive economic outlook in Singapore, the revenue generated by ACMV services is expected to grow in the future, reaching SGD403.2 million by 2022, at a CAGR of 7.0% from 2019 to 2022.



Source: F&S

OVERVIEW OF INTEGRATED BUILDING SERVICES MARKET IN SINGAPORE

According to the BCA, the ME15 workhead “integrated building services” refers to work related to the installation, commissioning, maintenance and repairs of building services (including prefabricated mechanical, electrical and plumbing modules).

As at the Latest Practicable Date, there are 114 contractors registered under the ME15 workhead, and 67 are with “L6” grade.

INDUSTRY OVERVIEW

The market size by revenue of the integrated building services industry in Singapore is not available because (i) there is no public data in this aspect; (ii) in some integrated building services contracts, there is no fixed or committed contract value, and the actual amount and nature of works required to be performed by the contractor are subject to the customer's work orders from time to time during the contract period, making it impracticable to keep track of and to estimate the value of works performed; (iii) the amount and nature of building services required by different buildings and facilities may vary significantly, depending on factors such as their ages and conditions as well as the owners' budgets and preferences on servicing and replacements of building systems, making it impracticable to estimate the market size of the industry; and (iv) many contractors of integrated building services are private companies who had not made their detailed revenue breakdown information available.

The M&E services market covers the works under the ME15 workhead. The revenue generated by the integrated building services market in Singapore is dependent on the growth of the M&E services market in Singapore.

COMPETITIVE LANDSCAPE IN SINGAPORE

The M&E services market in Singapore is relatively fragmented with a large number of market players of different specialties and scales of operation. As at the Latest Practicable Date, there are more than 3,000 companies registered under the M&E services workhead.

Electrical Engineering Services Market

The electrical engineering services market in Singapore is relatively fragmented with market players of different specialties and scales of operation. As at the Latest Practicable Date, there are more than 1,400 electrical engineering services market players in Singapore under the ME05 "Electrical engineering" workhead. They are categorised with BCA grading ranging from "L1" to "L6" depending on their financial capacity, past experiences, safety management certifications etc. A number of market players specialise in providing electrical engineering services to the residential market in Singapore. Market players need to meet the highest financial and safety requirement in order to obtain and retain a "L6" grade in ME05 workhead, and hence players that are able to meet the requirement are often the top players of the industry. There are over 80 market players who have obtained a "L6" grade under the ME05 workhead and the major electrical engineering services players with a higher financial capacity and stronger past track record etc. in the public residential industry are listed in the table below.

As of 2018, the total market size generated by the revenue of Singapore electrical engineering services market is SGD809.2 million and our Group has an approximate total market share of 4.2%¹ in the electrical engineering services market, with 5.8%² in the electrical engineering services (specialised in overall residential market) and 11.8%³ in the electrical engineering services (specialised in public residential market).

F&S has identified 5 major market players registered under ME05 with "L6" grade through a consolidation of (i) information provided by expert interviewees during interviews, and (ii) the data and research from government channels such as the BCA and sets forth in the table below in alphabetical orders:

Company	Year Founded	Major Service Coverage	Servicing Industry Sectors
Khoon Engineering	1988	Providing electrical engineering services mainly including customisation and/or installation of electrical systems, including electrical transmission and distribution systems, lighting systems, CATV systems, underground cable piping systems, telecommunication systems and ELV systems etc..	Public and private residential, commercial and industrial

1 Calculated based on our Group's total revenue for FY2017/18 as stated in the section headed "Financial Information" in this prospectus.

2 Calculated based on our Group's revenue generated from the overall residential market for FY2017/18 as stated in the section headed "Financial Information" in this prospectus.

3 Calculated based on the Group's revenue generated from the public residential market for FY2017/18 as stated in the section headed "Financial Information" in this prospectus.

INDUSTRY OVERVIEW

Company	Year Founded	Major Service Coverage	Servicing Industry Sectors
King Wan Construction Pte. Ltd.	1977	Providing a multi-disciplined M&E engineering services including but not limited to design and installation of ACMV communications, security and fire protection and alarm systems.	Public and private residential, commercial, infrastructure and industrial
Kingbo Strike Limited	1983	Majorly providing electrical engineering services such as installation of copper wiring, switchboards, fire prevention, CATV and fixed-line telecommunication systems.	Mainly public residential
Primeflux Engineering Pte. Ltd.	2005	Providing mechanical services, including but not limited to ACMV, plumbing and sanitary and fire prevention and protection system.	Public residential, industrial, infrastructure and commercial
Propell Integrated Pte. Ltd.	1999	Providing M&E services, such as supply, installation and management of extra low-voltage system, ACMV system, energy efficiency system and certain consultation for projects.	Public and private residential, commercial, institutional, commercial and others

Source: F&S

Major market players refer to companies within the M&E engineering market which (i) obtained a “L6” grade license under the ME05 workhead from BCA; (ii) have previously been engaged in HDB projects; and (iii) own a long history of business establishment which accumulated a certain level of industry experience together with a reputable track record performance. According to F&S, the industry norm for Singapore M&E engineering projects’ certification and billing process is between 3 weeks to 6 months. However, the process may take as long as 9 months because: (i) the consultants appointed by the main contractors request to perform additional procedures for verifying the functionality of certain electrical engineering works performed by the subcontractors; (ii) the consultants require longer period to certify the site preparation works carried out by the subcontractors and to approve the materials procured from the suppliers during the preliminary stage of the projects; and (iii) the certification process takes longer to complete due to limitation in the manpower of the relevant quantity surveying staff authorised by the main contractors.

ACMV Services Market

As at the Latest Practicable Date, there are more than 1,200 market players registered under the workhead ME01: Air-Conditioning, Refrigeration & Ventilation Works in Singapore. They are categorised with BCA grading ranging from “L1” to “L6” depending on their financial capacity, past experiences and safety management certifications etc. Large-scaled players within the industry are usually main contractors who are registered under multiple workheads, and score in the holistic construction tender that involved various kinds of construction services, while small to medium scaled players within the industry often specialise in their respective aspects of the construction projects. They would usually register under one to two workheads, and maintain close relationships with main contractors so as to ensure a stable income stream. As at the Latest Practicable Date, there were 241 service providers registered under the workhead ME01 with “L4” grade or above and 85 service providers registered under the workhead ME05 with “L6” grade. There were only 59 service providers registered under both the workheads ME01 with “L4” grade or above and ME05 with “L6” grade as at the Latest Practicable Date.

In line with the practice of other M&E workheads, market players need to meet the highest financial and safety requirement in order to obtain and retain a “L6” grade in ME01 workhead, and hence players that are able to meet the requirement are often the top players of the industry. As at the Latest Practicable Date, there are more than 50 companies registered under ME01 workhead with a “L6” grade.

INDUSTRY OVERVIEW

F&S has identified 5 major market players registered under ME01 with “L6” grade through a consolidation of (i) information provided by expert interviewees during interviews, and (ii) the data and research from official channels such as the BCA and sets forth in the table below in alphabetical orders:

Company	Year founded	Major service coverage
Kin Xin Engineering Pte. Ltd.	1997	Integrated building solution providers with services including but not limited to, M&E engineering services; manufacturing and trading of ACMV ducts and related products, building and construction solutions.
Kurihara Kogyo Co. Ltd.	1979	Providing services including but not limited to ACMV, electrical services, fire prevention and protection system, plumbing and sanitary, integrated building services and maintenance services.
Natural Cool Airconditioning & Engineering Pte. Ltd.	1993	Mainly providing ACMV services including the installation, maintenance, distribution etc.
Techniques Air Conditioning & Engineering Pte. Ltd.	1983	Mainly providing services on ACMV works from conceptual to detailed design, project management, supply, installation commissioning and maintenance.
Wah Loon Engineering Pte. Ltd.	1988	Providing M&E services, ACMV, fire protection, plumbing and sanitary services, etc.

Source: F&S

Major market players refer to companies within the ACMV services market which (i) obtained a “L6” grade license under the ME01 workhead from BCA, and (ii) own a long history of business establishment which accumulated a certain level of industry experience together with a reputable track record performance.

The following success factors and entry barriers analysis of M&E services market apply to both the electrical engineering services market and ACMV services market:

Success factors

- ***Industry expertise***

Consistent quality services to client is one of the key success factors in the M&E services industry, in which M&E services providers have to obtain a high level of safety and technical standards. Clients generally prefer service providers who have accumulated rich experiences in the industry and possessed a decent record of past successful projects. M&E services providers will therefore need to build up their brand reputation through constant delivery of high quality products and services.

- ***Obtaining relevant license***

It is essential for M&E services providers to be registered with the BCA. Registered service providers would get invited to compete for government tenders, and use the license to compete for non-governmental projects. To become a registered service provider, one has to meet many requirements such as finance, track record of projects, skilled personnel, decent management and development tactics. When construction contractors and property developers in Singapore select their M&E service providers, they would generally refer to the BCA Directory of Registered Contractors and Licensed Builders (the “**BCA Directory**”), which sets out the contractors registered under CRS, in order to assess the expertise of the tenderers in

INDUSTRY OVERVIEW

different aspects of M&E works. Further, pursuant to the tender conditions of some public projects, where the main contractors intend to subcontract the M&E works, they are required to engage M&E service providers who possess registrations under specified workheads and gradings. In particular, for sizeable public building development projects, the main contractors generally prefer to engage M&E service providers registered under the workhead of ME05 with “L6” grade for performing the relevant electrical engineering works involved in the project.

Entry barrier analysis

- ***Skilled human resources***

Due to the high labour demand within the M&E services industry in Singapore and the tightened policies in foreign workers employment, there is a labour shortage in construction workers in Singapore especially for skilled and licensed workers. Thus, in this highly competitive labour force market, it is expected that new service providers would require a certain amount of time to recruit talents for this specific field, which acts as a high entry barrier to the industry.

- ***Well-established business relationship***

Market players in the M&E services industry usually have a well-established long-term relationship with plant owners, building developers, subcontractors and also raw materials and equipment suppliers. A tightly knitted network will allow the service providers to secure project tenders, acquire raw materials and source subcontractors at a competitive pricing, thus remains competitive in the M&E services industry. It is therefore challenging for new entrants to build up such professional network within a short period of time.

- ***Reputable track record period***

An M&E services provider holding a strong project track record in Singapore is generally considered to have a good reputation and capable of providing quality services in the market. As main contractors pay special attention to the engineering techniques and the reputation in the market when selecting subcontractors, they are more willing to establish cooperative relationships with M&E services providers who hold a strong project track record. However, it requires substantial time for M&E services providers, especially the new entrants of the market to enrich their project profiles and establish a strong project track record, which restrains the development of new entrants in the market.

Competitive advantage of our Group

Please refer to the section headed “Business – Competitive Strengths” in this prospectus.

REGULATORY OVERVIEW

This section sets forth a summary of the major laws and regulations applicable to our operations in Singapore and Myanmar as at the Latest Practicable Date.

SINGAPORE

Save as disclosed below, as at the Latest Practicable Date, our business operations are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses incorporated and/or operating in Singapore. We have thus far not experienced any adverse effects on our business in complying with these regulations. As at the Latest Practicable Date, to the best of our Directors' knowledge, we have obtained all requisite approvals and are in compliance with all laws and regulations that would materially affect our business operations.

The following is a summary of the major laws and regulations of Singapore that are relevant to our businesses as at the Latest Practicable Date.

BUILDER'S LICENCE AND CONTRACTORS REGISTRY

The construction industry in Singapore is regulated by the BCA, whose primary role is to develop and regulate Singapore's building and construction industry and the primary legislation is the Building Control Act, Chapter 29 of Singapore (the "**BC Act**"). The BC Act provides that, *inter alia*, all builders who undertake building works where plans are required to be approved by the BCA have to be licensed.

Builder's Licence

Builders are licensed under two registers, namely the General Builder Register and the Specialist Builder Register. Under the General Builder Register, there are two categories. Holders of the General Builder Class 1 licence are allowed to perform general building works of unlimited value while holders of the General Builder Class 2 ("**GB2**") licence are allowed to perform general building works of contract values of S\$6 million or less.

The permitted scope of work under a GB2 Licence includes general building works (excluding works that have been designated as specialist works to be carried out by specialist builders) and the following minor specialist building works: (a) all specialist building works associated with minor specialist building works; (b) 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 (c) pre-cast concrete work comprising casting of pre-cast reinforced concrete slabs or planks on site. In addition to the aforesaid, a general builder may also conduct all types of construction works, including specialist works if the project does not require checks from an accredited checker.

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Every licence, if granted shall be valid for such period specified therein, being not more than 3 years. An application for the renewal of a licence shall be submitted online to the Commissioner of Building Control (the “**Commissioner**”) not later than one month before the date of expiry of the licence and accompanied by the relevant renewal fee. If an application for the renewal of a licence is submitted less than one month before the expiry date of the licence, relevant renewal fee plus a late application fee per licence will be applicable. A licence may be renewed for such period as may determine by the Commissioner on receipt of an application to renew. The Commissioner may refuse to renew any licence for which the renewal application is submitted 14 days or less before the date of expiry of the licence.

As at the Latest Practicable Date, Khoon Engineering is registered as a builder under the GB2 Licence pursuant to the BC Act which is valid until 4 December 2020. As advised by the Singapore Legal Adviser, Khoon Engineering is eligible to meet the renewal requirement set out below and it does not presently foresee any legal impediments for Khoon Engineering in renewing its GB2 Licence.

Contractors Registry

In addition, registration with the Contractors Registry maintained by the BCA is a pre-requisite to tendering for construction projects or carrying out construction projects (as main or sub-contractors) for the public sector. Presently, there are seven (7) major categories of registration which are sub-classified into seven (7), six (6) or single financial grades, depending on the category of registration. The seven major categories of registration are: (i) Construction Workheads (CW); (ii) Construction Related Workheads (CR); (iii) Mechanical & Electrical Workheads (ME); (iv) Maintenance Workheads (MW); (v) Trade Heads (TR); (vi) Supply Heads (SY); and (vii) Regulatory Workheads (RW).

Registration of a contractor with the BCA and the grade assigned to each contractor is dependent on the contractor fulfilling certain requirements relating to, *inter alia*, the value of previously completed projects, personnel resources, net worth and paid-up capital of the contractor.

REGULATORY OVERVIEW

Khoon Engineering possesses a “L2” grade in the ME04 (Communication & Security Systems), a “L6” grade in the ME05 (Electrical Engineering), a “L1” grade in the ME06 (Fire Prevention & Protection Systems), a “L1” grade in the ME10 (Line Plant Cabling/Wiring for Telecommunications), a “L1” grade in the ME12 (Plumbing & Sanitary Works) and a “C3” grade in the CW01 (General Building) workheads as follows:

Workheads	Description	Grade	Tendering Limit (S\$ million)	Expiry Date
ME04 (Communication & Security Systems)	(a) Installation and maintenance of communications system (e.g. intercom & wireless radio) and security systems (e.g. CCTV, security alarm, car park security control and card access system).	L2	1.3	1 July 2022
	(b) Installation and maintenance of Central Antenna Television (CATV) systems.			
ME05 (Electrical Engineering)	Installation, testing, commissioning, maintenance and repair of electrical based systems such as switchgears, transformers and large generators. It also includes the electrical installations (e.g. lightings) in buildings and marine vessels.	L6	Unlimited	1 July 2022
ME06 (Fire Prevention & Protection Systems)	Installation and maintenance of fire alarm, prevention and protection systems. This head may include the supply of fire extinguishers and fire hoses if these items are part and parcel of the system installation or maintenance contract.	L1	0.65	1 July 2022
ME10 (Line Plant Cabling/Wiring for Telecommunications)	Laying of underground telecommunication cables.	L1	0.65	1 July 2022
ME12 (Plumbing & Sanitary Works)	Installation, repairs and servicing of water and gas pipes, sanitary works and plumbing fixtures.	L1	0.65	1 July 2022

REGULATORY OVERVIEW

Workheads	Description	Grade	Tendering Limit (S\$ million)	Expiry Date
CW01 (General Building)	(a) 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 moveable property of any kind, requiring in its construction the use of more than two unrelated building trades and crafts. Such structures includes the construction of multi-storey car-parks, building for parks and playgrounds and other recreational works, industrial plants, and utility plants. (b) Addition and alteration works on buildings involving structural changes. (c) Installation of roofs.	C3	0.65	1 July 2022

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 BCA. Upgrading, transfer, additional workhead(s) and any other applications are separate registration processes and will not affect the applicant's current validity period (i.e. the expiry date will remain unchanged). Applicants applying for renewal of its registration status is expected to prove that it is still active in the line of business. It is expected to 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 (bankrupt, liquidation, wind-up, negative press report, etc.) will not be considered for registration and (if registered) may be de-registered.

As advised by the Singapore Legal Adviser, Khoon Engineering is eligible to meet the renewal requirements for its relevant workheads set out below and it does not presently foresee any legal impediments for Khoon Engineering in renewing its workheads.

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Registration requirements

The requirements for a GB2 Licence are as follows:

Financial (Minimum Paid-Up Capital) ⁽¹⁾	Approved Person ⁽²⁾⁽³⁾⁽⁴⁾		Technical Controller ⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾	
	Course ⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾	Practical Experience ⁽¹²⁾	Course ⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾	Practical Experience
S\$25,000	A course leading to a diploma in a construction and construction-related fields, or a Bachelor's degree or post-graduate 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 diploma, Bachelor's degree or postgraduate degree in a construction and construction-related fields	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 8 years (in aggregate) of practical experience in the execution of construction projects in Singapore		

Khoon Engineering has the following personnel appointed as:

- (i) the Approved Person: Mr. KK Ang and Mr. Ang Poh Koon; and
- (ii) the Technical Controller: Mr. KK Ang.

Our Directors confirm that as at the Latest Practicable Date the aforesaid personnel requirements were fully complied with and satisfied by Khoon Engineering's employment of the aforesaid individuals who possess the requisite qualifications and experience and that the aforesaid individuals were all the personnel set out in Khoon Engineering's successful application to BCA for the GB2 Licence.

Notes:

Financial Capacity (this requirement is for corporation only)

- (1) A corporation which applies for a licence shall neither be a company limited by guarantee nor a corporation sole. In addition, a corporation's paid-up capital shall not be less than the above stated amount. Firms incorporated under a foreign jurisdiction shall furnish a copy of completed set of Audited Accounts (not more than 18 months old and translated to English).

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Approved Person

- (2) 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.
- (3) The approved person is not acting, and for so long as he is the approved person for the builder that he does not intend to act, as a technical controller for any other holder of a licence (this criterion is applicable for all business entities except sole-proprietorship).
- (4) The approved person's consent that he is to carry out the duties of an approved person for the applicant.

Technical Controller

- (5) The technical controller(s) is/are 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 builder, undertakes to be carried out. The technical controller(s) could be the sole proprietor, partner, director or member of board of management of the corporation or an employee (being a person employed in such a manner and with such similar duties and responsibilities of a partner/director or member of its board of management).
- (6) 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.
- (7) The appointed technical controller is not acting, and for so long as he is the technical controller for the applicant that he does not intend to act, as a technical controller for any other holder of licence.
- (8) The technical controller's consent that he is to carry out the duties of a technical controller for the applicant.

Course

- (9) For GB2, 'Construction and Construction-related fields' means – the field of architecture, civil or structural engineering, mechanical or electrical engineering, construction or project management, quantity surveying or building science, facilities and estate management.
- (10) Hence, as a general guide and on a level playing field, for General Builder's Approved Person and Technical Controller, BCA will consider the qualification as long as the discipline is construction and construction related fields and that the entry requirements, course content and duration of the course from any institutes should be at fairly equivalent to the local polytechnics and/or local university.
- (11) Relevant certificates showing the educational qualification are required for the application of Builders Licence.

Practical Experience

- (12) Approved person/technical controller to declare their years of practical experience in the work of a general/specialist builder or as a supervisor of general/specialist builder.

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The requirements for a “L2” grade in the ME04 (Communication & Security Systems), a “L6” grade in the ME05 (Electrical Engineering), a “L1” grade in the ME06 (Fire Prevention & Protection Systems), a “L1” grade in the ME10 (Line Plant Cabling/Wiring for Telecommunications), a “L1” grade in the ME12 (Plumbing & Sanitary Works) and a “C3” grade in the CW01 (General Building) workheads are as follows:

Grade	Financial (\$\$) (Minimum Paid-up Capital and Minimum Net Worth) ⁽¹⁾	Track Record (past 3 years) (\$\$) ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Personnel ⁽⁷⁾⁽⁸⁾⁽⁹⁾ /Licence	Required Personnel/Certification ⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾
ME04 L2	50,000	1.0 million	1T with 3 years of relevant experience	At least one RP/P/T with BCCPE
ME05 L6	1.5 million	30.0 million of which 7.5 million PS, 3.0 million MC and 3.0 million SP	2RP/P, both with at least 5 years of relevant experience	At least one RP/P with SDCP/CCPP And bizSAFE Level 3 or OHSAS18001 or ISO45001
ME06 L1	10,000	100,000	1T	At least one RP/P/T with BCCPE
ME10 L1	10,000	100,000	1T	At least one RP/P/T with BCCPE
ME12 L1	10,000	100,000	1T A full-time employee who either has a valid PUB (Public Utilities Board) water service plumber licence, EMA gas service worker licence or SPS (Singapore Plumbing Society) plumber licence	At least one RP/P/T with BCCPE
CW01 C3	25,000	100,000	1RP/P/T	At least one RP/P/T with BCCPE GB1 or GB2 Licence

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Khoon Engineering has the following personnel appointed as:

- (i) RP/P/T with BCCPE: Mr. KK Ang and Mr. Ong Qijie;
- (ii) RP/P with at least 5 years of relevant experience for ME05 (Electrical Engineering): Mr. KK Ang, Mr. Ong Qijie, Mr. Sim Qin Shan and Mr. Koh Kim Siang Nick;
- (iii) RP/P with SDCP/CCPP: Mr. Ong Qijie;
- (iv) RP/P/T: Mr. KK Ang, Mr. Ong Qijie, Mr. Sim Qin Shan, Mr. Koh Kim Siang Nick, Mr. Li Junming, Calvin and Mr. Ang Poh Koon;
- (v) RP/P/T with 3 years of relevant experience for ME04 (Communication & Security Systems): Mr. KK Ang; and
- (vi) Licensed plumber: Mr. Handi Wijaya (licence no. WS17042019 issued by PUB).

Our Directors confirm that as at the Latest Practicable Date the aforesaid personnel requirements were fully complied with and were satisfied by Khoon Engineering's employment of the aforesaid individuals who possess the requisite qualifications and experience and that the aforesaid individuals and Mr. Tan Thai Guan and Mr. Zhou Haiwei (who have since left Khoon Engineering) were all the personnel set out in Khoon Engineering's successful application to BCA for the "L2" grade in ME04 (Communication & Security Systems), the "L6" grade in ME05 (Electrical Engineering), the "L1" grade in ME06 (Fire Prevention & Protection Systems), the "L1" grade in ME10 (Line Plant Cabling/Wiring for Telecommunications), the "L1" grade in ME12 (Plumbing & Sanitary Works) and the "C3" grade in CW01 (General Building).

Khoon Engineering has obtained a bizSAFE Level Star certification since 29 January 2013 and up to the Latest Practicable Date, which is the highest accreditation (above bizSAFE Level 3) in bizSAFE.

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It is our business strategy for Khoon Engineering to further obtain CRS registration under “L4” grade or above in the ME01 (Air-conditioning, Refrigeration & Ventilation Works) and “L6” grade in the ME15 (Integrated Building Services) workheads. The details and requirements of such workheads and grading are as follows:

Grade	Financial (S\$) (Minimum Paid-up Capital and Minimum Net Worth) ⁽¹⁾	Track Record (past 3 years) (S\$) ⁽²⁾⁽⁵⁾	Personnel ⁽⁹⁾	Required Personnel/ Certification <small>(7)(8)(9)(12)</small>
ME01 L4	250,000	5.0 million of which 500,000 SP	2T, one with at least 5 years of relevant experience	At least one RP/P/T with BCCPE And bizSAFE Level 3 or OHSAS18001 or ISO45001

Grade	Minimum ME Requirement ⁽¹³⁾	Minimum Personnel Requirement ⁽⁸⁾⁽¹⁴⁾	Required Certification
ME15 L6	ME01 = L6, ME05 ≥ L4 and one other *ME workhead ≥ L2 Or ME01 ≥ L4, ME05 = L6 and one other *ME workhead ≥ L2	2P, both with at least 5 years of relevant experience, one of whom must hold a MEC Or 2P, both with at least 5 years of relevant experience + 1 MEC	A valid Infocomm Media Development Authority telecommunication wiring contractor’s licence

Notes:

Financial

- (1) Both minimum paid-up capital and minimum net worth must be met separately. L1 and C3 firms are required to submit the latest management accounts (not more than 12 months old). L6 firms are required to submit the audited accounts annually (not more than 4 months for companies listed on the Singapore Exchange Securities Trading Limited (“SGX”) and not more than 6 months for non-SGX listed companies from the accounts closing date) and meet the financial requirements in order to retain the L6 grade.

Track Record

- (2) Completed projects in the past three years for all cases. For renewal of CW01 workhead, projects completed satisfactorily in the past 5 years including ongoing and newly awarded projects are acceptable. For renewal of ME01, ME04, ME05, ME06 and ME10 workhead, ongoing projects are acceptable.
- (3) “PS” means minimum projects executed in Singapore.

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- (4) “**MC**” means minimum main contracts (nominated sub-contracts may be included).
- (5) “**SP**” means minimum size single main contract or sub-contract.
- (6) Percentage of sub-contract value taken into consideration shall be 50% for CW01 workhead.

Personnel/Licence

- (7) “**RP**” means:
 - (a) a minimum professional qualification with a degree in Mechanical or Electrical/Electronics Engineering recognised by the Professional Engineers Board or equivalent qualifications approved by BCA under the ME01, ME04, ME05, ME06, ME10 and ME12 workheads; and
 - (b) a degree in Civil/Structural, Mechanical, Electrical Engineering recognised by the Professional Engineers Board or BCA, Architecture recognised by the Board of Architects under the CW01 workhead.
- (8) “**P**” means:
 - (a) a professional qualification with a recognised degree in Mechanical or Electrical/Electronics Engineering or equivalent under the ME01, ME04, ME05, ME06, ME10 and ME12 workheads; and
 - (b) a recognised degree in Civil/Structural, Mechanical, Electrical Engineering, Architecture, Building or equivalent under the CW01 workhead.
- (9) “**T**” means:
 - (a) a minimum technical qualification with a polytechnic diploma in Mechanical, Electrical/Electronics Engineering or equivalent awarded by BCA Academy, Nanyang Polytechnic, Ngee Ann Polytechnic, Republic Polytechnic, Singapore Polytechnic, Temasek Polytechnic or such other diplomas or qualifications as approved by BCA from time to time under the ME01, ME04, ME05, ME06, ME10 and ME12 workheads; and
 - (b) a technical qualification in either a diploma in Civil/Structural Mechanical, Electrical Engineering, Architecture, Building or equivalent or a National Certificate in Construction Supervision or Advance National Building Qualification/Specialist Diploma in M&E Coordination or such other diplomas or qualifications as approved by BCA from time to time under the CW01 workhead.

Required Certification

- (10) “**CCPP**” means Certified Construction Productivity Professional.
- (11) “**SDCP**” means the Specialist Diploma in Construction Productivity conducted by BCA Academy.
- (12) “**BCCPE**” means the Basic Concept in Construction Productivity Enhancement (Certificate of Attendance) conducted by BCA Academy.

Note: The Certificate in M&E Coordination (CITI/BCAA) is acceptable as an approved technical qualification for grades “L1” to “L5” for ME04, ME06 and ME12 above. For ME12, a valid plumber licence issued by EMA, PUB or SPS can be considered for “L1” and “L2” grades only.

ME15

- (13) To be registered under the ME15 workhead, firms must already be registered at L2 & above under ME01, ME05 and at least one other *ME workhead registered in ME02, ME04, ME06, ME08, ME11 or ME12. Registration grade will be pegged at the higher grade of the compulsory M&E workheads (i.e. ME01 & ME05) subject to a maximum of 2 grades higher than that of the lower workhead. The lowest registration grade shall be L2.

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- (14) “MEC” refers to a full-time personnel with either of the following qualifications:
- (a) Certificate/Specialist Diploma in M&E Coordination or Diploma in Mechanical Engineering (Green Building Technology) or Advanced National Building Qualification (NBQ) in Supervision & Coordination in M&E Works or Green Building Operations & Maintenance awarded by BCA Academy.
 - (b) Diploma in Building Services Engineering awarded by Ngee Ann Polytechnic.
 - (c) Diploma in Green Building & Sustainability or Diploma in Intelligent Building Technology awarded by Temasek Polytechnic.

The workhead of ME01 (Air-conditioning, Refrigeration & Ventilation Works) refers to the installation, commissioning, maintenance and repairs of air-conditioning, refrigeration, cold rooms, cooling towers, heating and ventilation systems. The ME01 workhead with “L4” grade has a tendering limit of S\$6.5 million.

The workhead of ME15 (Integrated Building Services) refers to the installation, commissioning, maintenance and repairs of building services, which include some or all of the following: ME01, ME02, ME04, ME05, ME06, ME08, ME11, and ME12. There is no tendering limit for the ME15 workhead with “L6” grade.

ELECTRICAL WORKER LICENCES

Pursuant to Section 82(1) of the Electricity Act, Chapter 89A of Singapore (“EA”), an individual must not carry out, or offer or undertake to carry out, any electrical work unless the individual is a licensed electrical worker, or the individual acts under the supervision of an individual who is a licensed electrical worker. The EA defines “electrical work” to mean any work performed or carried out on any electrical installation and includes the installing, constructing, erecting or repairing thereof or the altering of the structure thereof or the replacing of any part thereof or the adding of any part thereto or the carrying out of any work thereon for the maintenance thereof, but does not include work in relation to: (a) the manufacturing of any electrical installation or the assembling thereof in the course of or in connection with its manufacture for the purpose of producing a new article; or (b) the oiling, greasing or painting of any electrical installation.

Notwithstanding the foregoing, the EA provides, *inter alia*, that it shall not be unlawful for a trained person to carry out any work in accordance with the written instructions of the licensed electrical worker in charge of the relevant electrical installation. A “trained person” is defined under the EA to mean any employee who is (a) recognised by his employer and the licensed electrical worker in charge of the relevant electrical installation to have the necessary knowledge and experience to avoid danger; and (b) capable of carrying out the work specified in the written instructions of the licensed electrical worker.

REGULATORY OVERVIEW

There are 3 classes of electrical worker licences. They are:

- (a) the electrician's licence;
- (b) the electrical technician's licence; and
- (c) the electrical engineer's licence.

As at the Latest Practicable Date, we have 2 full-time employees, namely Mr. JK Ang and Mr. Chia Chiaw Yiang who each holds an electrician's licence with licence number 7/022378 and 7/026085 respectively and 1 full-time employee, namely Mr. Png Tiong Wan who holds an electrical technician's licence with licence number 8/24142. As advised by the Singapore Legal Advisers, it is not crucial for us to maintain licensed electrical worker(s) in our employment as we can engage the required class of licensed electrical worker as an independent contractor or a subcontractor as and when required by a project.

WORKPLACE SAFETY AND HEALTH MEASURES

Workplace Safety and Health Act

Under the 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. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while the employees are at work and ensuring that the employees at work have adequate instruction, information, training and supervision as is necessary for them to perform their work.

More specific duties imposed on employers are laid out in, *inter alia*, the Workplace Safety and Health (Construction) Regulations 2007. Some of these duties include appointing a workplace safety and health co-ordinator in respect of every worksite where the contract sum of the building operation or works of engineering construction carried therein is less than S\$10 million, to assist to identify any unsafe condition in the worksite or unsafe work practice which is carried out in the worksite and recommend and assist to implement reasonably practicable measures to remedy the unsafe condition or unsafe work practice. There are also other specific duties imposed on employers of any person who carries out any work in the course of which the person may come into contact with *inter alia*, any part of an electrical power circuit, electric wiring or cable in a worksite. Some of these duties include posting of appropriate warning signs understood by the persons carrying out the work in the worksite at the place where the electrical power circuit, or any tool or machine which is connected to any electrical power circuit is located.

REGULATORY OVERVIEW

Additional duties imposed on employers are also set out in the Workplace Safety and Health (General Provisions) Regulations (“**WSHR**”) including taking effective measures to protect persons at work from the harmful effects of any exposure to any biohazardous material which may constitute a risk to their health, ensuring adequate ventilation and maintaining sufficient and suitable lighting. Pursuant to the WSHR, the following equipment, amongst others, are required to be tested and examined by an examiner (the “**Authorised Examiner**”), who is authorised by the Commissioner for Workplace Safety and Health (“**CWSH**”), before they can be used in a workplace and thereafter, at specified intervals:

- hoist or lift;
- lifting gears; and
- lifting appliances or lifting machines.

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 the workplace to ensure that the equipment complies with the provisions of the WSHR and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, inter alia, enter, inspect and examine any workplace and any machinery, equipment, plant, installation or article at any workplace, make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with.

Under the WSHA, the CWSH may serve a stop-work order in respect of a workplace if he is satisfied that: (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (ii) any person has contravened any duty imposed by the WSHA; or (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

REGULATORY OVERVIEW

Demerit Points Scheme

The MOM has also implemented a Demerit Points Scheme (“DPS”) for the construction industry to encourage construction contractors to improve their workplace safety and health records. Under this scheme, construction main contractors and sub-contractors will be issued with demerit points for breaches under the WSHA and the relevant subsidiary legislation. The number of demerit points awarded will depend on the severity of the offences committed:

Type of incident	Number of demerit points
Composition fines	1 point per fine, from the fourth fine onwards
Stop Work Order (Partial)	5
Stop Work Order (Full)	10
Prosecution action taken for accident that led to serious injuries to any person	18
Prosecution action taken for dangerous occurrence (potential for multiple fatalities)	18
Prosecution action taken for accident that led to death of one person	25
Prosecution action taken for accident that led to death of more than one person	50

Demerit points for a contractor are calculated by adding the points accumulated from all the worksites under the same contractor.

Each demerit point is valid for 18 months. Contractors, including all main and sub-contractors who accumulates a pre-determined number of demerit points within an 18-month period, will be debarred from employing foreign workers. The following table indicates the scope and duration of debarment for the accumulated demerit points:

Phase	Demerit points accumulated within 18-month period	Allowed to hire new workers	Allowed to renew existing workers	Duration of debarment
1	25 to 49	No	Yes	3 months
2	50 to 74	No	Yes	6 months
3	75 to 99	No	Yes	1 year
4	100 to 124	No	Yes	2 years
5	125 and above	No	No	2 years

As at the Latest Practicable Date, Khoon Engineering did not have any demerit point under the DPS.

REGULATORY OVERVIEW

ENVIRONMENTAL LAWS AND REGULATIONS

Environmental Public Health Act

The Environmental Public Health Act, Chapter 95 of Singapore (“**EPHA**”) requires, *inter alia*, a person, during the 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, *inter alia*, the disposal and treatment of industrial waste and public nuisances.

Under the EPHA, the Director-General of Public Health shall have the power to 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 premises or part thereof of such a construction or in such a state as to be a nuisance or injurious or dangerous to health, any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes and any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance.

The EPHA also requires the occupier of any construction site to employ a competent person to act as an environmental control officer in the construction site for the purpose of exercising general supervision within the construction site of the observance of the provisions of, *inter alia*, the EPHA.

Environmental Protection and Management Act

The Environmental Protection and Management Act, Chapter 94A of Singapore (“**EPMA**”) seeks to provide for the protection and management of the environment and resource conservation by regulating, *inter alia*, air pollution, water pollution, land pollution and noise control. Under the EPMA, the Director-General of Environmental Protection (“**Director-General**”) shall have the power to provide notice in writing to the persons who appears to be carrying out, or going to carry out any erection, construction, alteration, repair or maintenance of buildings, structures or roads works or on such other person appearing to the Director-General to be responsible for or to have control over the carrying out of the works, to specify, *inter alia*, the level of noise or vibration which may be emitted from the premises.

The Environmental Protection and Management (Control of Noise at Construction Sites) Regulations also provides *inter alia* that 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 the regulations.

REGULATORY OVERVIEW

EMPLOYMENT OF FOREIGN WORKERS IN SINGAPORE

General

The availability and the employment cost of foreign workers are affected by the Singapore Government's policies and regulations on the immigration and employment of foreign workers in Singapore. The policies and regulations are set out in, *inter alia*, the Employment of Foreign Manpower Act, Chapter 91A of Singapore, and the relevant Government Gazettes.

The availability of foreign workers to the construction industry is regulated by the MOM through, *inter alia*, the following policy instruments:

- (a) approved source countries;
- (b) issuance of work permits;
- (c) the imposition of security bonds and levies;
- (d) dependency ceilings based on the ratio of local to foreign workers;
- (e) skill trade test requirement whereby the foreign worker will need to meet a basic skill requirement before he can work in Singapore; and
- (f) quotas based on man-year entitlements (“MYE”) in respect of workers from Non-Traditional Source (“NTS”) countries and the PRC.

Source countries or regions

The approved source countries for construction workers are Malaysia, the PRC, NTS countries and North Asian Sources (“NAS”). NTS countries include India, Sri Lanka, Thailand, Bangladesh, Myanmar and the Philippines. NAS countries include Hong Kong (HKSAR Passport), Macau, South Korea and Taiwan. Additions to and removals from the list of approved source countries will increase or reduce the availability of foreign workers and affect our cost of labour correspondingly.

Before we are allowed to employ construction workers from the approved source countries, in-principle approvals (“IPAs”) have to be sought for each individual's work permit. The foreign construction worker is also required to undergo a medical examination by a Singapore registered doctor and must pass such medical examination before a work permit can be issued to him.

Additionally, all first time non-Malaysian work permit holders in the construction sector (who applied for work permit on or after 1 October 2018) must attend the Settling-In Programme (“SIP”) within 14 days of their arrival in Singapore before their work permits can be issued. The SIP is a one-day orientation programme to educate foreign workers on Singapore's social norms, their employment rights and responsibilities, Singapore laws and where and how to seek assistance.

REGULATORY OVERVIEW

Other work passes

In relation to the employment of foreign mid-skilled technical workers, employers must ensure that such persons apply for a “S Pass”. The S Pass is intended for foreigners who:

- (a) earn a monthly fixed income of at least S\$2,300 (older, more experienced applicants require higher salaries to qualify); and
- (b) have degree or diploma level educational qualifications and years of relevant work experience.

Application for S Pass is open for all nationalities but is still subject to foreign worker levy and quota.

In relation to the employment of foreign professionals and executives, employers must ensure that such persons apply for an employment pass (“EP”). The EP is intended for foreigners who:

- (a) earn a monthly fixed income of at least S\$3,600 (more experienced candidates require higher salaries to qualify);
- (b) have acceptable qualifications, usually a good university degree, professional qualifications or specialist skills;
- (c) work in a managerial, executive or specialised job; and
- (d) have a job offer in Singapore.

No foreign worker levy or quota is imposed for EP holders.

Quota and levy

Dependency ceiling is currently set at one (1) local worker earning a local qualifying salary to seven (7) foreign workers (i.e. work permit and S Pass holders) for the construction sector. This means that for every Singapore Citizen or Singapore Permanent Resident employed under a contract of service by a company in the construction sector and earning a local qualifying salary with regular full month CPF contributions made by the employer, the company can employ seven (7) foreign workers (i.e. work permit and S Pass holders). As of the Latest Practicable Date, for the purposes of calculating a company’s work permit and S Pass quota entitlement, a Singapore Citizen or Singapore Permanent Resident is counted as one (1) local employee if he earns a local qualifying salary of at least S\$1,200 per month. As at the Latest Practicable Date, Khoo Engineering has utilised approximately 83.6% of the quota for foreign workers, among which 144 were holders of work permits and 14 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 Khoo Engineering can hire is 189, which means we can hire 31 additional foreign workers based on the dependency ceilings.

REGULATORY OVERVIEW

From 1 January 2018, at least 10% of our construction work permit holders must be higher-skilled (“**R1**”) before we can hire any new basic-skilled (“**R2**”) construction workers or renew the work permits of existing R2 construction workers.

From 1 January 2019, firms that do not meet the 10% R1 minimum 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. As at the Latest Practicable Date, Khoon Engineering has approximately 31.9% of construction work permit holders who are R1 workers. Based on the above, our Group currently meets the 10% R1 minimum and the Directors are of the view that the change in policy from 1 January 2019 should not materially affect the Group if this is maintained.

The employment of work permit holders is also subject to the payment of levies, depending on their nationality, their skill level and whether they qualify for MYE waiver. As at Latest Practicable Date, the amount of foreign worker levy payable on each R1 and R2 foreign worker in the construction sector are as follows:

Tier	Monthly (S\$)	Daily (S\$)
R1	300	9.87
– Malaysian and NAS		
– NTS and PRC (on MYE)		
R1	600	19.73
– NTS and PRC (MYE waiver)		
R2	700	23.02
– Malaysians and NAS		
– NTS and PRC (on MYE)		
R2	950	31.24
– NTS and PRC (MYE waiver)		

Levy bond

In addition, the following categories of employers in the construction sector are required to furnish an additional security bond for levy payment (the “**Levy Bond**”) for each work permit holder employed:

- (a) employers who have defaulted on levy payments and whose workers’ work permits are cancelled as a result;
- (b) employers who have been late in levy payments for at least three (3) times within a 12-month period;
- (c) employers with a change of sole proprietorship owner; and
- (d) employers starting a new business entity (includes sole-proprietorships, partnerships and incorporated business that has a paid-up capital of less than S\$50,000) to employ foreign workers.

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The Levy Bond a company needs to pay depend on the worker's skill level. The Levy Bond is S\$600 per R1 or R2 foreign worker and S\$2,000 per unskilled foreign worker. The Levy Bond can be paid electronically via the company's corporate internet banking account or with a banker's or insurance guarantee. Generally, the validity and monitoring period for the Levy Bond is twelve (12) months, except for new companies, which is six (6) months. The Levy Bond will be released when this monitoring period expires.

Security bond

For each NAS, NTS or PRC construction worker whom we have successfully obtained 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. The security bond must be purchased and details of the bond furnished to MOM before the worker arrives in Singapore. The bond should take effect on the worker's arrival date.

As at the Latest Practicable Date, Khoon Engineering has hired nil, 139 and nil NAS, NTS and PRC construction workers holding work permits respectively. Our Directors have confirmed that Khoon Engineering has furnished all the necessary security bonds for the relevant foreign employees during the Track Record Period and up to the Latest Practicable Date.

Required safety courses

Foreign workers in the construction sector must attend one of the following Construction Safety Orientation Course or Apply Workplace Safety and Health in Construction Sites (each a "**course**") before their work permits can be issued. Employers must ensure that the foreign workers take the course within two (2) weeks of their arrival in Singapore. For foreign workers who have failed the course, the employer must re-register them for the course as soon as possible. If they fail to pass the course within three (3) months of arrival, their work permit could be revoked. When renewing a work permit, the foreign worker's safety course certificate must be valid for more than one (1) month on the day of renewal. Otherwise the work permit will not be renewed. Foreign workers in the construction sector need to retake and pass the safety course once every two (2) years if they have worked in the construction sector for six (6) years or less and once every four (4) years if they have worked in the construction sector for more than six (6) years.

As at the Latest Practicable Date, Khoon Engineering's work permit holders have (if required) taken the course within two (2) weeks of their arrival in Singapore (unless Khoon Engineering sought and obtained approval from MOM for the worker's late attendance).

The BCA and MOM also require all new workers in the construction sector from NAS, NTS countries and the PRC who have been approved under the prior approval scheme to possess either the Skills Evaluation Certificate ("**SEC**") or the Skills Evaluation Certificate (Knowledge) ("**SEC(K)**") to attain a R2 skill level (basic-skilled status) before they are allowed to work in Singapore. These schemes are initiated by the BCA to raise the skill levels

REGULATORY OVERVIEW

of the construction workforce, thus improving productivity and enhancing safety in the construction sector. All workers from the NAS and NTS countries and the PRC must possess either the SEC or SEC(K) and all Malaysian workers must possess either Sijil Pelajaran Malaysia (SPM) (or its equivalent), SEC or SEC(K) before they are allowed to work in Singapore.

As at the Latest Practicable Date, Khoon Engineering's work permit holders all have valid work passes issued by MOM and possess the aforementioned certification required by BCA and MOM before they are allowed to work in Singapore.

Man-year entitlement

The MYE allocation system is a work permit allocation system pertaining to the employment of construction workers from NTS countries and the PRC. MYEs represent the total number of work permit holders that each main contractor is entitled to employ based on the value of the projects or contracts awarded by the developers or owners.

At the time of the MYE application, *inter alia* the balance duration of the project must be at least one (1) month and the total remaining contract value of the project must be at least S\$500,000.

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. A "**main contractor**" is defined as a company that contracts a project directly from the developer or owner. One man-year is equivalent to one-year's employment under a work permit. All levels of sub-contractors are required to obtain their MYE allocation from their main contractors. Main contractors cannot allocate their MYE to other contractors not involved in the same project or sell their MYE to any contractors. A main contractor's MYE will expire on the completion date of the relevant project. Khoon Engineering obtains its MYE allocation from its main contractor on a project basis.

Prior approval

To employ NTS and PRC construction workers, the employer must make an application for MYE, prior approval ("PA") and IPAs for individual work permits.

PA indicates the number of foreign workers a company is allowed to employ from the NTS countries and the PRC and also determines the number of workers who can have their work permits renewed, or who can be transferred from another company in Singapore. PA must be applied for prior to submitting work permit applications. For a sub-contractor's PA application, the main contractor supplying the MYE must indicate the MYE allocation in the sub-contractor's PA application form.

Under the work permit conditions, employers are required to provide acceptable accommodation for their foreign workers. Such accommodation must meet the statutory requirements set by various government agencies, including the NEA, the Public Utilities Board, the Singapore Civil Defence Force and the BCA.

REGULATORY OVERVIEW

An employer of foreign workers is also subject to, *inter alia*, the provisions set out in the Employment Act, Chapter 91 of Singapore, the Immigration Act, Chapter 133 of Singapore and the Immigration Regulations.

Medical insurance

From 1 January 2008, employers are required to purchase and maintain insurance for the medical expenses of their work permit and S Pass holders during their stay in Singapore. Effective from 1 January 2010, the insurance coverage must be at least S\$15,000 per year and cover inpatient care and day surgery. The requirement to purchase and maintain insurance is included as a condition of the work permit or S Pass.

Work injury compensation

The Work Injury Compensation Act, Chapter 354 of Singapore (“WICA”), which is regulated by the MOM, applies to all employees in all industries engaged under a contract of service (save for certain limited exceptions) in respect of injury suffered by them in the course of their employment and sets out, *inter alia*, the amount of compensation they are entitled to and the method(s) 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, the employer shall be liable to pay compensation in accordance with the provisions of WICA.

The WICA provides, *inter alia*, that, where any person (referred to as the principal) in the course of its business or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work, or for the supply of labour to carry out any work, undertaken by the principal, the principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

An employer need to get work injury compensation insurance for all employees doing manual work, as well as all employees earning S\$1,600 or less a month, for both local and foreign employees.

As at the Latest Practicable Date, Khoon Engineering has in place adequate work injury compensation insurance policies to cover their statutory obligations and liabilities under WICA.

REGULATORY OVERVIEW

Building and Construction Industry Security of Payment Act, Chapter 30B of Singapore (“BCISPA”)

The BCISPA, regulated by the BCA, 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 contains provisions relating to, *inter alia*, the amount of progress payment to which a person who has carried out any construction work is entitled under a contract, the valuation of the construction work carried out and the date on which a progress payment becomes due and payable (even where a construction contract does not provide for such date). In addition, the BCISPA, *inter alia*, endorses the following rights:

- (a) the right of a claimant (being the person who is or claims to be entitled to a progress payment) who, in relation to a construction contract, fails to receive payment by the due date of an amount that is proposed to be paid by the respondent (being the person who is or may be liable to make a progress payment under a contract to a claimant) and accepted by the claimant, to make an adjudication application in relation to the payment claim. The BCISPA has established an adjudication process by which a person may claim payments due under a contract and enforce payment of the adjudicated amount;
- (b) the right of a claimant to suspend the carrying out of construction work or supply of goods or services, and to exercise a lien over goods supplied by the claimant to the respondent that are unfixed and which have not been paid for, or to enforce (with the leave of the court) the adjudication determination as if it were a judgment debt, if such claimant is not paid after it obtains judgment against the respondent pursuant to an adjudication; and
- (c) where the respondent fails to pay the whole or any part of the adjudicated amount to a claimant, the right of a principal of the respondent (being the person who is liable to make payment to the respondent for or in relation to the whole or part of the construction work that is or the whole or part of the goods or services that is the subject of the contract between the respondent and the claimant) to make direct payment of the outstanding amount of the adjudicated amount to the claimant, together with the right for such principal to recover such payment from the respondent.

Khoon Engineering has not been involved in any payment adjudication under the BCISPA during the Track Record Period and up to the Latest Practicable Date.

REGULATORY OVERVIEW

MYANMAR

Save as disclosed below, as at the Latest Practicable Date, our business operations are not subject to any special legislation or regulatory controls other than those generally applicable to businesses operating in Myanmar.

The following is a summary of the major laws and regulations of Myanmar that are relevant to our businesses as at the Latest Practicable Date.

The Myanmar Engineering Council Law 2015

Myanmar engineering licences are granted by the Myanmar Engineering Council (“MEC”), which also oversees the engineering works in Myanmar under the Myanmar Engineering Council Law 2015 (the “MEC Law”).

In general, electrical engineering solutions providers are required to obtain an engineering licence for the provision of electrical engineering solutions in Myanmar under the MEC Law. In practice, foreign electrical engineering solutions providers which have not established an entity in Myanmar (such as our Group), are allowed to work under the supervision of a licenced senior engineer or licenced professional engineer (whichever is applicable) in Myanmar without being required to obtain an engineering licence on their own.

Given Khoon Engineering has engaged local subcontractors to perform all the site works under the Myanmar Project, such subcontractors were responsible for complying with the aforesaid requirements for obtaining the engineering licence. The responsible licenced senior engineer or licenced professional engineer engaged by those subcontractors has to supervise the work and report to the MEC. In other words, Khoon Engineering itself was not required to obtain an engineering licence from the MEC for the provision of electrical engineering solutions under the Myanmar Project.

YCDC Law and Regulation

Yangon City Development Committee (“YCDC”) monitors and supervises the issuing of construction permits for real estate development projects in Yangon. Developers or main contractors of real estate projects are required to apply for a construction permit before commencing the construction work. Further, the main contractor shall obtain a contractor licence from the YCDC in order to implement construction work within the Yangon city area. Upon completion of the construction work in accordance with the YCDC’s approved structural and architecture design, the YCDC issues a building completion certificate after inspection of the building (Chapter 12 of the YCDC Law 2018).

REGULATORY OVERVIEW

The main contractor of a real estate development project is usually required to register with the YCDC for each specific development project apart from obtaining the contractor licence. The main contractor can appoint subcontractors in different parts of the project and the subcontractors are usually not required to register with the YCDC where the main contractor has a contractor licence. Given Khoon Engineering was engaged by the main contractor of the Myanmar Project to provide electrical engineering services in the capacity as a subcontractor, Khoon Engineering was not required to obtain a contractor licence or be registered with the YCDC.

Electricity Law

The Electricity Law 2014 governs all electrical works in Myanmar. Under the Electricity Law, no one may conduct ‘electrical business’, which covers the provision of electrical engineering solutions, without an Electrical Competency Certificate (“ECC”). Such certificate can be obtained from the Chief Inspector of the Ministry of Electricity and Energy. In practice, main contractors are generally responsible for obtaining this certificate which covers the work of its subcontractors. Given Khoon Engineering was engaged by the main contractor of the Myanmar Project to provide electrical engineering services in the capacity as a subcontractor, Khoon Engineering was not required to obtain ECC.

Foreign Workers

In addition to standard business visa requirements, the Registration of Foreigners Rules 1948 apply to any foreigners remaining in Myanmar in excess of 90 consecutive days. Such foreigners must obtain a Foreigner Registration Card from the Immigration Department within 90 days of arrival. Internal Immigration Department policy also requires such foreigners to obtain a Stay Permit if remaining in Myanmar beyond 70 consecutive days. Given the employees of Khoon Engineering working on the Myanmar Project have not exceeded stays of 70 days per entry, they are not required to obtain these permits.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

The history of our Group can be traced back to 1988 when our founder, Mr. JK Ang, the majority shareholder, co-founded Khoon Engineering, an exempt private company limited by shares, to engage in the provision of electrical engineering services in Singapore. For the biographical information of Mr. JK Ang, please refer to the section headed “Directors and Senior Management” in this prospectus. Over the years, we have established our reputation as a M&E service provider specialised in providing electrical engineering services in Singapore.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 July 2018 for the purpose of the Listing. Upon completion of a series of share transfers under the Reorganisation as detailed in the paragraph “Reorganisation” below, our Company became the ultimate holding company of our Group. Our Company holds the entire equity interest in Top Stride (an investment holding company incorporated in the BVI), which in turn holds the entire equity interest in Khoon Engineering.

Our key business milestones

Set out below is a summary of the key achievements and business milestones of our Group:

Date	Milestone
May 1988	Khoon Engineering was established in Singapore as a private company.
November 1988	Khoon Engineering undertook its first public residential project in Singapore.
October 1991	Khoon Engineering undertook its first project for a state-owned real estate company in Singapore.
December 1991	Khoon Engineering undertook its first public housing project exceeding a contract value of S\$1 million.
March 1996	Khoon Engineering undertook its first project exceeding a contract value of S\$2 million conducted in Bukit Ho Swee Precinct, Singapore.
July 1999	Khoon Engineering undertook its first project conducted at a new estate in Punggol East, Singapore.

HISTORY, DEVELOPMENT AND REORGANISATION

Date	Milestone
March 2000	Khoon Engineering undertook its first educational institution project conducted at a boarding school in Singapore.
August 2005	Khoon Engineering obtained the “L5” grade in the ME05 (Electrical Engineering) under the CRS.
June 2012	Khoon Engineering undertook its first public housing project with contract value exceeding S\$10 million conducted in Choa Chu Kang, Singapore.
December 2012	Khoon Engineering was accredited with OHSAS 18001.
January 2013	Khoon Engineering was awarded bizSAFE Star certificate.
January 2015	Khoon Engineering undertook its first overseas project in Myanmar.
January 2016	Khoon Engineering undertook its first smart housing development project in Punggol North in Singapore.
January 2017	Khoon Engineering was accredited with ISO 9001 and ISO 14001.
May 2018	Khoon Engineering undertook a public housing project with total of 4,186 housing units in Bukit Batok.
June 2018	Khoon Engineering obtained the “L6” grade in the ME05 (Electrical Engineering) under the CRS.
November 2018	Khoon Engineering was a recipient of the 2018 Enterprise 50 Awards co-organised by the Business Times and KPMG, and was ranked 8th place among the 50 winners.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE HISTORY

Khoon Engineering

Khoon Engineering, our indirect wholly-owned and principal operating subsidiary upon completion of the Reorganisation, undertakes the business of providing electrical engineering services in Singapore. It was incorporated in Singapore on 28 May 1988 with issued share capital S\$2 divided into 2 shares of S\$1 each. On 28 June 1988, 179,999 shares were issued and allotted to Mr. JK Ang and 19,999 shares were issued and allotted to Mr. Ang Jui Heok, Mr. JK Ang's brother, representing all of the then entire issued share capital of Khoon Engineering. Hence, as at 28 June 1988, the shareholding structure of Khoon Engineering was as follows:

Name of shareholder	Number of shares owned in Khoon Engineering	Shareholding percentage
Mr. JK Ang	180,000	90%
Mr. Ang Jui Heok	20,000	10%
Total	<u>200,000</u>	<u>100%</u>

On 3 May 1989, 100,000 extra shares were issued and allotted to Mr. JK Ang and the issued share capital of Khoon Engineering increased from S\$200,000 to S\$300,000. Upon completion of the aforesaid capital increase, the shareholding structure of Khoon Engineering was as follows:

Name of shareholder	Number of shares owned in Khoon Engineering	Shareholding percentage
Mr. JK Ang	280,000	93.33%
Mr. Ang Jui Heok	20,000	6.67%
Total	<u>300,000</u>	<u>100%</u>

HISTORY, DEVELOPMENT AND REORGANISATION

On 4 June 1998, 200,000 extra shares were issued and allotted to Mr. JK Ang and the issued share capital of Khoon Engineering increased from S\$300,000 to S\$500,000. Upon completion of the aforesaid capital increase, the shareholding structure of Khoon Engineering was as follows:

Name of shareholder	Number of shares owned in Khoon Engineering	Shareholding percentage
Mr. JK Ang	480,000	96%
Mr. Ang Jui Heok	20,000	4%
Total	<u>500,000</u>	<u>100%</u>

On 2 April 2007, Mr. Ang Jui Heok transferred his 4% shareholding in Khoon Engineering to his nephew, Mr. KK Ang. As at 2 April 2007, the shareholding structure of Khoon Engineering was as follows:

Name of shareholder	Number of shares owned in Khoon Engineering	Shareholding percentage
Mr. JK Ang	480,000	96%
Mr. KK Ang	20,000	4%
Total	<u>500,000</u>	<u>100%</u>

On 29 June 2007, 50,000 extra shares were issued and allotted to Mr. KK Ang, and the issued share capital of Khoon Engineering increased from S\$500,000 to S\$550,000. Upon completion of the aforesaid capital increase, the shareholding structure of Khoon Engineering was as follows:

Name of shareholder	Number of shares owned in Khoon Engineering	Shareholding percentage
Mr. JK Ang	480,000	87.27%
Mr. KK Ang	70,000	12.73%
Total	<u>550,000</u>	<u>100%</u>

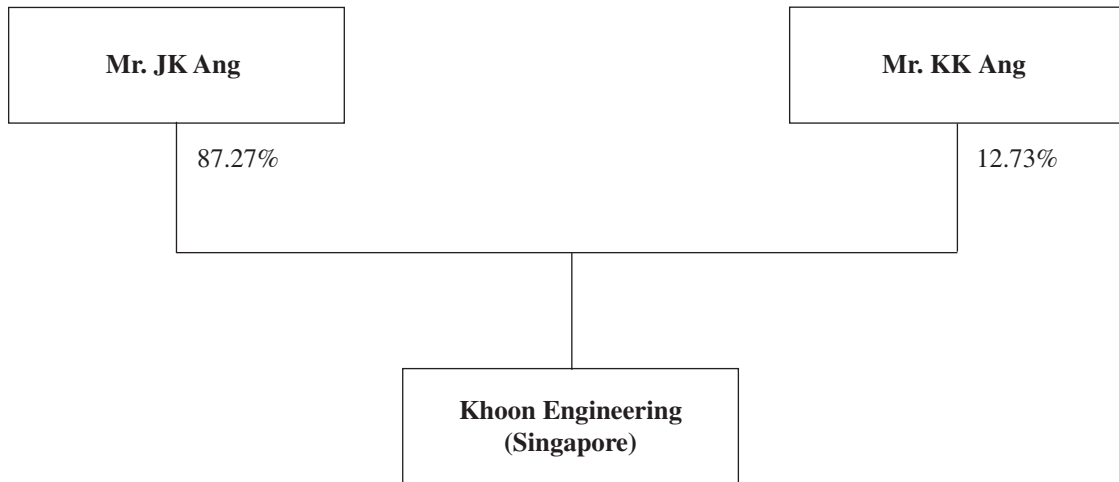
HISTORY, DEVELOPMENT AND REORGANISATION

On 6 February 2013, 829,090 extra shares were issued and allotted to Mr. JK Ang and 120,910 extra shares were issued and allotted to Mr. KK Ang, and the issued share capital of Khoon Engineering increased from S\$550,000 to S\$1,500,000. Upon completion of the aforesaid capital increase, the shareholding structure of Khoon Engineering was as follows:

Name of shareholder	Number of shares owned in Khoon Engineering	Shareholding percentage
Mr. JK Ang	1,309,090	87.27%
Mr. KK Ang	190,910	12.73%
Total	<u>1,500,000</u>	<u>100%</u>

CORPORATE STRUCTURE PRIOR TO REORGANISATION

The following diagram sets out the corporate structure of our Group immediately before implementation of the Reorganisation:



HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

The companies comprising our Group underwent a reorganisation in preparation for the Listing, pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

Incorporation of Lead Development and Top Stride

On 4 July 2018, Lead Development was incorporated in the BVI with liability limited by shares and is authorised to issue a maximum of 50,000 shares of a single class with no par value. On 4 July 2018, 13,091 ordinary shares and 1,909 ordinary shares of Lead Development were issued and allotted to each of Mr. JK Ang and Mr. KK Ang respectively, for cash consideration, pursuant to the memorandum and articles of association of Lead Development.

On 28 June 2018, Top Stride was incorporated in the BVI with liability limited by shares and is authorised to issue a maximum of 50,000 shares of a single class with no par value. On 28 June 2018, 13,091 ordinary shares and 1,909 ordinary shares of Top Stride were issued and allotted to each of Mr. JK Ang and Mr. KK Ang respectively, for cash consideration, pursuant to the memorandum and articles of association of Top Stride.

Incorporation of our Company

On 24 July 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of HK\$100,000 divided into 10,000,000 Shares with par value of HK\$0.01 each.

On 24 July 2018, one nil-paid subscriber Share was allotted and issued to the initial subscriber, Reid Services Limited, pursuant to the Memorandum and Articles. The nil-paid subscriber Share was transferred to Lead Development on the same day, after which our Company became wholly-owned by Lead Development.

Acquisition of Khoon Engineering by Top Stride

On 31 August 2018, Mr. JK Ang and Mr. KK Ang, as vendors, and Top Stride, as purchaser, entered into a sale and purchase agreement, pursuant to which Top Stride acquired 1,309,090 shares and 190,910 shares of Khoon Engineering, representing all of its issued shares in aggregate, from Mr. JK Ang and Mr. KK Ang, at the consideration of S\$10,606,809.80 and S\$1,546,834.87, respectively. In settlement of the aforesaid consideration, Top Stride issued and allotted 13,091 ordinary shares and 1,909 ordinary shares, credited as fully paid, to Mr. JK Ang and Mr. KK Ang, respectively. The consideration of the acquisition was determined with reference to the unaudited net asset value of Khoon Engineering as at 30 June 2018.

Upon the completion of the above acquisition on 31 August 2018, Khoon Engineering became a wholly-owned subsidiary of Top Stride.

HISTORY, DEVELOPMENT AND REORGANISATION

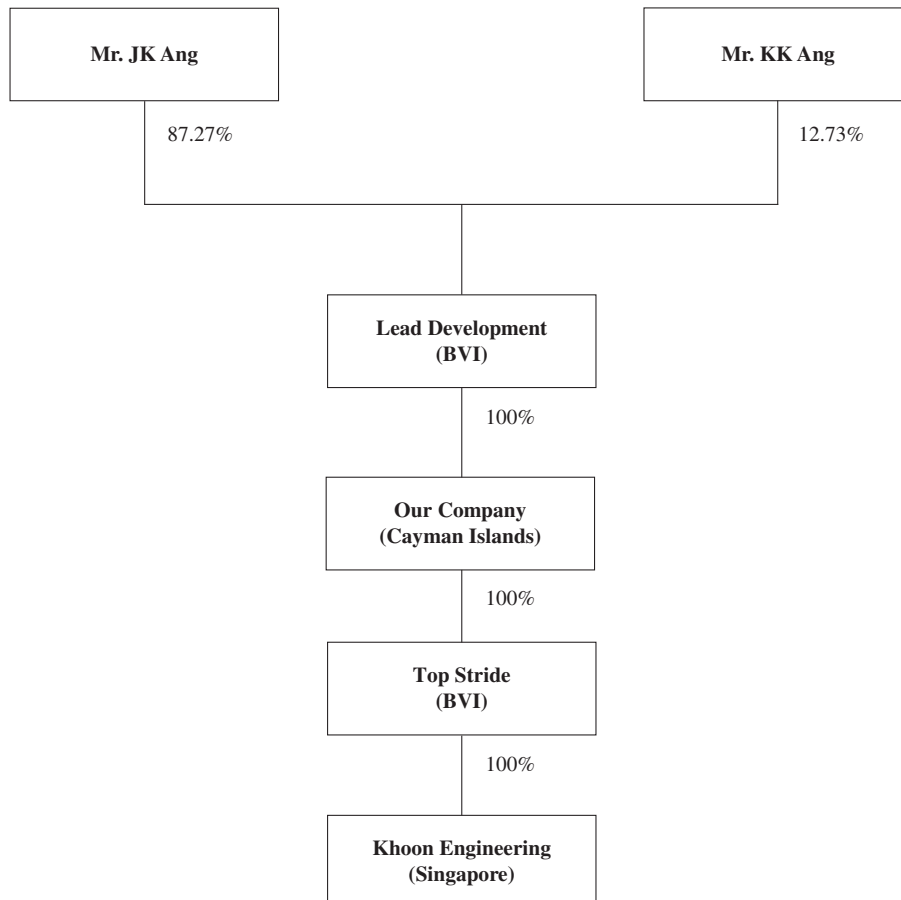
Acquisition of Top Stride by our Company

On 12 March 2019, Mr. JK Ang and Mr. KK Ang, as vendors, and our Company, as purchaser, entered into a sale and purchase agreement, pursuant to which our Company acquired 26,182 ordinary shares and 3,818 ordinary shares of Top Stride, representing all of its issued shares in aggregate, from Mr. JK Ang and Mr. KK Ang, respectively, at the consideration of S\$11,273,877.07 and S\$1,644,017.37, respectively. In settlement of the aforesaid consideration, our Company issued and allotted 29,999 Shares, credited as fully paid, to Lead Development, and crediting as fully paid at par one nil-paid Share held by Lead Development, at the instructions of Mr. JK Ang and Mr. KK Ang. The consideration was determined with reference to the unaudited net asset value of Khoon Engineering as at 31 January 2019. Following the aforesaid acquisition, Khoon Engineering became indirectly wholly owned by our Company.

As a result of the Reorganisation, our Company became the holding company of our Group with its business being conducted through our operating subsidiary in Singapore, i.e. Khoon Engineering.

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 Share Offer:



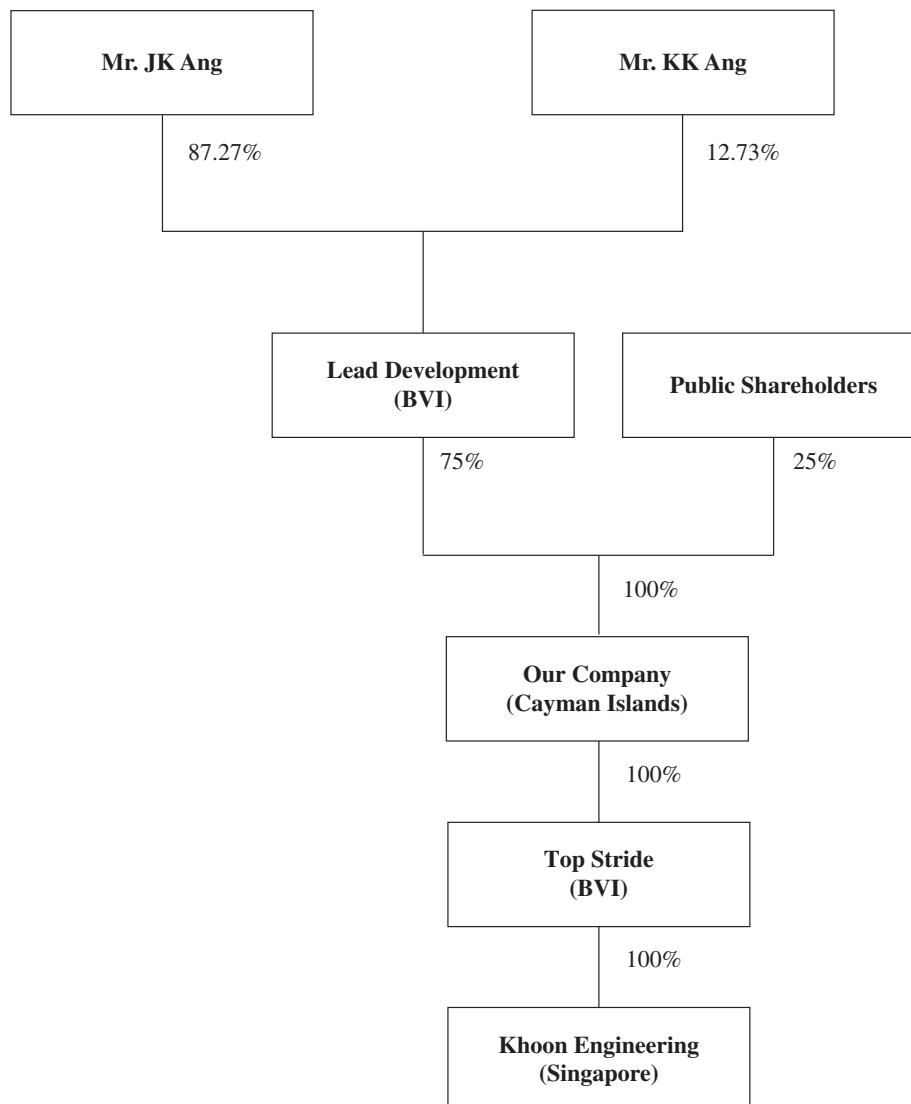
HISTORY, DEVELOPMENT AND REORGANISATION

CAPITALISATION AND THE SHARE OFFER

Conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Share Offer, 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 10 June 2019 prior to the Share Offer, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute no more than 75% of the total issued share capital of our Company.

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

The shareholding structure of our Group immediately after the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme) is set out as follows:



BUSINESS

BUSINESS OVERVIEW

With an operating history of 30 years, we are a Singapore-based M&E service provider specialised in providing electrical engineering solutions. Our electrical engineering services mainly comprise (i) customisation and/or installation of electrical systems; (ii) assisting to obtain statutory approvals; and (iii) testing and commissioning. Our services are essential for ensuring the functionality and connectedness of the electrical systems as well as their compliance with the prescribed designs and statutory requirements.

Our electrical engineering services are widely required in new building developments, redevelopment, A&A and upgrading projects, which involve residential, commercial and industrial buildings. In particular, we have established solid track record in undertaking electrical engineering works in public residential developments initiated by the HDB, the public housing authority of the Singapore Government. During the Track Record Period, the majority of our revenue was derived from public residential developments.

The following table sets forth a breakdown of our revenue during the Track Record Period by reference to the category of buildings involved:

	FY2015/16		FY2016/17		FY2017/18		Seven months ended 31 January 2018		Seven months ended 31 January 2019	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Residential buildings ^(Note)	29,128	75.5	25,074	81.4	30,719	91.1	16,404	95.2	25,613	90.4
Commercial and industrial buildings	9,445	24.5	5,721	18.6	3,013	8.9	832	4.8	2,723	9.6
Total	38,573	100.0	30,795	100.0	33,732	100.0	17,236	100.0	28,336	100.0

Note: For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our revenue derived from public residential projects amounted to approximately S\$26.0 million, S\$21.7 million, S\$30.7 million and S\$24.5 million, representing approximately 67.4%, 70.3%, 91.0% and 86.3% of our total revenue, respectively.

We are engaged in both public and private sector projects. In respect of public sector projects, our customers were (i) construction contractors engaged by the HDB for new building development and redevelopment projects; and (ii) local statutory bodies in Singapore for A&A and upgrading projects. In general, where the HDB has decided to implement a new public residential development, it would normally invite construction contractors to participate in project tenders for undertaking the building and construction works in the project. As a common industry practice, the selected construction contractors would arrange to subcontract the electrical engineering works involved to M&E service providers (such as our Group). In respect of private sector projects, our customers were construction contractors engaged by property developers.

BUSINESS

The following table sets forth a breakdown of our revenue during the Track Record Period for private and public sector projects:

	FY2015/16			FY2016/17			FY2017/18		
	No. of projects	% of total revenue		No. of projects	% of total revenue		No. of projects	% of total revenue	
	(Note 1)	Revenue		(Notes 1 and 2)	Revenue		(Notes 2 and 3)	Revenue	
		S\$'000			S\$'000			S\$'000	
Public sector	31	25,991	67.4	41	21,653	70.3	38	30,686	91.0
Private sector	7	12,582	32.6	14	9,142	29.7	15	3,046	9.0
Total	38	38,573	100.0	55	30,795	100.0	53	33,732	100.0

	Seven months ended 31 January 2018			Seven months ended 31 January 2019		
	No. of projects	% of total Revenue		No. of projects	% of total Revenue	
		Revenue	revenue	(Note 3)	Revenue	revenue
		S\$'000			S\$'000	
		(unaudited)				
Public sector	32	16,382	95.0	38	24,458	86.3
Private sector	14	854	5.0	12	3,878	13.7
Total	46	17,236	100.0	50	28,336	100.0

Notes:

1. Out of the 55 projects which contributed revenue to FY2016/17, 26 projects also contributed revenue to FY2015/16.
2. Out of the 53 projects which contributed revenue to FY2017/18, 27 and 14 projects also contributed revenue to FY2016/17 and FY2015/16, respectively.
3. Out of the 50 projects which contributed revenue to the seven months ended 31 January 2019, 29, 21 and 14 projects also contributed revenue to FY2017/18, FY2016/17 and FY2015/16, respectively.

BUSINESS

The following table sets forth a breakdown of our revenue during the Track Record Period by our role as main contractor or subcontractor in the projects:

	FY2015/16			FY2016/17			FY2017/18			Seven months ended 31 January 2018			Seven months ended 31 January 2019		
	No. of projects	% of		No. of projects	% of		No. of projects	% of		No. of projects	% of		No. of projects	% of	
		Revenue	revenue		Revenue	revenue		Revenue	revenue		Revenue	revenue		Revenue	revenue
		SS'000		SS'000		SS'000		SS'000		SS'000		SS'000		SS'000	
Main contractor	8	2,865	7.4	24	4,857	15.8	24	5,633	16.7	24	3,145	18.2	17	959	3.4
Subcontractor	30	35,708	92.6	31	25,938	84.2	29	28,099	83.3	22	14,091	81.8	33	27,377	96.6
Total	38	38,573	100.0	55	30,795	100.0	53	33,732	100.0	46	17,236	100.0	50	28,336	100.0

(Unaudited)

During the Track Record Period, we had a total of 112 projects with revenue contribution to us. As at the Latest Practicable Date, we had 26 projects on hand with an aggregate of S\$81.3 million yet to be recognised as revenue after the Track Record Period, among which, S\$17.6 million, S\$37.8 million and S\$25.9 million, are expected to be recognised as revenue from 1 February 2019 to 30 June 2019, in FY2019/20 and thereafter, respectively. Save for one completed project for which the job site was located at a commercial complex in Myanmar, our projects undertaken during the Track Record Period were performed at job sites in Singapore. For further details, please refer to the paragraph headed “Project awarded by Qingjian Group which was undertaken in Myanmar during the Track Record Period” below in this section.

Khoon Engineering, our principal operating subsidiary, is registered under the workheads of CW01 (General Building) with “C3” grade, ME04 (Communication & Security Systems) with “L2” grade, ME05 (Electrical Engineering) with “L6” grade, ME06 (Fire Prevention & Protection Systems) with “L1” grade, ME10 (Line Plant Cabling/Wiring for Telecommunications) with “L1” grade and ME12 (Plumbing & Sanitary Works) with “L1” grade under the CRS maintained by the BCA. Khoon Engineering also holds a GB2 Licence granted by the BCA and a Telecommunication Wiring Contractor’s (Class) Licence granted by the IMDA. In particular, the “L6” grading of our registration under the workhead of ME05 (Electrical Engineering) allows us to tender for (i) those public sector projects in which the construction contractors are required under the main contracts to engage M&E service providers who possess ME05 registration with “L6” grade; and (ii) electrical engineering services projects of unlimited values directly from the Singapore Government. For further details, please refer to the paragraph headed “Licences and registrations” below in this section.

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) subcontractors; (ii) suppliers of materials; and (iii) suppliers of other miscellaneous services including services provided by third party professionals (such as professional engineers and licenced electrical workers) for arranging external testing on our works as part of the certification procedures pursuant to the requirements under the Singapore laws and regulations.

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Over the years, under the leadership of our executive Directors, Mr. JK Ang, Mr. KK Ang and Mr. YK Ang, our Group has grown to a scale with 187 employees, with capability to manage electrical engineering solutions projects of varying scale.

Depending on our available labour resources and the types of specialised works involved, our Group may from time to time engage subcontractors to perform certain electrical engineering works. During the Track Record Period, we have engaged subcontractors mainly for performing CATV installation works, ELV works, fibre optic connection works, underground installation works and ACMV works. We generally require our subcontractors to provide and arrange for the necessary machinery and equipment to be used in their works at their own costs. For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, we incurred subcontracting charges of approximately S\$15.6 million, S\$12.9 million, S\$14.2 million and S\$12.4 million, respectively.

We generally procured the materials required for our projects from suppliers based in Singapore on our own account. The major types of materials that we purchased included electrical cables, switchgears, light fittings and other electrical components. On some occasions, we may purchase the necessary materials such as cement and electrical cables on behalf of our subcontractors at their costs and deduct the amount we incurred for the purchases from our payment to the subcontractors.

Our revenue represents income derived from providing electrical engineering services. Our cost of services mainly include subcontracting charges, cost of materials and staff costs and benefits.

According to the F&S Report, the demand for electrical engineering services in Singapore will continue to grow due to the growing number of construction works in both the private and public sectors. As such, our Directors believe that we will be exposed to more opportunities for electrical engineering services. With our experienced management team and established track record, our Directors believe that we are well-positioned to capture the growing demand for electrical engineering services in Singapore. For details on the market drivers relating to our Group, please refer to the section headed “Industry overview” in this prospectus.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

Established presence in the electrical engineering industry in Singapore

Khoon Engineering, our principal operating subsidiary, has been operating in the electrical engineering industry in Singapore since 1988. Based on our long operating history, our Directors consider that we have an established presence in the electrical engineering industry and accumulated expertise in providing engineering solutions for various types of electrical systems. During the Track Record Period, our Group undertook 112 electrical engineering projects for various types of new building developments, redevelopment, A&A and upgrading projects, which involved residential, commercial and industrial buildings.

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We have established solid track record in undertaking electrical engineering works in public residential developments initiated by the HDB since the establishment of Khoo Engineering in 1988. Given the “L6” grading of our registration under the workhead of ME05 (Electrical Engineering) under the CRS maintained by the BCA, our Group is able to tender for (i) those public sector projects in which the construction contractors are required under the main contracts to engage M&E service providers who possess ME05 registration with “L6” grade; and (ii) electrical engineering services projects of unlimited values directly from the Singapore Government.

Our track record in public residential projects initiated by the HDB gave us an in-depth understanding of the type of electrical systems in different public housing buildings and related facilities, enabling us to tender competitively. The provision of electrical engineering solutions is, by nature, highly complex as it not only involves the integration of different electrical systems into the buildings, but also requires an understanding of the specifications associated with each electrical system and the standard requirements of the HDB. Our track record in public residential projects allows us to gain an understanding of the quality standards required by the HDB, which in turn allows us to better perform our services in meeting the customers’ expectations.

We were engaged by one of our major customers, Ken-Pal (S) Pte Ltd, being a construction contractor, in a smart housing development project initiated by the HDB in 2016. In such project, we were engaged to provide electrical engineering solutions in relation to various ELV systems with smart building features such as:

- (i) smart lighting system which is energy saving and supports on-demand lighting, wireless networked sensors, remote configuration, control, monitoring and analytics;
- (ii) smart switched socket outlet which is able to measure power and energy consumption and supports remote control and monitoring via mobile smartphone applications or web browser;
- (iii) smart distribution board which collects data on energy consumption for display on mobile software applications and supports remote control and monitoring via mobile smartphone applications or web browser; and
- (iv) smart metering which measures and monitors power consumption in the building.

According to the F&S Report, the HDB recognises the environmental advantages and sustainable living benefits brought by smart building premises, and therefore it is placing more emphasis on such development in public housing in the coming future. The HDB is committed to incorporate smart features into public housing such as intelligent control systems and integration of various components under the electrical engineering systems. Smart building solutions are highly complex and require sophisticated system design and installations. Our Directors consider that our involvement in the smart housing development project reflects our expertise and capability to adapt to the above market trend in relation to public residential developments.

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In view of the aforesaid, our Directors believe that our established presence in the electrical engineering industry and solid track record in public residential projects served as a recognition of our service quality and industry reputation in Singapore which position us favourably in securing new business opportunities and establishing business relationship with potential customers.

Established relationships with some of our major customers

Our customers during the Track Record Period mainly included construction contractors in Singapore. For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, the number of customers with revenue contribution to our Group was 26, 36, 43 and 34, respectively. As at the Latest Practicable Date, our Group has business relationship of seven years or above with some of our major customers during the Track Record Period (including Qingjian Group, Customer Group B, Chiu Teng Construction Co Pte Ltd, Customer E, Chang Hua Construction Pte Ltd, Ken-Pal (S) Pte Ltd, Customer J and Welltech Construction Pte Ltd as referred to in the paragraph headed “Our customers – Top customers” below in this section). Our Directors believe that an established relationship with our major customers would increase our recognition and visibility in the electrical engineering 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.

Experienced and dedicated management team

Our Group has an experienced management team in the electrical engineering industry. Our Group is led by our executive Directors, Mr. JK Ang, Mr. KK Ang and Mr. YK Ang. Mr. JK Ang has over 47 years of experience in the electrical engineering-related industry and has been fundamental to the development of our Group. He possesses years of experience and knowledge in marketing, project management and technical aspects of the electrical engineering industry in Singapore. Mr. KK Ang has over 20 years of experience in the electrical engineering-related industry. He is responsible for our day-to-day operations and overall project management, formulating corporate and business strategies and making our major operation decisions. Mr. YK Ang has joined our Group for eight years. He is responsible for our day-to-day operations, overall project management and administrative matters.

Our Directors are supported by our project management team consisting of 31 personnel as at the Latest Practicable Date, who possess practical skills and experience as required in handling our projects. 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 prospectus.

Our Directors believe that based on the experience of our management team and their knowledge of the industry and our customers’ needs, our Group is able to deliver quality and satisfactory services to our customers, which is essential to our success and future development. We believe that the expertise contributed by each member of our project management team has been and will continue to be our valuable asset enabling us to take up projects of various scope and scale and fulfil our customers’ requirements.

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Stringent quality control and high safety standard and environmental impact control

We place emphasis on providing consistently high quality services and ensuring the safety and functionality of the electrical systems. We have adopted and implemented a quality control system that complies with international standards. Our quality management system has been certified to satisfy the requirement of ISO 9001 in 2017.

We have also set up an occupational health and safety system to promote safe working practice among all employees and to prevent the occurrence of accidents through safety inspections. Our health and safety management system has been certified to be in conformance with OHSAS 18001 since 2012 and we have obtained a bizSAFE Level Star certification which is the highest bizSAFE level that may be awarded under the bizSAFE program in 2013. 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, and our environmental management system has been certified to satisfy the requirements of ISO 14001 in 2017.

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 electrical engineering solutions provider in Singapore.

BUSINESS STRATEGIES

According to the F&S Report, the M&E service market in Singapore is characterised by various M&E service aspects, among which the major components comprise (i) electrical engineering services; (ii) ACMV services; and (iii) integrated building services in respect of M&E systems. During the Track Record Period, our Group has mainly focused on providing electrical engineering services. In order to position ourselves as an integrated M&E service provider, our Directors consider that it is crucial for our Group to further strengthen our capability in providing additional and different combination of M&E services, which will in turn give us exposure to more business opportunities in the M&E service market in Singapore.

Going forward, our principal business objective is to further strengthen our position as an integrated M&E service provider in Singapore. We intend to achieve our business objective by (i) enhancing our in-house capacity in undertaking ACMV works by acquiring a Singapore-based ACMV contractor which is registered under the workhead of ME01 with at least “L4” grade; (ii) broadening our exposure to integrated building services projects by applying for registration under the workhead of ME15 with “L6” grade; and (iii) expanding our scale of operation for undertaking additional electrical engineering projects from both our existing and potential customers on top of our present scale of operation and our current projects on hand.

Taking into consideration (i) our competitive strengths set out in the paragraph headed “Competitive strengths” above in this section; (ii) our established business relationship with some of our major customers; (iii) our track record and expertise in providing electrical engineering services; (iv) the synergistic benefits of our proposed acquisition of a Singapore-based ACMV contractor; (v) the strategic benefits of our proposed application for registration

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under the workhead of ME15 with “L6” grade under the CRS; and (vi) the forecasted growth of M&E service market in Singapore based on the F&S Report, our Directors believe that our Group would be able to capture the potential business opportunities associated with the forecasted increase in demand for M&E services as discussed in the paragraphs below if we continue to increase our available resources.

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

1. Strategic acquisition of a Singapore-based ACMV contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least “L4” grade

Our Directors intend to strategically acquire the entire or majority equity interest in a Singapore-based ACMV contractor (the “**Strategic Acquisition**”) which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) (the “**ME01 Registration**”) with at least “L4” grade under the CRS (the “**Potential Target Company**”) to attain synergistic benefits and to facilitate our application for registration under the workhead of ME15 (integrated building services) with “L6” grade (as further discussed below). In this regard, we have engaged the Business Advisory Consultant to identify and shortlist suitable contractors in Singapore based on the selection criteria determined by us.

In particular, after the completion of the Strategic Acquisition, we will procure the Potential Target Company to transfer its existing qualified personnel which are required for the ME01 Registration to Khoon Engineering. As advised by the Singapore Legal Adviser, upon the completion of the Strategic Acquisition and the aforesaid transfer of qualified personnel to Khoon Engineering, Khoon Engineering will be entitled to leverage on the track record and the qualified personnel transferred from the Potential Target Company to fulfil the relevant personnel and track record requirements for applying for the transfer of the relevant ME01 Registration from the Potential Target Company to Khoon Engineering, subject to the condition that the Potential Target Company will cease to be registered under the same workhead under the CRS.

To fulfil the personnel requirements for ME01 Registration with “L4” grade, Khoon Engineering will have to arrange for the transfer of one individual from the Potential Target Company who shall possess the minimum technical qualifications stipulated by the BCA with at least 5 years of relevant experience in air-conditioning, refrigeration and ventilation works. As we have not yet entered into formal discussion with any of the Potential Target Companies or any of their respective vendor(s), we do not have any details about the employment terms of those qualified personnel hired by the Potential Target Companies. Nevertheless, as one of our selection criteria as set out in the paragraphs below, the existing management and qualified personnel of the Potential Target Company shall agree to continue with their employments for at least two years after the Strategic Acquisition. In this regard, as one of the conditions precedent to the completion of the acquisition, we will specifically request those existing management and qualified personnel of the Potential Target Company to provide us with legal undertakings to ensure they will stay with our Group for the aforesaid periods after the acquisition. According to the F&S Report, it is a common industry practice for an acquirer to require the existing management and qualified personnel of the target company to provide legal

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undertakings in their employment contracts to the effect that they would remain in the target company for a period of time mutually agreed with the acquirer. Such arrangement is to facilitate the transition and integration in the operation of the target company following the acquisition. Depending on the results of negotiations, the existing management and qualified personnel of the target company are generally required to remain in the target company for a period ranging from one to three years.

In planning for the Strategic Acquisition, our executive Directors have considered paying part of the consideration as upfront fee and deferring the rest (“**deferred payment**”) until the existing management and qualified personnel have remained in the target company for the agreed period. Nevertheless, such deferred payment arrangement may not be feasible to retain the existing management and qualified personnel because (i) neither the vendors have any legal rights to require the existing key staff to remain in the target company after a change in ownership; (ii) nor the existing key staff have any obligations to remain unless they have provided separate legal undertakings, which generally form part of the terms of their new employment contract with the target company or the acquirer, to stay with the target company for a prescribed period of time after the acquisition.

Further, in determining the payment arrangement for the Strategic Acquisition, we have consulted the Business Advisory Consultant whether any vendors of the four Potential Target Companies identified are willing to accept deferred payment arrangement in our proposed acquisition. The Business Advisory Consultant replied us that it is premature to propose such arrangement to the vendors at this stage, given that formal negotiation has not yet commenced. As advised by the Business Advisory Consultant, it is not uncommon for purchasers in corporate acquisition transactions in Singapore to pay the consideration in multiple tranches. Typically, a first tranche payment of 70%-80% of the consideration will be paid upon signing of the formal agreement, while the remaining 30%-20% will be settled as deferred payment upon the expiry of transition period, normally of one to two years. Upon signing of the formal sale and purchase agreement, the vendor would typically request the purchaser to deposit the deferred payment into an escrow account maintained by third party professionals (e.g. independent legal firms). In implementing the Strategic Acquisition after the Listing, we plan to bargain for deferred payment arrangement with the potential vendors. Nevertheless, as explained above, even if we are successful in bargaining for deferred payment arrangement, we would still likely have to deposit the deferred payment into an escrow account during the transition period. Therefore, our executive Directors consider that our funding needs for the Strategic Acquisition remains the same regardless of the deferred payment arrangement.

(I) Synergistic benefits of the Strategic Acquisition

Our Directors consider the Strategic Acquisition will be beneficial to our Group in the following aspects:

(i) Capturing the increasing market demand for ACMV services in Singapore

According to the F&S Report, the market demand for ACMV services in Singapore is expected to grow at a CAGR of 7.0% from 2019 to 2022, reaching S\$403.2 million by 2022. In light of the increasing market demand for ACMV services in Singapore, our Directors consider that it is commercially justifiable for us to strengthen our presence in such market by way of the Strategic Acquisition in order to maximise our exposure to potential business opportunities associated with the forecasted industry growth.

(ii) Obtaining the qualifications in directly tendering for ACMV projects from the Singapore Government under the workhead of ME01

Without the ME01 Registration, Khoon Engineering is currently not eligible to directly tender for ACMV projects under the ME01 workhead from the Singapore Government. According to the F&S Report, it is forecasted that the market size of ACMV services from the public sector in Singapore will increase from S\$165.3 million in 2019 to S\$208.1 million in 2022, at a CAGR of 8.0%. In light of the increasing in demand for ACMV services from the public sector, our Directors consider that a successful transfer of the ME01 Registration from the Potential Target Company will allow Khoon Engineering to obtain the qualifications in directly tendering for ACMV projects from the Singapore Government and to capture more business opportunities associated with the public sector projects.

(iii) Strengthening and demonstrating the in-house capability in undertaking ACMV works

The BCA Directory of Registered Contractors and Licensed Builders (“**BCA Directory**”) is a directory which sets out the Singapore contractors registered in different workheads and gradings under the CRS. According to the F&S Report and based on our Directors’ industry experience, when construction contractors and property developers in Singapore select their M&E service providers, they would generally refer to the BCA Directory in order to assess the expertise of the tenderers in different aspects of M&E works. In view of the aforesaid, our Directors believe that if we possess ME01 Registration with “L4” grade or above, this can provide better assurance to projects owners and main contractors on our technical know-how and service quality on ACMV works.

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Further, pursuant to the main contracts for some public building development projects, where the main contractors intend to subcontract the M&E works, they are required to engage M&E service providers who possess registrations under the CRS with specified workheads and gradings. In other words, M&E service providers who compete for the M&E works from those main contractors are required to possess the relevant registrations and gradings under the CRS in order to fulfil the requirements under the main contracts. Therefore, based on our existing registrations under the CRS, we will be well-positioned to compete for a wider variety of M&E works from the construction contractors involved in public building development projects after we further acquire ME01 Registration with “L4” grade or above.

In view of the aforesaid, our Directors consider that with the successful transfer of the ME01 Registration with at least “L4” grade to Khoon Engineering after the Strategic Acquisition, our Group will be able to demonstrate our in-house capability in undertaking ACMV works and, where applicable, to assist construction contractors to fulfil the requirements under the main contracts of public sector projects as discussed above. Our Directors believe that this will (i) increase our business prospects for obtaining ACMV projects from construction contractors and property owners; and (ii) enhance our industry reputation and market presence in the M&E service market.

Further, during the Track Record Period, we did not offer any standalone servicing and maintenance services for ACMV systems. Depending on the know-how, expertise and service portfolio of the Potential Target Company, our Directors consider that the Strategic Acquisition may allow us to derive an additional source of revenue from the provision of standalone servicing and maintenance services for ACMV systems.

According to information which is publicly available and provided by the Business Advisory Consultant, the average gross profit margin of companies engaged in the Singapore ACMV services industry is approximately 25.4%, whereas the average gross profit margin of companies engaged in the Singapore electrical engineering industry is approximately 25.7%.

With reference to (i) the total estimated revenue of S\$351.8 million generated by the Singapore ACMV services market in 2020 as stated in the F&S Report; and (ii) the market share of the four Potential Target Companies identified by the Business Advisory Consultant (details of which are further provided below), and assuming the Potential Target Companies can maintain their existing market share in the Singapore ACMV services market, it is estimated that we will be able to generate additional revenue ranging from S\$10.9 million to S\$25.0 million per year from the provision of ACMV services after the Strategic Acquisition in 2020 depending on our final decision on the Potential Target Company.

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(iv) Leveraging on the enlarged customer base for promoting our services

Our Directors consider that the Strategic Acquisition will enable our Group to leverage on the enlarged customer base for promoting our services. Following the completion of the Strategic Acquisition, our Directors and senior management team, together with the key personnel of the Potential Target Company, will actively approach the major customers of our Group and the Potential Target Company so as to (i) promote our corporate profile and combined track record in electrical engineering and ACMV works; and (ii) inform them about the enhancement in our service portfolio and the increase in our capability in providing ACMV works with our in-house human resources.

Our Directors consider that the Strategic Acquisition will enable us to provide our customers with more choices and flexibility in respect of the M&E services offered by us. During the Track Record Period, we have provided ACMV service under our electrical engineering projects, rather than offering it as a standalone service. Following the Strategic Acquisition, depending on the work tasks involved in a project, our customers may engage us to provide either or both of our electrical engineering and ACMV services. Our Directors believe that the enhancement in our service portfolio will allow us to develop competitive edge in the industry and give us more flexibility in catering to our customers' needs.

(v) Increasing our flexibility in resources allocation for performing ACMV works

During the Track Record Period, our Group has taken a supervisory role in the implementation of ACMV works under our electrical engineering projects and subcontracted the relevant site works to our subcontractors as we did not have sufficient qualified personnel and site workers equipped with the necessary expertise and experience in undertaking ACMV works. During the Track Record Period, we have undertaken in total five projects which involved ACMV works, for which we incurred subcontracting charges of approximately S\$0.8 million and recognised approximately S\$1.1 million as revenue from such ACMV works. Following the completion of the Strategic Acquisition, we will achieve greater flexibility in undertaking ACMV works by either deploying our own workers or engaging our subcontractors. It is our current plan that the existing employees of the Potential Target Company will continue to undertake ACMV works for its existing customers after the Strategic Acquisition. Based on information available from the Business Advisory Consultant, the Potential Target Companies have their own established customer bases, as supported by the fact that each of them (i) was overall profit-making for the past three financial years with EBITDA of approximately S\$1.3 million or above for the latest financial year; and (ii) had completed 2 projects with contract sum larger than S\$1.0 million during the past three financial years. Depending on the availability of our manpower resources, the work schedule of the projects and the estimated profitability of the projects, we may also assign the employees of the Potential Target Company to perform the ACMV works under the projects of Khoon Engineering.

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(vi) *Facilitating our application for the ME15 Registration with “L6” grade*

Please refer to the paragraph headed “2. Application for registration under the workhead of ME15 (integrated building services) with “L6” grade” below in this section for details.

(II) *Commercial rationale for making the Strategic Acquisition instead of developing our team for ACMV works internally*

(i) *Minimising the time and uncertainty involved in recruiting sufficient qualified personnel and building up our track record for ACMV works*

Applicants for the ME01 Registration are required to fulfil certain financial, personnel, track record and certification requirements, which are set out in the paragraph headed “Regulatory Overview – Builder’s licence and contractors registry”. As advised by the Singapore Legal Adviser, our Group did not possess sufficient qualified personnel and track record for fulfilling the eligibility requirements for the application of ME01 Registration with “L4” grade as at the Latest Practicable Date. Our Directors have considered the viability of developing our team for ACMV works internally either through recruitment of additional staff or provision of relevant trainings to our existing staff. However, taking into consideration (i) the time required and uncertainty involved in recruiting and/or training up an established team of qualified personnel and skilled workers in ACMV works; and (ii) the lack of proven track record for directly undertaking ACMV projects, our Directors consider that it is not commercially favourable for us to do so.

In addition, even if we can develop our team for ACMV works internally, there is no guarantee that we can secure ACMV works with project value of at least S\$5.0 million in aggregate over a three-year period to fulfil the track record requirement for the ME01 Registration with “L4” grade. During the Track Record Period, we have provided services in respect of ACMV systems as part of our electrical engineering services, instead of undertaking those ACMV works as a standalone service. As such, we are currently unable to fulfil the track record requirement in relation to the ME01 Registration with “L4” grade.

As confirmed by our Directors, it is a common industry practice for project owners and main contractors to invite ACMV contractors with solid track record and/or long operating history to tender for sizeable ACMV projects. Given that we have not undertaken any sizeable ACMV project in the past, our Directors consider that it is difficult for us to build up our track record within a relatively short period of time. Besides, after the Strategic Acquisition, the management and qualified personnel of the Potential Target Company could facilitate our Group in ensuring the service quality of our ACMV works based on their qualifications and experience in this field.

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In light of the aforesaid, our Directors consider that it would be difficult for us to secure any sizeable ACMV projects from our customers and to capture the forecasted growth in relation to the ACMV service industry in the near future by internally setting up our own team for ACMV works. By comparison, through the Strategic Acquisition, our Group can minimise the time and uncertainty involved in recruiting the relevant staff and soliciting business from potential customers.

(ii) *Generating a stable source of income for ACMV works to ensure a more certain investment payback*

Part of our selection criteria for shortlisting the Potential Target Companies is that they must be (i) overall profit-making for the past three financial years with EBITDA of approximately S\$1.3 million or above for the latest financial year; and (ii) available for sale at a price-to-earnings ratio of approximately 6 times. Assuming the Potential Target Company could maintain its current scale of business and profitability and without taking into account any further expansion and the synergistic effects of the Strategic Acquisition, our Directors expect that the existing business of the Potential Target Company would be able to generate returns for us to attain investment payback within a timeframe of approximately 6 years. In contrast, if we decide to build up our practice in ACMV works internally, there is no objective and reliable benchmark for us to estimate the timeframe required for achieving investment payback in relation to the cost of recruiting, retaining and/or training up the relevant qualified personnel and skilled workers, in light of our lack of a proven track record for directly undertaking ACMV projects and an established customer base in this field. In view of the aforesaid, our Directors believe that it is commercially justifiable for us to strengthen our practice in ACMV works by way of Strategic Acquisition.

(III) Identification and selection of Potential Target Companies

We have engaged the Business Advisory Consultant to identify and select the Potential Target Companies based on the following criteria:

(A) *Registration requirement:*

- Registered under the workhead of ME01 (air-conditioning, refrigeration & ventilation works) with at least “L4” grade

(B) *Financial requirement:*

- Overall profit-making for the past three financial years with EBITDA of approximately S\$1.3 million or above for the latest financial year
- Being available for sale at a price-to-earnings ratio of approximately 6 times

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- Gearing ratio below 10%
- No material contingent liabilities
- With net assets position

(C) Operation requirement:

- Solely operated in Singapore construction industry
- Over 80 employees
- Completed at least 2 projects with contract sum larger than S\$1.0 million during the past three financial years
- Perform majority of its works with its own workers instead of contracting out

(D) Legal proceedings and/or non-compliances

- No material on-going legal proceeding or non-compliances based on public search results
- No current tax disputes with the Singapore tax authority

(E) Others

- Not being a subsidiary of any listed company
- The vendor(s) of the Potential Target Company shall agree to use his/her best endeavour to procure and cooperate with the transfer of the existing qualified personnel which are required for the ME01 Registration to Khoon Engineering
- The vendor(s) of the Potential Target Company shall agree to use his/her best endeavour to procure and cooperate with arranging the cessation of ME01 Registration of the Potential Target Company in order to facilitate the transfer of such registration to Khoon Engineering
- The existing management and qualified personnel of the Potential Target Company shall agree to continue with their employments for at least two years after the Strategic Acquisition

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During the screening process, the Business Advisory Consultant performed, among others, the following procedures:

- initial shortlisting through the BCA Directory;
- further shortlisting based on the financial information of the Potential Target Companies available from the Accounting and Corporate Regulatory Authority of Singapore and other sources of information;
- preparing brief profiles of the Potential Target Companies based on further research; and
- initiating contact with potential vendors of the Potential Target Companies after completing the aforesaid shortlisting.

As at the Latest Practicable Date, the Business Advisory Consultant has shortlisted a total of four Potential Target Companies which fulfill the above criteria.

The following table sets forth the details of the four Potential Target Companies in their latest financial year based on the information available from the Business Advisory Consultant:

	Company #01	Company #02	Company #03	Company #04
Annual revenue (<i>S\$ million</i>)	16.1	8.9	11.0	20.4
EBITDA (<i>S\$ million</i>)	1.3	1.6	1.5	3.3
Net asset position (<i>S\$ million</i>)	2.1	1.7	17.5	9.1
Approximate number of employees	220	100	120	80
Number of ACMV projects completed with contract sum larger than S\$1.0 million in the past three financial years.	5	2	14	6
Market shares ^(Note)	5.6%	3.1%	3.9%	7.1%

Note: The market share is calculated based on the annual revenue for each of the Potential Target Companies divided by the total revenue generated by the ACMV services market.

Our Directors intend to approach these Potential Target Companies after the Listing to discuss about the Strategic Acquisition. As at the Latest Practicable Date, we have not entered into any formal discussion or any form of transaction agreement with any of the Potential Target Companies or any of their respective vendor(s). Based on its preliminary discussion with the Potential Target Companies, the Business Advisory Consultant informed us that the vendors had agreed to engage in formal discussion with potential purchaser on the condition that the potential purchaser could produce proof of funds for the proposed amount of consideration. As advised by the Business Advisory Consultant, such requirement for proof of funds from the potential purchaser is a common practice for

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merger and acquisition transaction for private companies in Singapore. As we expect to obtain the necessary funding for the Strategic Acquisition from the Share Offer, our executive Directors considered that it is more appropriate for us to engage in formal discussion with the vendors shortly after the Listing when we could produce the requisite proof of funds.

The Business Advisory Consultant has been and will continue to identify and shortlist other additional suitable target companies for our further selection until we have reached a final decision on the target of acquisition at later stage after the Listing. In the event that the cost of the Strategic Acquisition exceeds S\$8.0 million, we will finance the shortfall by using our own internal resources.

The BCA stipulates an official regime governing the transfer of workhead, which is applicable to all eligible contractors registered under the CRS. According to guidelines published by the BCA, the BCA has from time to time received enquiries from contractors registered under the CRS on the feasibility for transferring their workheads to other contractors. In the guidelines, the BCA has set out the conditions and procedures for approving the transfer of workheads under the CRS. Given that registration under the CRS is subject to various stringent requirements (including track record in performing specified works), the BCA regime provides a time-effective option for contractors to obtain registrations under additional workheads through merger or acquisition with another contractor.

Based on our enquiry with the BCA, we have been advised that transfer of workheads among contractors is relatively common under the CRS regime and there have been records of successful transfers during the past three years. Further, the BCA observed that it is not unusual for M&E contractors to expand into additional sub-segments through acquiring another company with specialty in such sub-segments and arranging for transfer of workheads from the acquired company.

According to the F&S Report, there is an increasing trend for M&E contractors in Singapore to expand their service portfolio to different sub-segments in order to increase their market share and distinguish themselves from their competitors. In view of the aforesaid, our executive Directors consider that our plan to obtain ME01 workhead with “L4” grade or above through the Strategic Acquisition is consistent with the industry practice and falls within the standard procedures for the transfer of workhead under the BCA regime.

(IV) Our business plan to capture the market shares of ACMV services after the Strategic Acquisition

To facilitate our efforts to capture the market shares of ACMV services after the Strategic Acquisition, our executive Directors have formulated the following business plans to enhance our corporate profile and industry reputation after the Listing:

Preserving the existing customer base of the Potential Target Company

In contemplating our expansion into the ACMV services through acquisition, we have considered that one of the direct benefits of the Strategic Acquisition is to enable us to leverage on the existing customer base of the Potential Target Company. According to the F&S Report, one of the entry barriers to the ACMV services market is having a well-established business relationship with other industry players, and hence it is challenging for new entrants to build up such client base within a short period of time. In light of this competitive landscape, our executive Directors are of the view that the Strategic Acquisition can provide us with access to a group of customers who had engaged the Potential Target Company in the past, and minimise our time and other resources required for building up our own presence in the ACMV services market.

In order to preserve the existing customer base of the Potential Target Company following the acquisition, it is crucial to retain the existing management team of the Potential Target Company to provide assurance to the customers on its business operations and service quality going forward. In this regard, as one of the conditions precedent to the completion of the acquisition, we will specifically request those existing management and qualified personnel of the Potential Target Company to provide us with legal undertakings to ensure they will stay with our Group for at least two years after the acquisition. Further, depending on the subsequent performance of the project management staff of the Potential Target Company, we will also consider to offer relevant personnel with advancement opportunities in their career by promoting them to our senior management team on a group level and/or propose to appoint them as directors at the subsidiary level. From a management perspective, our Group will ensure clear segregation of duties between the management teams of the Potential Target Company and Khoon Engineering. In particular, it is envisaged that our executive Directors will maintain a supervisory role over the major decision-making and business performance of the Potential Target Company, whereas the daily operations and site works of the Potential Target Company will remain to be handled by its existing management team. Our executive Directors believe that the above measures will foster a stronger sense of belonging among the employees of the Potential Target Company, and are conducive to preserving the existing customer base of the Potential Target Company.

Setting up a showroom in the new property to be acquired for demonstration purpose

We currently intend to acquire a new property as we have disposed of the Former Property (as defined below in the paragraph headed “4. Expanding our premises for our various operational needs”) during the Track Record Period. As part of our business development plan, we plan to reserve certain areas in the new property for setting up a showroom with our own internal resources. In particular, it is envisaged that the showroom will be used for the display and demonstration of (i) sample units of electrical systems assembled by us; (ii) sample units of ACMV systems assembled by the Potential Target Company; and (iii) the graphic simulation produced by the building information modelling (“**BIM**”) software to be acquired by us (as discussed in further details below).

As mentioned in the paragraph headed “Operation flow – Project preparation and implementation” below in this section, our customers may require us to perform installation of our electrical systems in a mock-up unit for their inspection and approval before commencement of works. On some occasions where the projects involved relatively sophisticated works, we have collected and transported sample units of the electrical systems from the mock-up units back to our property as reference for our future projects and for internal training purpose. Going forward, we intend to showcase some of these sample units from previous projects in our showroom for our customers’ selections. We anticipate that the reserved areas will allow us to present various system products including, switchgears, distribution boards, generator units, substations and cabling systems. After the Strategic Acquisition, we will also exhibit the ACMV systems prepared by the Potential Target Company in order to demonstrate our in-house capability in undertaking ACMV works to our existing and potential customers. In addition, we intend to invest in the BIM software to assist our draftsmen in the preparation of shop drawings for the customisation and/or installation of electrical systems. We can demonstrate the graphic simulation produced by our BIM software to our customers at the showroom with the aid of projection equipment. We believe that these measures would facilitate our sales and marketing efforts in promoting our know-how as an integrated M&E service provider which, in turn, could increase our corporate profile in both the electrical engineering and ACMV service markets and attract more potential business opportunities.

Enhancing our competitive positions in tendering for ACMV projects in the public sector in terms of licence qualifications and pricing

Pursuant to official guidelines issued by the Singapore Government in relation to the selection and award of projects in the public sector, tenderers are typically assessed on several aspects, including (i) understanding of project objectives and relevant experience; (ii) capability and capacity; and (iii) pricing of the tenders submitted. In particular, the Singapore Government authorities generally assess the capability of a tenderer with reference to the workhead and grading of its CRS registrations. As at the Latest Practicable Date, there were 241 service providers registered under the workhead ME01 with “L4” grade or above and 85 service providers registered under the workhead ME05 with “L6” grade. There were only 59 service providers registered under both the

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workheads ME01 with “L4” grade or above and ME05 with “L6” grade as at the Latest Practicable Date. Under the CRS regime, an applicant applying for more advanced grading under the relevant ME workhead has to fulfil a higher level of financial, track record, personnel and required certification requirements. Given the limited number of market players who possess registration under both workheads of ME01 with “L4” grade or above and ME05 with “L6” grade, our executive Directors believe that our enlarged Group will be well-positioned to tender for public sector projects which require advanced know-how and expertise on ACMV works. Besides, among the 1,200 market players registered under the workhead ME01 under the CRS regime, only those with “L4” grading or above (i.e. approximately 20% of the market players) could tender for projects of value exceeding S\$4 million directly from the Singapore Government. Therefore, the market competition for sizeable ACMV projects in the public sector is relatively less intense as a result of the more stringent eligibility criteria under the CRS regime. Our executive Directors consider that after the Strategic Acquisition, our enlarged Group will be in a better position to compete with our industry peers.

Besides, the Strategic Acquisition will improve the price competitiveness of our tenders for public sector projects. During the Track Record Period, acting as subcontractor, we had been awarded electrical engineering project with ACMV works from main contractor who is registered under CW01 workhead and is entitled to tender for construction projects including all types of building works in connection with any structure in the public sector. We had outsourced those ACMV works in our electrical engineering project to our subcontractor which is registered under the ME01 workhead due to the specialised works involved. Under the relevant Singapore laws and regulations, registration with the Contractors Registry maintained by the BCA is a pre-requisite to tendering for construction projects or carrying out construction projects (as main or sub-contractors) for the public sector. For details, please refer to section headed “Regulatory overview – Builder’s licence and contractors registry” in this prospectus. As a result, even though we did not possess registration under the ME01 workhead, the licensing requirements for our public sector projects were fulfilled because we did not carry out any ACMV works by our own staff and such ACMV works is subcontracted to a contractor which is registered under the ME01 workhead. In respect of private sector projects, no registration with the CRS is required for the main contractor or any tier of subcontractors as long as the ACMV works are carried out by licensed workers on site. In view of the aforesaid, our executive Directors confirm that there is no compliance issue for our Group’s involvement in ACMV works during the Track Record Period.

Without our own team of ACMV workers, we would have to continue performing most of our ACMV works through engaging our subcontractors. In such circumstances, if we intend to tender for any projects with substantial amount of ACMV works, we would have to take into account the service fees charged by the subcontractors (which would have factored in their own mark-up) in our cost estimation in addition to our own mark-up, and hence our tender price might become less competitive as compared with other M&E service providers who possess their own in-house personnel to carry out the relevant ACMV works. This may hinder our efforts in tendering for projects from the

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Singapore Government which are relatively sensitive to the pricing factor. According to the official guidelines of the Singapore Government, depending on the complexity of the projects, 40% to 60% weightings of the selection criteria are given to pricing consideration as the Singapore Government selects the tenders. Furthermore, by eliminating the subcontracting fee paid for ACMV works, our gross profit margin will improve accordingly. The Strategic Acquisition will enable us to undertake a larger portion of ACMV works with our own in-house staff, which, in turn, could reduce our subcontracting fees to be incurred and provide us with more flexibility in determining our tender price and further improve our profit margin. Therefore, in light of our plan to acquire an ACMV contractor after the Listing, our executive Directors consider that we will be able to tender for public sector projects with more favourable pricing, which, in turn, will enhance our prospects of being awarded with new projects in the public sector.

Increasing our marketing efforts for construction contractors

Our top customers during the Track Record Period mainly include construction contractors. These customers generally acted as main contractors engaged by property owners, developers and Singapore Government bodies. In practice, both electrical engineering and ACMV works are often inter-related and required in new building developments, redevelopment, A&A and upgrading projects. In the past, our customers had engaged us mainly to handle the electrical engineering works, while outsourcing the substantial parts of the ACMV works involved to other contractors. Based on our communication with the main contractors in various projects, our executive Directors observe that main contractors increasingly prefer to engage an integrated M&E service provider in sizeable projects as it could (i) streamline the selection and appointment process for engaging a single service provider, as compared to that for engaging different service providers to handle the electrical engineering and ACMV works separately in the projects; and (ii) facilitate communication among different working parties because the integrated service provider would have better control over the implementation of different fields of M&E works. During the Track Record Period, we had from time to time received enquiries from our customers (including Qingjian Group, Customer Group B, Customer Group C, Chiu Teng Construction Co Pte Ltd, Customer E, Chang Hua Construction Pte Ltd and Welltech Construction Pte Ltd) on our service capability and capacity in undertaking projects with substantial ACMV works. Although such enquiries have not resulted in tendering opportunities eventually because we did not possess sufficient in-house personnel and track record in undertaking ACMV works, it nevertheless indicated that our customers had considered the possibility of engaging our Group for their ACMV works. Following the Strategic Acquisition, our senior management team will propose an introductory session with each of our top customers about the expansion in our service portfolio and the service capacity of the Potential Target Company. Leveraging on our established relationships with some of our major customers and our reputation in the electrical engineering service market, our executive Directors are confident that such customers will give us the tendering opportunities for ACMV works after they learn about our acquisition of a Singapore-based ACMV contractor.

Besides, after the Strategic Acquisition, our executive Directors consider that we can broaden our customer base and attract more invitations from potential construction contractors by increasing our marketing efforts to promote our corporate profile (particularly our various CRS registrations) and market presence in the ACMV market in Singapore. Our planned marketing efforts include (i) placing advertisements in industry publications; (ii) sponsoring business events and charity functions organised by our customers or other key industry players in the ACMV industry; and (iii) sending promotional booklets and other promotional materials to our potential customers for advertising our services. We currently intend to finance these marketing activities after the Listing solely by our own internal resources.

2. Application for registration under the workhead of ME15 (integrated building services) with “L6” grade

Our Directors intend to apply for registration under the workhead of ME15 (integrated building services) (the “**ME15 Registration**”) with “L6” grade following the transfer of the ME01 Registration from the Potential Target Company to Khoon Engineering after the Strategic Acquisition as mentioned above. Our Directors consider that the ME15 Registration will significantly enhance our market position in the M&E industry in Singapore.

(I) How the Strategic Acquisition can facilitate our application for the ME15 Registration

An applicant for the ME15 Registration must fulfil certain financial, personnel, track record and certification requirements. As a prerequisite for the ME15 Registration with “L6” grade, an applicant who is registered with the workhead of ME05 with “L6” grade must also possess (i) registration with the workhead of ME01 with “L4” grade or above; and (ii) registration with one other ME workhead (i.e. one of the workheads among ME02, ME04, ME06, ME08, ME11 or ME12) with “L2” grade or above. Besides, the applicant must possess a valid telecommunication wiring contractor’s licence.

As at the Latest Practicable Date, Khoon Engineering was registered under the workheads of ME04 with “L2” grade and ME05 with “L6” grade. Further, we have also obtained the telecommunication wiring contractor’s licence. Therefore, in order to become eligible to apply for the ME15 Registration with “L6” grade, Khoon Engineering is required to further obtain registration with the workhead of ME01 at “L4” grade or above.

As mentioned above, our Group did not possess sufficient qualified personnel and track record for fulfilling the eligibility requirements for the application of ME01 Registration with “L4” grade as at the Latest Practicable Date. In this regard, we currently plan to obtain ME01 Registration at “L4” grade or above for Khoon Engineering by leveraging on the track record and the qualified personnel transferred from the Potential Target Company to fulfil the relevant requirements for the registration as discussed above. As advised by the Singapore Legal Adviser, once Khoon Engineering is successful

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in obtaining the ME01 Registration with “L4” grade or above and satisfies the minimum personnel requirements for ME15 Registration with “L6” grade, it will become eligible to apply for the ME15 Registration with “L6” grade and no legal impediments are presently foreseen for Khoon Engineering to obtain such registrations.

To qualify for the ME15 Registration with “L6” grade, Khoon Engineering shall fulfil the minimum personnel requirement of either i) two Ps (both with at least 5 years of relevant experience) and one of whom must hold a MEC, or ii) two Ps (both with at least 5 years of relevant experience) and a person with MEC. For the details of P and MEC qualifications, please refer to the section headed “Regulatory Overview – Registration Requirements” in this prospectus. Our Directors confirm that as at the Latest Practicable Date, Khoon Engineering has the following personnel appointed as P with at least 5 years of relevant experience: Mr. KK Ang, Mr. Ong Qijie, Mr. Sim Qin Shan and Mr. Koh Kim Siang Nick, while Mr. Li Junming, Calvin (“**Mr. Li**”) is currently enrolled in the Specialist Diploma in M&E Co-ordination (“**SDME**”) offered by BCA Academy to fulfil the MEC qualification. It is expected that Mr. Li will complete his SDME by November 2019. Our Directors further confirm that the other personnel appointed as Ps are also eligible to enrol in the aforesaid SDME, if necessary. Our Directors expect that Khoon Engineering will be eligible to apply for and obtain the ME15 Registration once Khoon Engineering i) fulfils the minimum personnel requirements for ME15 Registration once Mr. Li obtains the MEC qualification; and ii) obtains the ME01 Registration with “L4” grade or above after the Strategic Acquisition.

We estimate that it will take us approximately nine months to complete the Strategic Acquisition. During such period, we will (i) select and finalise on the choice of the acquisition target; (ii) conduct negotiation with the vendor(s) on the commercial terms of the acquisition; (iii) perform legal and financial due diligence on the acquisition target; (iv) obtain requisite undertakings from the existing management and qualified personnel of the acquisition target; and (v) prepare all necessary documentation in preparation for the transfer of ME01 Registration from the acquisition target to Khoon Engineering.

Based on our past experience in applying for registrations with the CRS under other workheads, we estimate that it will take us around one month to complete the transfer of ME01 Registration to Khoon Engineering. Once Khoon Engineering obtains the ME01 Registration, we will arrange to apply for ME15 Registration with “L6” grade and we estimate that such application shall be completed within one month from the submission of our application. Based on the aforesaid, we estimate that we will be able to obtain both ME01 Registration and ME15 Registration within a year upon Listing.

(II) Strategic benefits of applying for the ME15 Registration

(i) Increasing our exposure to integrated building service projects in the public sector

By obtaining the ME15 Registration with “L6” grade, our Group will be able to directly tender for integrated building services projects of unlimited values from the Singapore Government. Under the classification of the BCA, integrated building services typically comprise the installation, commissioning, maintenance and repairs of different types of building services.

Based on information available from the GeBIZ and the F&S Report, Singapore Government generally require the tenderers of its mid-to-large scale M&E installation, maintenance or improvement projects (i.e. with project value above S\$13 million) to possess ME15 Registration with “L6” grade as one of the tender conditions. In addition, the Singapore Government may also require the M&E service providers engaged by the main contractors engaged in public sector projects to possess such registration with “L6” grade. Therefore, our Directors believe that after we obtain the ME15 Registration with “L6” grade, our Group will have greater exposure to such mid-to-large scale M&E projects from the Singapore Government and better prospect in being selected by the main contractors of these public sector projects to provide M&E services.

(ii) Strengthening our competitiveness in the M&E service industry in Singapore

In addition, our Directors consider that our ME15 Registration will strengthen our competitiveness and awareness in the M&E services industry in Singapore. According to the BCA Directory, there were in total 114 contractors registered under the workhead of ME15 as at the Latest Practicable Date. Out of the 114 contractors, 67 were registered with “L6” grade. In light of the limited number of contractors capable of providing integrated building services under the workhead of ME15, our Directors consider that our application for the ME15 Registration with “L6” grade will distinguish our Group in the M&E services industry in Singapore.

Besides, after we obtain the ME01 Registration with “L4” grade or above and ME15 Registration with “L6” grade, we will be able to demonstrate to our customers that we possess the capability in providing integrated M&E services. By leveraging on our established track record in providing electrical engineering services, our Directors believe that we can further position ourselves as an integrated service provider in the M&E industry and we will be able to provide different combinations of M&E solutions to cater to the needs and requirements of our customers.

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(iii) Capturing the market share of the integrated building services industry

Our Directors consider that we are well-positioned to capture the market share of the integrated building services industry due to the following reasons:

(a) Leveraging our existing know-how in electrical engineering works

In general, integrated building services represent a combination of M&E services in various aspects, rather than a distinct field of works. According to tender information available from the Singapore Government, integrated building services contracts typically comprise services in support of various building systems, including electrical transmission and distribution systems, lighting systems, CATV systems, ELV systems, fire protection systems, lightning protection systems, ACMV systems and plumbing and sanitary systems. Our Group has been specialised in providing electrical engineering services for over 30 years. During the Track Record Period, our electrical engineering projects generally involved electrical transmission and distribution systems, lighting systems, CATV systems, underground cable piping systems, ELV systems and fire protection systems. Further, as at the Latest Practicable Date, our principal operating subsidiary, Khoon Engineering, possessed registrations with the CRS under various workheads including but not limited to “electrical engineering”, “communication & security systems”, “fire prevention & protection systems”, “line plant cabling/wiring for telecommunications” and “plumbing & sanitary” which allow us to perform different kinds of M&E works in public sector projects. In addition, after we acquire a Singapore-based ACMV contractor which is registered under the workhead of ME01 (“air-conditioning, refrigeration and ventilation works”) with at least “L4” grade, we will have the qualification to undertake ACMV works directly from the Singapore Government. As integrated building services contracts typically involve multiple M&E service components as mentioned above, our executive Directors believe that the existing know-how of Khoon Engineering and the Potential Target Company are commonly applicable to our integrated building services contracts in the future.

(b) Leveraging our established track record and experience in undertaking public sector projects

During the Track Record Period, the majority of our revenue was derived from public sector projects. For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, we derived approximately S\$26.0 million, S\$21.7 million, S\$30.7 million and S\$24.5 million from public sector projects, which represented 67.4%, 70.3%, 91.0% and 86.3% of our total revenue, respectively. Our executive Directors consider that our established track record in undertaking public sector projects is a recognition of our ability in fulfilling the quality standards and technical specifications of the Singapore

Government. Besides, according to tender information available from the Singapore Government, our track record in public sector projects will be one of the key factors considered by the Singapore Government when it selects the tenders for integrated building services contracts. Our executive Directors believe that we could leverage our established track record to facilitate us in tendering for integrated building services contracts and fulfilling the quality standards of the Singapore Government in the future.

As at the Latest Practicable Date, our Group was not qualified to tender for integrated building services contracts from the Singapore Government because we did not possess the ME15 Registration. Once we have obtained the ME15 Registration, we will identify potential integrated building services projects through regular review of the tender notices published on GeBIZ. Depending on the scale of the potential project, the availability of our labour resources and the types of M&E works involved, we will submit tenders for those integrated building services projects which we deem appropriate.

3. Strengthening our manpower to increase our service capacity

Electrical engineering works are considered to be relatively labour-intensive in nature. Therefore, our Directors consider that a team of skilled workers equipped with appropriate knowledge and experience in performing different kinds of electrical engineering works is crucial to our continual success. In this regard, we intend to expand and strengthen our manpower by recruiting additional staff including project managers, project supervisors, quantity surveyors, draftsmen and site workers for the purpose of (i) enhancing our in-house capacity in undertaking sizeable and additional electrical engineering projects on top of our existing scale of operation; (ii) reducing our needs for subcontracting services for additional projects; and (iii) increasing our efficiency in monitoring project progress. All the additional personnel to be recruited by us will be assigned to support our electrical engineering business only. Upon the recruitment of the personnel aforementioned, we will provide on-the-job trainings for the newly recruited employees to equip them with the skills and knowledge relevant to their work tasks. We also plan to arrange external courses for these newly recruited employees in relation to work safety, quality assurance and risk management conducted by organisations such as the BCA.

(I) Increasing market demand for electrical engineering services

According to the F&S Report, the market size of electrical engineering services market in Singapore is forecasted to increase from S\$871.0 million in 2019 to S\$1,054.5 million in 2022, at a CAGR of 6.6%. The increase in market size of electrical engineering services is largely driven by the growing number of construction works in both public and private sectors. It is forecasted that the amount of building works contracts in the public sector will increase from S\$9,649.7 million in 2019 to S\$12,354.0 million in 2022, at a CAGR of 8.6%, being supported by various government projects such as new public housing construction, upgrading works for HDB flats as well as some sizeable HDB

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development projects. The amount of building works contracts in the private sector, being driven by the recent development at Shunfu Road, Stirling Road, Hougang Avenue 7 and Upper Serangoon Road, is forecasted to increase from S\$12,791.4 million in 2019 to S\$15,792.5 million in 2022, at a CAGR of 7.3%.

(II) Greater exposure to business opportunities following the recent upgrade of the ME05 registration to “L6” grade

The registration of Khoon Engineering under the workhead of ME05 was successfully upgraded from “L5” grade to “L6” grade in June 2018. Our Directors believe that the upgrade in our ME05 registration will strengthen our customers’ confidence in our performance given (i) the track record requirements (i.e. completed project value of S\$10.0 million for “L5” grade, as compared to S\$30.0 million for “L6” grade over the past three-year period); and (ii) the financial requirement in terms of minimum paid-up capital and minimum net worth for “L6” grade is much higher than that of “L5” grade. In addition, after the aforesaid upgrade, our Group is able to tender for electrical engineering projects of unlimited values directly from the Singapore Government.

Besides, our Directors believe that the aforesaid upgrade in our ME05 registration will also give us greater exposure to business opportunities in relation to sizeable public building development projects. During the Track Record Period, our customers were mainly construction contractors engaged by the HDB. As aforementioned, pursuant to the main contracts for some public building development projects, where the main contractors intend to subcontract the M&E works, they are required to engage M&E service providers who possess registrations under the CRS with specified workheads and gradings. In other words, M&E service providers who compete for the M&E works from those main contractors would be required to possess the relevant registrations under the CRS in order to fulfil the requirements under the main contracts. For sizeable public building development projects, the main contractors are generally required to engage M&E service providers registered under the workhead of ME05 with “L6” grade for performing the relevant electrical engineering works involved in the project (the “**L6 Grade Project(s)**”). From July 2015 till the upgrade of our ME05 registration in June 2018, our Group was awarded with a total of three electrical engineering projects with individual contract sum over S\$10 million. For further details on these three projects, please refer to the paragraphs headed “Top projects undertaken during the Track Record Period” and “Projects on hand” in this section. Our executive Directors consider that we had limited opportunities to undertake sizeable projects in the past mainly because construction contractors tend to give preference to electrical engineering service providers who are registered under the workhead of ME05 with the highest grade (i.e. L6). Leveraging the enhanced corporate profile and industry reputation brought by the upgrade of our ME05 registration, our Group began to receive more tender invitations for these sizeable projects. In particular, subsequent to our upgrade of the ME05 registration to “L6” grade in June 2018 up to the Latest Practicable Date, we have received six tender invitations for sizeable electrical engineering projects with individual contract sum over S\$10 million from various construction contractors in Singapore. Our Group was

informed by the construction contractors of these projects that the upgrade of our ME05 registration to “L6” grade had been one of the key factors taken into account when they decided to invite our Group to submit tenders. As at the Latest Practicable Date, we have responded to all of these six tender invitations, among which (i) our tenders for two projects were rejected because, in the opinion of our Directors, our Group has factored in a higher pricing margin in our tenders having considered our stretched service capacity in undertaking the projects on hand; and (ii) the tender results for the other four projects were still pending. In light of the upgrade of our ME05 registration and the tender invitations we received for sizeable projects as aforementioned, our Directors expect that we will receive more tender invitations from main contractors of sizeable public development projects to provide electrical engineering services.

In particular, among those tender invitations for projects with contract sum above S\$13 million, one of which was related to a public sector project for the supply and installation of electrical systems at an integrated waste management facility. Based on the tender information available, contractors responsible for the electrical engineering works involved in such project are required to be registered under the workhead of ME05 with L6 grade. In anticipation of the expansion in our manpower after the Listing, our executive Directors believe that our Group will have the capacity to undertake such project. We submitted our tender for such project in early June 2019.

From 1 July 2018 up to the Latest Practicable Date, our Group has received tender invitations for a total of 153 projects with an aggregate contract sum of approximately S\$301.3 million, based on our assessment of the tender information available. Out of the 153 tender invitations we received, we have submitted tenders for 76 projects with an aggregate contract sum of approximately S\$234.3 million. For each of FY2015/16, FY2016/17 and FY2017/18, the monthly average number of tender invitations received by our Group was approximately 8.3, 8.0 and 6.8, respectively. In comparison, for the period from 1 July 2018 up to the Latest Practicable Date, the monthly average number of tender invitations received by us was 13.5. Our Directors consider that the upgrade in our ME05 registration serves as an official recognition of our Group’s scale of operations and strengthens our customers’ confidence in us, which in turn contributed to an increase in number of tender invitations received by us subsequent to the upgrade of our ME05 registration.

Having considered (i) the availability of our human resources; (ii) our service capacity in undertaking additional projects concurrently with our projects on hand; (iii) the additional costs to be incurred by us for subcontracting substantial parts of the projects; and (iv) the profitability of undertaking such projects, we had decided not to respond to all those tender invitations we received.

Manpower requirement for L6 Grade Project

Based on our previous engagements in projects which required the M&E service provider(s) to be registered under the workhead of ME05 with “L5” grade (“**L5 Grade Project(s)**”), a total of 50 site workers (including site workers from both our Group and our subcontractors) are generally required for performing the relevant site works of such projects.

In comparison, with reference to the tender notices published on GeBIZ and based on our executive Directors’ industry knowledge and experience, it is estimated that a L6 Grade Project on average requires a total of 120 site workers to perform the relevant site works.

Subsequent to the upgrade of our ME05 registration in FY2018, we identified from GeBIZ four L6 Grade Projects available for our tendering. Taking into account our then existing human resources and our projects on hand, our executive Directors considered that most of our then existing staff were fully occupied. Besides, the estimated manpower requirement for L6 Grade Projects is generally more than twice of that for L5 Grade Projects as discussed above. If we had tendered for and successfully obtained any of these four L6 Grade Projects, we would have to subcontract out substantial parts of the work which would lower our profit margin. Besides, none of our project managers and project supervisors was available to fully engage in a L6 Grade Project. Therefore, due to the limitation in our service capacity, we decided not to submit tenders for such projects. In light of our eligibility to tender for L6 Grade Projects and the increase in the manpower requirements associated therewith, our Directors consider that we have genuine need to strengthen our human resources so as to equip us for undertaking such L6 Grade Projects in the future.

In light of (i) the growth in building market which drives the demand for electrical engineering services in Singapore; (ii) the expected increase in the number and scale of our projects as a result of the upgrade of our ME05 registration; and (iii) the increase in manpower requirements for L6 Grade Projects, our Directors consider that it is necessary for us to strengthen our in-house capacity to capture the potential business opportunities associated therewith. In this connection, it is vital for us to further expand our workforce in order to increase our service capacity and achieve better work allocation among our staff and to plan for their work schedule more flexibly.

(III) Increasing demand for ELV works due to growing importance of smart building features

Additionally, according to the F&S Report, demand for ELV services has increased significantly over the years, largely driven by the rising significance of smart and sustainable buildings in Singapore which involve various ELV systems. The HDB recognises the environmental advantages and sustainable living benefits brought by smart building premises, and therefore it is placing more emphasis on such development in public housing. The HDB is committed to incorporate smart features into public housing such as intelligent control systems and integration of various components under the electrical engineering systems. In light of the growing prominence of smart building premises which involve various ELV systems in public housing, our Directors foresee that the demand for our ELV services will increase in the foreseeable future.

In 2016, we were engaged by a construction contractor in a smart housing development project initiated by the HDB. In such project, we were engaged to provide electrical engineering solutions in relation to various ELV systems with smart building features. For further details, please refer to the paragraph headed “Competitive strengths – Established presence in the electrical engineering industry in Singapore” above in this section. In light of the rising demand for our ELV services, our Directors expect that the volume of ELV works under our projects will further increase in the future. In this connection, our Directors consider that it is in our Group’s interest to strengthen our in-house capacity in undertaking ELV works which will increase our customers’ confidence in our service quality. In addition, our Directors consider that having our in-house capacity in undertaking ELV works can mitigate our risk of not being able to engage suitable subcontractors who can match with our requested work schedule.

(IV) Declined tender invitations during the Track Record Period due to manpower constraints

As at the Latest Practicable Date, our Group had a total of 9 project managers, 17 project supervisors, 3 draftsmen, 2 quantity surveyors and 142 site workers. In light of our existing human resources, our Directors consider that our current service capacity may not be sufficient to meet the manpower needs associated with the increase in number and scale of projects which we plan to undertake. For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our Group has received invitations for tenders in respect of 99, 96, 82 and 95 projects, among which, our Group had responded to such invitations by submitting tenders in respect of 37, 45, 38 and 43 projects, respectively. Our Group had decided not to respond to all of these invitations mainly due to the constraints in our manpower at the relevant time after having considered our service capacity and the work schedule of the relevant projects. Based on the average success rate of 30.2% for our tenders submitted for those projects with contract sum above S\$50,000 for the three years ended 30 June 2018, we estimated that projects with aggregate contract sum of approximately S\$18.5 million would have been awarded to us per year if we had tendered for those projects that we declined to submit tenders due to manpower

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constraints for the three years ended 30 June 2018. By recruiting additional project management staff as aforementioned, our Directors believe that we would have additional capacity to tender for and undertake more projects simultaneously while maintaining our project management efficiency and service quality.

(V) *Our existing service capacity relative to our projects on hand and expected projects*

Projects on hand

As at the Latest Practicable Date, our Group had 26 projects on hand (which are set out in the paragraph headed “Projects on hand” below in this section) with an aggregate of S\$81.3 million yet to be recognised as revenue after the Track Record Period. Taking into consideration the (i) scope of works under the relevant contract; (ii) project size; (iii) expected work schedule and complexity; (iv) actual or expected commencement date; and (v) estimated project duration, our executive Directors assess that the number of site workers required for our projects on hand are as follows:

Project No. <small>(Note 1)</small>	Number of site workers required <small>(Note 2)</small>
1	15
2	20
3	5
4	5
5	65
6	5
7	25
8	5
9	20
10	50
11	10
12	45
13	5
14	10
15	25
16	10
17	10
Other projects	75
Total	405

Notes:

- (1) For further details on our projects on hand, please refer to the paragraph headed “Projects on hand” below in this section.
- (2) The number of site workers required include workers from both our Group and our subcontractors.

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Tendered projects

As at the Latest Practicable Date, our Group has also tendered for 18 projects with an aggregate contract sum of approximately S\$160.7 million. The results of these tendered projects were still pending. Based on the average success rate of 30.2% for our tenders submitted for those projects with contract sum above S\$50,000 for the three years ended 30 June 2018, we expect that we will be awarded with 6 out of these 18 tendered projects. Based on the tender amount and available information set out in the tender documents, we estimate that each of the tendered projects would, at minimum, require 20 site workers.

Site workers

Based on the above analysis, it is estimated that a total of 525 site workers (including sites workers from both our Group and our subcontractors) are required to perform the site works under our projects on hand and those tendered projects that we expect to obtain. As we only had 142 site workers as at the Latest Practicable Date, we are only able to provide approximately 27.0% of the total number of site workers required for these projects. Due to the limitation in our service capacity, we will have to rely on our subcontractors to provide the remaining number of site workers required if we fail to expand our existing workforce.

Our executive Directors consider that it is in our interest to reduce our needs for subcontracting services by performing more work tasks with our own workers. Save for those projects with contract sum at S\$50,000 or below, we have engaged subcontractors in most of our projects undertaken during the Track Record Period (as discussed in further details below). For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, we incurred subcontracting charges of approximately S\$15.6 million, S\$12.9 million, S\$14.2 million and S\$12.4 million, accounting for approximately 46.3%, 50.4%, 52.0% and 54.9% of our total cost of services, respectively. As a profit margin is generally factored in the subcontracting charges charged by our subcontractors, it is more cost efficient for us to perform additional works with our own manpower and to improve our gross profit margin.

Further, our Directors consider that a larger pool of site workers would (i) enable us to strengthen our operating efficiency by assigning the appropriate worker with different work tasks based on their skills and experience; (ii) allow us to achieve greater flexibility in the deployment of our workers to different worksites; and (iii) strengthen our capability in fulfilling the work schedule of our customers.

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During the Track Record Period, our Group has made efforts in expanding our team of site workers. The number of our site workers has increased by 29.1% from 110 as at 30 June 2016 to 142 as at the Latest Practicable Date. Therefore, our Directors consider that our recruitment plan is commensurate with our Group's efforts in continuously expanding our human resources to strengthen our service capacity.

Project management staff

During the Track Record Period, the ratio between the number of our project supervisors and the site workers (including those of our Group and our subcontractors) engaged in our projects was approximately 1 to 18. We have maintained this workforce ratio to ensure that we can properly supervise the works of our workers and our subcontractors and ensure that they are performed in conformance with our customers' requirements and specifications. Based on the manpower requirements for our projects on hand and those tendered projects that we expect to obtain, each of our project supervisors will have to monitor on average 30 site workers. As a result, if we undertake additional or sizeable projects, our project supervisors may not be able to devote sufficient time and attention to properly supervise and manage the works undertaken by us and our subcontractors.

During the Track Record Period, each of our project managers had managed on average 2 to 3 projects concurrently. Our executive Directors consider that it is crucial to maintain this work allocation ratio to ensure our management efficiency. As at the Latest Practicable Date, our Group had a total of 9 project managers. Taking into consideration our 26 projects on hand and 6 tendered projects that we expect to obtain, each of our project managers is expected to oversee at least 3 to 4 projects, which is close to the upper limit of their normal work allocations levels. As such, our executive Directors consider that our management efficiency will be lowered if we continue to obtain additional or sizeable projects in the future without expanding our human resources.

In light of the manpower required for (i) our projects on hand and those tendered projects that we expect to obtain; (ii) our eligibility to tender for L6 Grade Projects; and (iii) the increase in number of tender invitations we received subsequent to our upgrade of ME05 registration, our Directors believe that it is essential to recruit additional project management staff to better equip ourselves for the expected increase in the number of projects in order to achieve better work allocation and ensure the quality and timeliness of our works.

(VII) Enhancing our prospects of obtaining projects from our customers

Upon receiving our tender submissions, our customers would assess, among other factors, the availability of our manpower resources as well as the size of our project management team. During the tender process, we are generally requested by our customers to provide our corporate profile as well as the qualifications and credentials of our key personnel in order to assess our capability in carrying out the works under the project. Therefore, the planned recruitment will strengthen our service capacity, which in turn will allow us to be considered more favourably by our customers and increase our prospect of securing projects in the future.

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Our recruitment plan

We currently intend to expand our service capacity mainly by recruiting the following personnel according to the timeframe as set forth below:

	From the Listing Date to 31 December 2019	From 1 January 2020 to 30 June 2020	From 1 July 2020 to 31 December 2020	From 1 January 2021 to 30 June 2021	Total
Project managers	1	–	1	1	3
Project supervisors	1	1	1	2	5
Quantity surveyors	1	–	1	2	4
Draftsmen	–	1	–	1	2
Site workers	10	12	13	20	55

Set out below is the number and approximate salary range of our additional staff to be recruited for our electrical engineering business based on their job positions:

Type of job position	Number of additional staff	Approximate annual salary per staff S\$
Project managers	3	109,000
Project supervisors	5	62,000
Quantity surveyors	4	48,000
Draftsmen	2	48,000
Site workers based on their expertise for different tasks in the electrical engineering services:-		Approximately 32,000 – 35,000
– electrical transmission and distribution systems, and lighting systems works	20	
– CATV systems and telecommunication systems works	20	
– underground cable piping systems works	10	
– ELV systems and fire protection systems works	5	

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

For further details on the roles and responsibilities of the above personnel, please refer to the paragraph headed “Operation flow – Formation of project management team” in this section.

Our Directors consider that by expanding our services capacity, our Group will be able to undertake additional works. Our Directors also consider that our Group will be able to achieve higher profitability by performing additional 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 during the Track Record Period. Further, we will 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 with new contracts.

The table below sets forth a breakdown of our projects undertaken during the Track Record Period based on their percentage of revenue attributable to the works done by our subcontractors^(Note):

	No. of projects
Nil	2
Below 10%	2
10% to below 30%	16
30% to below 50%	23
50% to below 70%	10
70% to below 90%	11
Over 90%	<u>2</u>
Total	<u><u>66</u></u>

Note: Projects with contract sum below S\$50,000 are excluded.

A project with larger contract sum generally involves more work tasks and requires a larger team of site workers. Therefore, our needs for subcontracting services generally increase along with the contract sum of our projects. The projects with over 70% of revenue attributable to the works done by our subcontractors generally were those projects which contributed revenue of over S\$1.0 million each to our Group in a single year/period during the Track Record Period. Going forward, it is our Group’s strategy to increase our share of revenue in a project as compared to that of our subcontractors by expanding our headcount according to the recruitment plan set out above.

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For illustration purpose, the table below sets forth our estimated net cost savings, gross profit and gross profit margin for each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, assuming the personnel listed above had been deployable by our Group during the Track Record Period:

	FY2015/16	FY2016/17	FY2017/18	For the seven months ended 31 January 2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Estimated net cost savings <small>(Notes 1 and 3)</small>	453	406	354	302
Estimated gross profit <small>(Note 2)</small>	5,264	5,647	6,855	6,074
Estimated gross profit margin	13.6%	18.3%	20.3%	21.4%

Notes:

1. The estimated net cost savings represents the amount of cost that would have been reduced and are calculated by deducting (i) the additional staff cost, (ii) the additional depreciation expenses, repair and maintenance cost and insurance cost of approximately S\$250,000 that would be incurred by us from our planned acquisition of 24 mobile elevating platforms, and (iii) the additional costs of materials that would be incurred by us for procuring the materials in relation to those works outsourced to our subcontractors, from the subcontracting charges that would be reduced. Save as the aforesaid additional cost items, our executive Directors confirm that there are no other material cost items which should be included in the cost-saving analysis of utilising our own manpower as compared to delegating the works to our subcontractors.
2. The estimated gross profit is calculated by adding the estimated net cost savings and the gross profit of the respective year/period as set out in the combined statements of profit or loss and other comprehensive income of the Accountants' Report as set out in Appendix I to this prospectus.
3. The additional 69 personnel to be recruited after the Listing will be assigned solely for our electrical engineering business, and none of them are expected to be undertaking ACMV works. In compiling the cost-saving analysis, we have not taken into account the subcontracting charges for ACMV works because such 69 additional staff are not expected to undertake ACMV works, and hence their recruitment will not result in any decrease in our needs for subcontracting services for ACMV works.

Based on the above analysis, the recruitment of the staff listed above is expected to result in an improvement in our gross profit and gross profit margin.

During the Track Record Period, the electrical engineering works performed by us mainly involved customising and/or installing various types of electrical systems. Pursuant to our engagements with our customers, we do not provide any servicing and maintenance services after the installation except for rectifying any defects identified during the defect liability period. As servicing and maintenance services for M&E systems are generally labour intensive in nature, having considered the availability of our manpower, our Group had decided to focus on electrical engineering projects involving customisation and/or installation works in the past. Following the expansion in our workforce, we will consider offering servicing and maintenance services to our customers in order to derive an additional source of revenue, depending on the availability of our manpower, the work schedule and the estimated profitability of the projects.

4. Expanding our premises for our various operational needs

During the Track Record Period, our Group formerly owned a leasehold estate over a property (the “**Former Property**”) with gross floor area of approximately 2,400 sq. ft. in Singapore for storage, industrial training and ancillary office use. Pursuant to the relevant laws and regulations in Singapore, the Former Property must comply with the requirement that (i) at least 60% of the total gross floor area must be used for industrial, warehouse, utilities or telecommunication purposes as the predominant use; and (ii) only a maximum of 40% of the gross floor area can be used for ancillary uses related to and compatible with the permitted predominant use (“**60% – 40% Requirement**”).

In compliance with the land use requirements, we have allocated (i) 60% of the Former Property for storage and industrial training purposes; and (ii) the remaining 40% of the Former Property as ancillary office. Having considered the number of staff stationed at our Former Property and the proportion of gross floor area which can be used as ancillary office, our Directors considered that the Former Property has been substantially occupied. Therefore, our Directors consider that the Former Property will not be able to accommodate the additional staff to be hired, the machinery and equipment to be acquired and the employees to be transferred from the Potential Target Company following the Strategic Acquisition under our business plan.

We currently intend to acquire a property with gross floor area of approximately 6,000 sq.ft. for storage, industrial training and ancillary office use. Based on our preliminary enquiry with property agent in Singapore, properties permitted for the uses aforesaid are generally subject to the 60% – 40% Requirement.

Ancillary office use

Subject to the 60% – 40% Requirement, only approximately 40% of the gross floor area in the property to be acquired by us under our business plan, which is equivalent to approximately 2,400 sq.ft., can be used for ancillary office use. As at the Latest Practicable Date, our Group had a total of 187 employees, of which 31 were project management staff (comprising project managers, project supervisors, draftsmen and quantity surveyors). While our project management staff are deployed to carry out site visits from time to time, they also have to handle various tasks at our office premises, including preparation of tender document, formulation of detailed budgets, work schedules and work allocation plan, procurement of materials, preparation of progress report and attending internal and external meetings. On top of our 31 project management staff, our Group had 5 administration and finance staff, 5 general management staff and 4 procurement staff stationed in our office to perform management, administration and procurement works as at the Latest Practicable Date. Based on the number of personnel mentioned above, there were in total 45 staff working at our office on a regular basis as at the Latest Practicable Date. Besides, out of the 69 additional staff to be recruited by us, 14 are project management staff who are expected to perform work tasks at our office on a regular basis. As such, our Directors consider that it is essential to secure available office space for these 14 additional staff.

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Besides, as mentioned above, we currently plan to acquire a Singapore-based ACMV contractor after the Listing. One of our selection criteria is that the Potential Target Companies shall have over 80 employees to ensure its service capacity. Assuming the Potential Target Companies have a similar staff composition as our Group as at the Latest Practicable Date (i.e. approximately 16.6% of our staff are project management staff), it is estimated that the Potential Target Companies have on average 14 project management staff who work at office on a regular basis. As we plan to place the employees of the Potential Target Company together with our existing staff upon the acquisition to facilitate their integrations with us, we intend to spare sufficient office space for those staff of the Potential Target Company after the Listing.

Taking into consideration the estimated number of staff who will perform work tasks at our office upon the completion of our business plan, which include (i) our existing 31 project management staff, 5 administration and finance staff, 5 general management staff and 4 procurement staff; (ii) the 14 additional project management staff that we plan to recruit; and (iii) the 14 project management staff expected to be transferred from the Potential Target Company, our Directors consider that the number of staff who are expected to work at our office on a regular basis will reach 73 personnel. Having considered the size of increase in our workforce as discussed above, our Directors consider that the acquisition of a property with gross floor area of approximately 6,000 sq.ft., with 2,400 sq.ft. allocated for ancillary use, is commensurate with our operational needs after the Listing.

Storage, showroom and industrial training use

Our Directors currently intend to allocate 60% of gross floor area in the property to be acquired by us, which is equivalent to approximately 3,600 sq.ft., for storage, showroom and industrial training use. We currently plan to acquire 3 additional hydraulic excavators and 24 mobile elevating work platforms to cope with the planned expansion of our manpower and the anticipated increase in number of electrical engineering projects to be undertaken by our Group. We will keep these machinery and equipment at the warehouse as they are in transit during the period between their deployment to different projects. In light of the expansion of our fleet of machinery and equipment, our Directors consider that we have the operational need to secure additional space for storage purpose.

In order to facilitate our sales and marketing efforts in promoting our know-how as an integrated M&E service provider and increasing our corporate profile, we intend to set up a showroom in the new property to be acquired by us for displaying and demonstrating (i) sample units of the electrical systems assembled by us; (ii) sample units of ACMV systems assembled by the Potential Target Company; and (iii) the graphic simulation generated by the BIM software to be acquired by us (as discussed in further details below).

Having a larger property can fulfil our future operational needs

During the Track Record Period, our customers may require us to perform installation of our electrical systems in a mock-up unit for their inspection and approval before commencement of works. On some occasions where the projects involved relatively sophisticated works, we have collected and transported the sample units of the electrical systems from the mock-up units back to our property as reference for our future projects and for internal training purpose. Going forward, we intend to showcase some of these sample units in our showroom for better illustration and demonstration of the electrical engineering services provided by us. In particular, it is our plan to affix sample units of electrical systems to the premises of the showroom and link them up to our electricity supply. In the cases when our potential customers visit our headquarters, we can perform a trial run to demonstrate how our various electrical systems operate and their functions. We believe that we can exhibit our expertise for different electrical engineering services by providing them with the opportunities to inspect the systems assembled by us in previous projects.

In 2016, we were engaged by a construction contractor in a smart housing development project initiated by the HDB. In such project, we were engaged to provide electrical engineering solutions in relation to various ELV systems with smart building features, including but not limited to smart lighting system, smart switched socket outlet, smart distribution board and smart metering. For further details, please refer to the paragraph headed “Competitive strengths – Established presence in the electrical engineering industry in Singapore” in this section. According to the F&S Report, smart building solutions are highly complex and require sophisticated system design and installations. Our Directors consider that our involvement in the smart housing development project was a recognition of our expertise and capability to adapt to the rising significance of smart building features involving various ELV systems in Singapore.

In light of the growing prominence of smart building premises, our Directors intend to showcase some of the sample ELV systems assembled and installed by us in the smart housing development project for the promotion of our expertise and experience in undertaking projects of similar type and nature. Going forward, our Directors believe that we will be exposed to an increase in opportunities for smart housing development projects as we strengthen our sales and marketing efforts for our electrical engineering services on ELV systems involving smart building features.

As aforementioned, it is part of our business strategies to acquire a Singapore-based ACMV contractor to capture the increasing market demand for ACMV services in Singapore. After the Strategic Acquisition, we will also exhibit the ACMV systems assembled by the Potential Target Company in the past in order to demonstrate to our existing and potential customers our in-house capability in undertaking ACMV works. By showing and visualizing our services and capabilities to our customers, our Directors believe that the showroom will assist us in capturing new customers for our Group.

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Further, it is also part of our expansion plan to acquire a BIM software to assist our draftsmen in the preparation of shop drawings for the customisation and/or installation of electrical systems. In order to demonstrate our enhanced information technology capability and project implementation efficiency, our executive Directors contemplate to demonstrate the graphic simulation generated by our BIM software to our customers at the showroom with the aid of projection equipment. Additionally, our executive Directors believe that we will also be able to better demonstrate to our customers the designs, plans and installation methods to be adopted by us in the projects with the aid of our BIM software in our showroom.

Based on the aforesaid, our Directors consider that we have an imminent need to acquire a larger property in replacement of the Former Property to cope with our future business development. In order to cater to our financing needs for the acquisition of a larger property, our Directors decided to dispose of the Former Property and plan to apply the proceeds generated therefrom to finance the acquisition of a new property with larger floor area. In view of (i) the various operational needs arising from our expansion plan, and (ii) the price offered by the purchaser for our Former Property, we agreed to dispose of the Former Property in June 2018 at the consideration of S\$1,050,000 and the handover was agreed to take place by early August 2018.

The table below sets out the proposed usage of the new property based on the gross floor area to be allocated:

Usage	Gross floor area
Ancillary office ^(Note 1)	2,400 sq.ft.
Storage ^(Note 2)	1,300 sq.ft.
Showroom ^(Note 3)	1,000 sq.ft.
Industrial training	600 sq.ft.
Lorries parking and other miscellaneous use ^(Note 4)	700 sq.ft.
Total:	<u>6,000 sq.ft.</u>

Notes:

1. In estimating the space requirement for ancillary office, we have taken into account: (i) the 60%-40% Requirement as mentioned above; (ii) the 44 staff currently working at our office on a regular basis as at the Latest Practicable Date; (iii) the 14 additional project management staff planned to be hired by us; (iv) approximately 14 project management of the Potential Target Company; (v) our plan to ensure working space of approximately 30 sq.ft. for each staff who will be working at our office regularly; and (vi) the setup of a conference room of approximately 300 sq.ft.
2. In estimating the space requirement for storage, we have taken into account: (i) the six hydraulic excavators currently owned by us; (ii) the three additional hydraulic excavators and 24 mobile elevating work platforms planned to be acquired by us; (iii) the space required for the storage and lifting of each set of hydraulic excavator and mobile elevating work platform of approximately 100 sq.ft. and 80 sq.ft, respectively; and (iv) the need to keep part of our machinery and equipment at our warehouse as they are in transit during the period between their deployment to

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different projects according to the work schedule. In this regard, we plan to reserve approximately 1,300 sq.ft. for in-transit storage of four hydraulic excavators and 11 mobile elevating work platforms, while the remaining machinery and equipment are being deployed and placed at jobs sites as the projects are in progress.

3. In estimating the space requirement for the showroom, we have taken into account: (i) approximately 400 sq.ft. for showcasing our sample units of electrical systems assembled by us in the past; (ii) approximately 400 sq.ft. for showcasing our sample units of ACMV systems assembled by the Potential Target Company in the past; and (iii) approximately 200 sq.ft. for showcasing the graphic simulation of our BIM software to be acquired.
4. In estimating the space requirements for lorries parking and other miscellaneous use, we have taken into account: (i) the two lorries currently owned by us; (ii) the three additional lorries planned to be acquired by us; (iii) the space required for the parking of each lorry of approximately 100 sq.ft.; and (iv) the space requirements for the entrance area, reception and passageway.

Leasing properties is only our temporary measures before we acquire a new property to replace the Former Property

During the operating history of our Group since 1988, it has all along been our policy to house our operations in premises owned by our Group or our Controlling Shareholders. This explains why we had not leased any premises for our operations from third party until our disposal of the Former Property recently. We had disposed of the Former Property because we anticipated that we have the operational needs to replace it with a property with larger floor areas as mentioned above. In other words, our plan to acquire a larger premise for occupation is consistent and in line with our historical operations, rather than a change of our business strategy or business model. Our decisions to lease the two premises, namely Premise #01 and Premise #02 (as defined and discussed below), had been our temporary measures to prepare for our business expansion before we identify and obtain the necessary funding to acquire a suitable property in replacement of the Former Property. In light of our plan to set up a showroom in the new property and the inconvenience arising from potential relocations, we had decided to adhere to our traditional practice by planning to acquire a larger property to house our operations.

In particular, it is estimated that we will incur fitting-out and set-up costs of approximately S\$0.4 million for the set-up of our showroom, storage and office areas. If our business operations were housed at a leased premise, the fitting-out and set up works performed in respect of our showroom, warehouse and office will become obsolete once we have to relocate to another leased location, and similar expenses would have to be incurred for setting up the same facilities at the new location. Besides, we would have to dismantle all those sample units of electrical systems in our showroom premises in the case of relocation, and such sample units may no longer be fit to be affixed at the new premises due to the tear and wear resulting from the dismantling process. Moreover, landlords in Singapore generally require tenants to reinstate the leased properties to the original conditions before their handover. In such event, we estimate that we would have to incur approximately S\$0.1 million as reinstatement costs. In contrast, if we set up the above facilities at our self-owned property, we can save the fitting-out and set-up costs as well as reinstatement costs which might otherwise be incurred in the event of relocation.

Reasons for us to lease two properties in adjacent locations after the disposal of the Former Property as interim measures

Our executive Directors began to look for leased properties suitable for our business operations upon agreeing to the disposal of the Former Property. In selecting a suitable leased property, our executive Directors took into consideration various factors, including but not limited to the (i) geographical location; (ii) gross floor area; (iii) permitted usage; (iv) lease term; and (v) monthly rental of the leased property. In deciding the size of the premises to be leased by us as our interim measure, we have also taken into account the additional space requirements from our expansion as mentioned above. Our executive Directors eventually identified a premise which fulfilled the aforesaid criteria, details of which are set out as Tenancy #01 below. Upon preliminary enquiry with the landlord (the “**Landlord**”) of the premise under Tenancy #01 (“**Premise #01**”), our executive Directors were informed that Premise #01 would only be available for possession by mid-September 2018. Nevertheless, our Group was obliged to move out from and deliver vacant possession of the Former Property by early August 2018 as aforementioned.

As an interim measure, the Landlord proposed that we shall lease another of its owned property for a short term, details of which are set out as Tenancy #02 below. We were informed by the Landlord that the premise under Tenancy #02 (“**Premise #02**”) is located adjacent to Premise #01 and it would save us time and costs in relocating from Premise #02 to Premise #01 when Premise #01 was subsequently available for possession by us by mid-September 2018.

In order to minimise disruption to our daily operations, our Group entered into Tenancy #02 as an interim measure while pending Premise #01 to be available for our possession by mid-September 2018. Upon taking over possession of Premise #01 in mid-September 2018, we performed some fitting-out works on the premise for approximately two months. Relocation from Premise #02 to Premise #01 gradually took place in December 2018 and was completed in January 2019. In December 2018, as Tenancy #02 was approaching its expiry, we had negotiated with the Landlord for a renewal of the tenancy. Nevertheless, as the Landlord and we had failed to agree on the terms of renewal, we delivered up Premise #02 back to the Landlord as Tenancy #02 expired in January 2019.

Having considered the floor area of Premise #01 and the additional space requirements associated with our business expansion plan, our executive Directors consider that it is imperative for us to expand our premises in order to fulfil our various operational needs after the Listing.

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The following table set forth the details of Tenancy #01 and Tenancy #02:

Tenancy	Address	Gross floor area	Landlord	Permitted usage	Term of the lease	Status as at the Latest Practicable Date
Tenancy #01	Block 5000, Ang Mo Kio Avenue 5, #04-01 Techplace II, Singapore 569870	Approximately 4,174 sq.ft.	Independent third party	For assembly, repair and storage of electrical equipment cum ancillary office	From 17 September 2018 to 30 October 2021	Ongoing
Tenancy #02	Block 5000, Ang Mo Kio Avenue 5, #04-02 Techplace II, Singapore 569870	Approximately 1,802 sq.ft.	Independent third party	For assembly, repair and storage of electrical equipment cum ancillary office	From 1 August 2018 to 31 January 2019	Expired

During the Track Record Period, we have placed our employees and machinery in our self-owned property (i.e. the Former Property) in order to minimise the potential risks of relocation that may otherwise arise from potential premature termination, non-renewal of tenancy or increase in rental for leased property.

Going forward, we intend to adhere to this approach by replacing our previous self-owned property with another one with larger floor area.

We have decided to lease Premise #01 up to October 2021 because this could give us flexibility in selecting the suitable target property to be acquired by us. Our executive Directors notice that a number of new property developments permitted for storage, industrial training and ancillary office use (“**mixed use properties**”) and located in easily accessible areas are expected to be launched for sale in the coming years. Those mixed-use properties which are available for first-hand sale in Singapore are generally equipped with relatively better building and fitting-out features. Besides, the developers will generally offer price discount to first-hand buyers. Currently, we have no preference on the type and age of the property that we plan to acquire. Nevertheless, we believe that we can better identify a property which suit our needs if we have some leeway in the timeframe for our selection and negotiation process.

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As aforementioned, Tenancy #02 was only an interim measure for us to maintain our business operations while pending Premise #01 to be available for our possession in mid-September 2018. If we had entered short-term lease for Premise #01, we would in turn have a tighter timeframe to arrange for relocation to the new property. Assuming Tenancy #01 was to expire in the year of 2019 and the property to be purchased by us (in particular, first-hand property) is not yet available for occupation by that time, we would have to negotiate for an extension or renewal of our lease with the Landlord, and failing which, we would have to lease another properties and arrange for relocation to such locations. From a management perspective, we intend to avoid successive relocations as this will incur additional overhead expenses and cause disturbance to our daily operations.

As at the Latest Practicable Date, our Group owned an investment property with a gross floor area of approximately 2,153 sq.ft, which is subject to the 60% – 40% Requirement. The investment property was leased to an independent third party as at the Latest Practicable Date. Subject to the 60% – 40% Requirement, only approximately 860 sq.ft. of the investment property could be used as our ancillary office. Taking into consideration the expected increase in the number of staff as explained above, our Directors consider that it is infeasible for us to place all our existing and future staff at our investment property upon the completion of our expansion plan. We have also considered the possibility of placing part of our staff at the investment property and the remaining staff in another property leased by us in a separate location. Nevertheless, our Directors decided that it is not preferable to do so as this may lower the efficiency of our business operations. Our project management staff conducts regular meetings with our senior management team at our office premises throughout project implementation. Our project management staff would also report on the project progress to our senior management team and discuss any issues encountered during project implementation. In view of the needs for daily communication between our senior management and project management staff, our Directors consider that it is administratively convenient to place our current and newly recruited staff in a single office location so as to facilitate their work allocation and collaboration.

Upon Listing, we will explore and identify suitable property based on the following criteria: (i) gross floor area of approximately 6,000 sq.ft.; (ii) permitted for storage, industrial training and ancillary office use; and (iii) available for sale at market price of approximately S\$3.0 million to S\$4.0 million. The estimated consideration for the acquisition 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 noticed that there are properties available for sale in the Singapore property market which fulfil the aforesaid criteria.

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Our Directors will make a final decision on the property to be acquired following the Listing after having regard to, among other things, (i) the premises available for sale in the Singapore 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 (i) one-third of the cost for our proposed acquisition of the new property by using the proceeds from the disposal of the Former Property; and (ii) the remaining cost by using our net proceeds from the Share Offer. In the event that the cost of the proposed acquisition of the new property exceeds S\$3.0 million, we will finance the shortfall by using our own internal resources.

5. Strengthening our financial position to undertake additional and sizeable projects

Our Directors consider that it is crucial for us to strengthen our financial position in order to take up additional and sizeable electrical engineering projects with larger contract sums. We normally incur net cash outflows at the early stage of carrying out a project to cover a variety of up-front costs and expenses including subcontracting charges, costs of materials and other costs associated with site preparation which typically involves preparation of shop drawings, wiring works and securing temporary electricity supply for project implementation. Depending on the specifications of the projects, in respect of our projects with contract sum at or above S\$1.0 million, the average timeframe between (i) the time when we first incurred the up-front costs; and (ii) the receipt of first progress payment from our customers is on average six months (“**Up-Front Period**”). On average, the net amount of cash paid by us during the Up-front Period represented approximately 10% of the contract sum for the projects (“**Average Ratio of Up-Front Costs**”). During the Track Record Period, we financed our project up-front costs mostly by our internal resources. The cash flow requirements during the Up-Front Period together with the availability of our internal resources would therefore impose a constraint on the number of projects which we could undertake. Having considered the increase in market demand for electrical engineering services, the increase in demand for ELV works due to growing importance of smart building features and, in particular, the upgrade in our ME05 registration from “L5” to “L6” grade which exposes us to more opportunities in additional and sizeable electrical engineering projects as aforementioned, our Directors consider that our capital requirements for financing project up-front costs and expenses will further increase as we undertake additional and sizeable projects in the future.

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In view of the aforesaid, we plan to apply a portion of the proceeds from the Share Offer to finance the up-front costs associated with our potential projects which we have submitted tender and the results of which were still pending as at the Latest Practicable Date:

Project No.	Nature and site of the project	Tender amount S\$'000	Estimated amount of up-front costs S\$'000 ^(Note)
1	Industrial development in Tuas, Singapore	48,300	1,459
2	Residential building development in Tampines, Singapore	25,800	779
3	Residential building development in Tengah, Singapore	15,884	480
4	Residential building development in Queenstown, Singapore	10,746	325
5	Residential building development in Tampines, Singapore	8,937	270
6	Commercial building development in Bukit Timah, Singapore	8,808	266
7	Residential building development in Jurong West, Singapore	5,980	181
8	Residential building development in Bukit Timah, Singapore	5,800	175
9	Residential building development in Yishun, Singapore	4,999	151
10	Residential building development in Geylang, Singapore	4,998	151
11	Residential building development in Kallang, Singapore	4,734	143
12	Residential building development in Choa Chu Kang, Singapore	3,789	114
13-18	Projects with tender contract sum below S\$3.0 million	11,895	359
Total:		<u>160,670</u>	<u>4,853</u>

Note: The amount of estimated up-front cost is estimated by the management based on (i) the Average Ratio of Up-front Costs for project implementation; (ii) our average tender success rate for the three years ended 30 June 2018 in respect of projects with contract sum above S\$50,000; and (iii) the tender amount of the projects.

It is estimated that the revenue to be recognised in FY2018/19 will be S\$45.9 million, including S\$28.3 million recognised for the seven months ended 31 January 2019 and S\$17.6 million to be recognised for the five months ending 30 June 2019 from our projects on hand as at the Latest Practicable Date, which is higher than our revenue recognised for each of FY2016/17 (i.e. S\$30.8 million) and FY2017/18 (i.e. S\$33.7 million). As discussed in the section headed “Future plans and use of proceeds – Funding needs for implementing our business strategies” in this prospectus, we intend to maintain our available cash resources to preserve our financial ability to meet our monthly expenses and liquidity needs from time to time. Therefore, our Directors believe that our Group can undertake additional projects on top of our present scale of operation and our current projects on hand if we are to continue to increase our available resources, mainly including our manpower and machinery as well as our financial resources.

In the event that we successfully obtain those projects set out in the table above, our liquidity level is expected to decrease if we decide to finance the associated up-front cost solely by using our internal resources. Therefore, from a prudent financial management perspective, our Directors believe that it is in our Group’s interest to allocate approximately S\$1.9 million of the net proceeds from the Share Offer for meeting the up-front cost requirements of the above projects. In the event that our actual up-front cost for such projects exceeds S\$1.9 million, we currently intend to finance the shortfall by using our own internal resources.

6. Enhancing our machinery and equipment

We generally require our subcontractors to provide the necessary machinery and equipment to be used in their works at their own costs. Where the relevant site works were undertaken by our own workers, we would generally deploy our own machinery and equipment for the use by our workers. Our Directors believe that the purchase of additional machinery and equipment will enable us to cope with our business development, increase our overall efficiency and capacity in performing electrical engineering works as well as our ability to cater for the different needs and requirements of various customers.

As at the Latest Practicable Date, our Group owned six hydraulic excavators for performing installation works, which had remaining useful life ranging from approximately one to four years. In light of the expected increase in the number of projects we are going to undertake, our Directors consider that it is commercially justifiable for us to acquire three additional hydraulic excavators to fulfil our future operation needs.

Other than hydraulic excavators, the electrical engineering works that we undertook during the Track Record Period had from time to time required the use of mobile elevating work platforms for performing site works at height of above 3 metres. Depending on the size and specifications of the projects, we require an average of two to six sets of mobile elevating work platforms for each project involving works at height of above 3 metres.

During the Track Record Period, we generally required our subcontractors to supply the mobile elevating work platforms necessary for performing works at height. In view of our business plan to strengthen our in-house service capacity and reduce our needs for subcontracting services as mentioned above, we expect that we will have to procure our own mobile elevating work platforms required for our own workers to perform site works at height in the future. Taking into consideration (i) the number of mobile elevating work platforms required for the additional and sizeable projects we are going to undertake along with the implementation of our business plan; and (ii) the risk of not being able to lease sufficient number of mobile elevating work platforms from third-party lessors at acceptable prices and on a timely basis, our Directors consider that it is crucial for our Group to acquire our own mobile elevating work platforms so as to increase our efficiency in mobilising such machinery and equipment according to the requirements of different projects. In addition, our Directors consider that having sufficient number of mobile elevating work platforms will enhance our productivity as well as lower the safety risks inherent from working at height.

In particular, after conducting a comparative analysis between (i) the additional yearly depreciation expenses, repair and maintenance cost and insurance cost of approximately S\$250,000 to be incurred by us from the acquisition of the mobile elevating work platforms based on a straight-line method with five years of estimated useful life; and (ii) the yearly rental costs of approximately S\$357,000 with reference to the quotations obtained from lessors of mobile elevating work platforms, our Directors consider that it is more cost effective for us to acquire rather than lease the mobile elevating work platforms required for our works. Besides, our Directors further consider that the acquisition could reduce our risk of inability

to lease sufficient number of suitable mobile elevating work platforms with approximate height and specifications and ensure our efficiency in completing our works in a timely manner. Our Directors presently intend to apply approximately S\$0.5 million and S\$1.1 million of our net proceeds from the Share Offer for purchasing three hydraulic excavators and 24 mobile elevating work platforms, respectively.

7. Investing in hardware devices and computer software to enhance our information technology capability and project implementation efficiency

We intend to invest in hardware devices and computer software to enhance our information technology capability and increase our efficiency in project implementation. In particular, we intend to apply approximately S\$0.1 million of our net proceeds from the Share Offer for purchasing the building information modeling (“**BIM**”) software together with certain ancillary supporting hardware device and provide relevant technical trainings for our staff. BIM is an intelligent software which allows us to create three-dimensional (“**3D**”) models to facilitate us to prepare shop drawings for the customisation and/or installation of electrical systems. The use of BIM software can be used to identify and tackle any potential problems in the site works which in turn enhance our overall competency and efficiency and lower the risk of encountering any material technical problems during project implementation.

In respect of enhancing our capability and efficiency of project management and implementation, we also intend to apply approximately S\$0.9 million of our net proceeds from the Share Offer for upgrading our enterprise resource planning (“**ERP**”) system which streamlines the process of materials purchasing. Our Directors believe that the upgrade in our ERP system will enhance its functions in the following aspects:

- (i) facilitates the ordering process by allowing our project management team to send purchase requests online via web application which is accessible by mobile device;
- (ii) facilitates the approval process of purchase orders by allowing web-based payment approval by our project managers and/or executive Directors;
- (iii) facilitates the processing of purchase orders by generating purchase orders automatically from purchase requests;
- (iv) reduces errors and duplication of purchase orders by storing all purchase requests in a central database; and
- (v) facilitates the management of purchase orders by matching ordered materials to the relevant project and allowing our procurement team to retrieve and trace any purchase orders placed on a real time basis.

As at the Latest Practicable Date, our procurement team has manually input details of purchase orders for materials placed by our project management team in our current ERP system. Our Directors believe that the upgrade in our ERP system will (i) enable data input into our system on a real-time basis; and (ii) minimise the risks of error associated with performing data input manually, which will therefore facilitate our procurement process as well as project implementation.

8. Acquisition of additional lorries to accommodate our transportation needs

As at the Latest Practicable Date, our Group owned two lorries for transporting our site workers to their relevant work sites. Our Directors currently plan to acquire three more lorries to accommodate the increase in our transportation needs associated with the planned expansion of our manpower and the expected increase in number of electrical engineering projects we expect to undertake. During the Track Record Period, depending on the project schedules and the proximity of the work sites, we may either provide transportation for our site workers with our own lorries or reimburse them for taking public transportation. In addition, we have normally delivered our equipment to and from the relevant work sites with our own lorries.

Our Directors consider that our two lorries were close to being fully utilised during the Track Record Period and therefore we have the business needs to acquire additional lorries for the following reasons:

- (a) the total number of our site workers increased from 110 as at 30 June 2016 to 137 as at 30 June 2018 and the total number of our projects undertaken increased from 38 for FY2015/16 to 53 for FY2017/18. Due to the limited capacity of our lorries, an increasing number of our employees had to attend their relevant work sites by taking public transportation, which incurred additional travelling time as compared to using our own transportation. For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, we incurred expenses of approximately S\$68,000, S\$98,000, S\$91,000 and S\$52,000 for reimbursing our workers' transportation costs, respectively;
- (b) as a common industry practice, site workers are generally required to report duty at job sites during similar timeframe (i.e. around 8:00 a.m.). As we plan to recruit 55 additional site workers and we expect to obtain additional projects in different work sites, it will be increasingly difficult for our Group to use our existing lorries to transport our site workers to their work sites on time. If any of our lorries experiences traffic disruption at any particular location, it may result in delay in transporting our site workers to their work sites according to the time schedule. This may in turn adversely affect the perceived reliability and industry reputation of our Group;
- (c) having considered (i) the number of site workers deployed in our projects; (ii) the average number of our projects which were undertaken concurrently; and (iii) the distances among different worksites, it is estimated that our lorries could transport our workers to a maximum of three work sites per day for reporting duty. During the Track Record Period, each of our lorries has transported our workers to approximately two to three work sites per day for reporting duty. As such, our Directors consider that our lorries were close to being fully utilised during the Track Record Period; and

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- (d) in view of the additional projects we expect to obtain and our planned recruitment of additional site workers, it will be administratively inconvenient for us to plan for the route and schedule of our lorries in transporting our site workers to their respective work sites on time without acquiring additional lorries.

In light of our planned expansion in manpower as set out above, our Directors consider that the current capacity of our lorries will not be able to accommodate to the transportation needs of our existing as well as newly recruited site workers. Therefore, our Directors consider that we have a genuine need to acquire additional lorries which would enable us to achieve greater flexibility and efficiency in the deployment and transportation of our site workers to different work sites to carry out their designated works.

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 use of proceeds” in this prospectus.

DESCRIPTION OF OUR SERVICES

Set out below are the major scope of works involved in our projects undertaken during the Track Record Period. Depending on our customers’ needs and requirements, we may be required to provide one or multiple aspects of the services below in our projects.

(i) Customisation and/or installation of electrical systems

Our projects typically include customisation and/or installation of electrical systems as that is our core area of expertise. Electrical systems encompass all electrical components and connections to provide electricity safely to the requisite systems throughout the building. This will include the customisations and/or installations of one or multiple types of electrical systems as follows:

- (a) electrical transmission and distribution systems, including (i) high-tension and low-tension switchgears, distribution boards, busbars, circuit breakers, meters, protection devices, cables and cable boxes; (ii) generators together with the requisite controls and generator switchboards; (iii) electrical substations for controlling the voltage of the electricity transmission; and (iv) cabling system to connect from the power grid to switchboards within the premises;
- (b) lighting systems, including light fittings, emergency lightings, circuit wiring for lightings and associated accessories such as switches, control and motion sensors in both indoor and outdoor environments;
- (c) CATV systems, including coordination with telecommunication service providers for the installations and inspections of the cables and television outlets and broadband distribution systems;

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- (d) underground cable piping systems, covering excavation, laying concrete, laying of cable pipes and backfilling with excavated materials;
- (e) telecommunication systems, mainly including telephone systems/fiber optic systems;
- (f) ELV systems, including point of sale systems, CCTV systems, alert alarm systems, electronic parking systems, security access systems and audio/video intercom systems;
- (g) fire protection systems including fire alarm systems, public access system, fire intercom and home fire alarm devices;
- (h) other systems, such as ACMV systems and lightning protection systems; and
- (i) various electrical accessories, including switched socket outlets, switches, network points and isolators.

In preparation for the customisation and/or installation of electrical systems, we are generally required to (i) understand the requirements for the building developments such as the specific electrical systems that are to be installed within the buildings; (ii) conduct feasibility studies on the project; (iii) prepare shop drawings based on the design provided by our customers; (iv) prepare the material checklist, setting out the quantity and types of materials required in the project; and (v) ensure the implementation of the project is in conformance with the shop drawings and carried out within the estimated costs and according to the project timetable.

We would submit our material checklist for the approval by our customers or their authorised representatives before commencement of the projects. Generally, we will also submit the shop drawings to the consultant of our customer for review and endorsement in respect of the feasibility and safety of the systems as well as their conformance with our customers' requirements.

(ii) Assisting to obtain statutory approvals

Part of our electrical engineering works may require prior approvals from Singapore Government authorities before the commencement of works under Singapore laws and regulations. Pursuant to the contracts with our customers, we may assist our customers to apply for approvals from relevant Singapore Government authorities such as the EMA for the electrical works to be carried out by us prior to the commencement of work.

(iii) Testing and commissioning

We would carry out testing and commissioning on the electrical systems to ensure their functionality and connectedness. We would prepare and submit the test reports to a licenced electrical worker for approval. The licenced electrical worker will endorse on the test reports which will be provided to our customers or their authorised representative for record.

Subject to the contract requirements, we may also assist our customers in handling the certification procedures for our electrical engineering works done pursuant to the requirements under the Singapore laws and regulations, which include safety and quality inspection and certification of our electrical systems by Registered Inspectors. Depending on the types of works involved, we may also assist our customers to prepare the relevant documents for the application of approvals from (i) the EMA for licence to use or operate electrical or supply installation; (ii) the BCA in relation to lightning protection systems; (iii) the FSSD in relation to fire protection systems; and (iv) the IMDA in relation to telecommunication facilities. We will submit the relevant compliance certificates to our customers for their record.

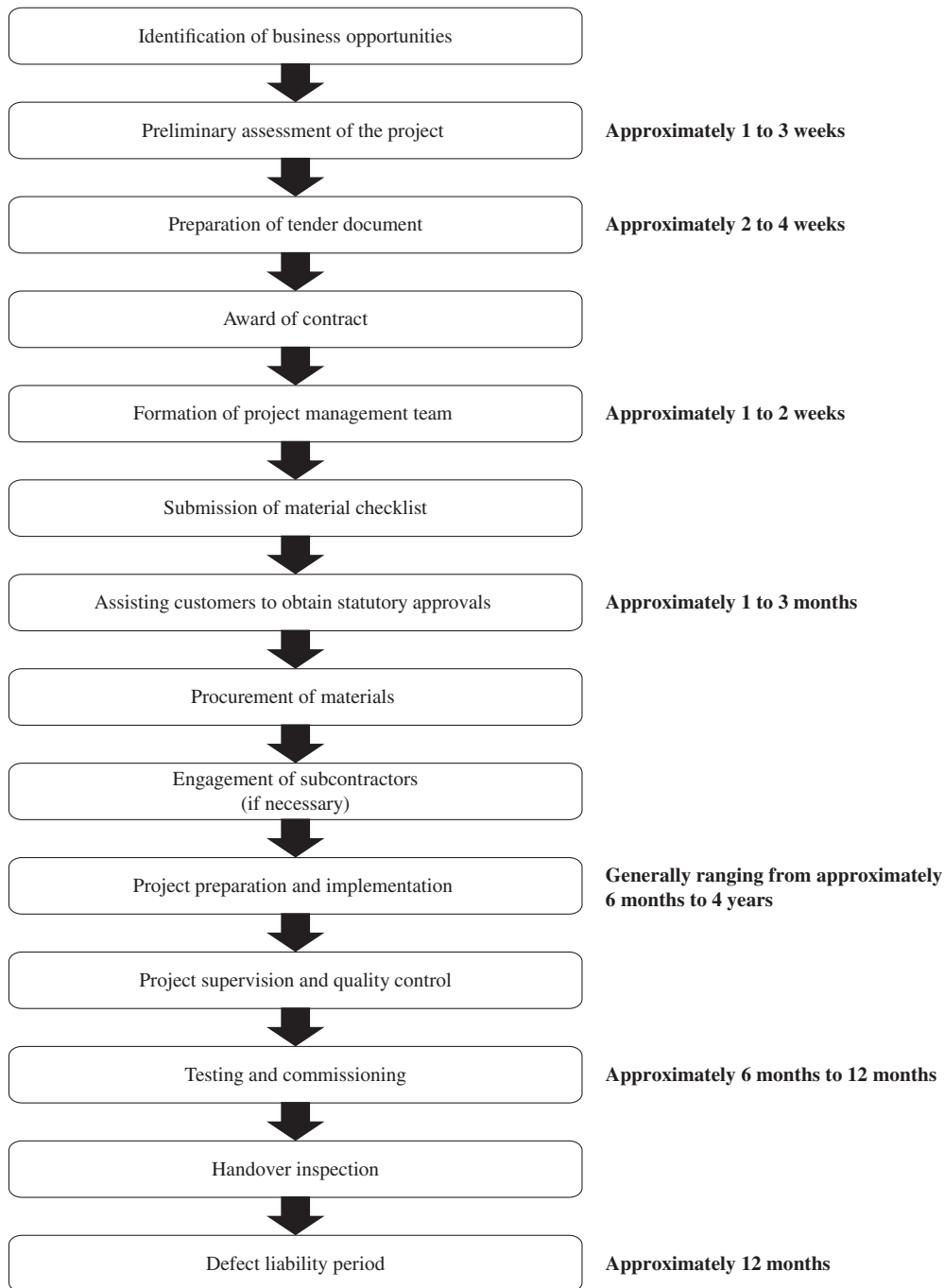
Upon the completion of the building development project, we may also assist the qualified person appointed by the project owners to obtain temporary occupation permit (the “**TOP**”) and certificate of statutory completion.

In general, upon completion of the projects, we will prepare and submit a set of as-built drawings and operation and maintenance manuals in respect of the electrical systems for our customers’ record.

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Operation flow

Set out below is a flowchart summarising the principal steps of our workflow in a typical electrical engineering project:



Note: The timeframe is calculated on an approximate basis and may vary from project to project, depending on the complexity of the project, the requirements of our customers and/or our agreement with our customers on the timeframe for the principal steps.

Identification of business opportunities

We generally identify potential projects mainly through invitation for tender from customers. Our Group received from time to time invitations to submit tender from construction contractors and statutory bodies in Singapore. We would also identify potential projects through regular review of the tender notices published on GeBIZ, one of the Singapore Government's e-procurement portals where public sector's invitations for tenders are posted by individual Singapore Government agencies. Our management team would monitor the GeBIZ and newspapers for new and upcoming public building development projects and approach the construction contractors which are likely to tender or have tendered for these projects for possible participation in the relevant electrical engineering works. 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 project description, scope of services required, expected commencement date, contract period, payment term and timeframe for submitting the tender.

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, expected complexity, commencement date, estimated profitability of the project, availability and capacity of our manpower, as well as the prevailing market conditions.

Preparation of tender document

Our quantity surveyors, under the supervision and guidance of our executive Directors, are primarily responsible for the preparation of tender proposal. Our quantity surveyors together with our executive Directors 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 proposal generally includes our corporate profile, track record, scope of our services, proposed service fees, descriptions of proposed materials to be used, payment terms, defect liability period and duration of the project. The tender proposal 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 to be used in the project. We may also obtain quotations from our materials suppliers and/or subcontractors in making our cost estimation. For further information on our pricing strategy, please refer to the paragraph headed "Pricing strategy" below in this section.

Our customers may arrange interviews with us after receiving our tender proposal 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 submission.

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We keep track of tenders which we have submitted in an internal report, with information such as (i) project names/description; (ii) contract sum; (iii) tender submission dates; (iv) status; and (v) tender closing dates.

Award of contract

Our customers generally confirm our engagement by entering into a formal service contract with us, issuing a letter of award to us or endorsing on our fee proposals. The service contracts generally set forth our scope of services, the total contract sum, payment terms, project duration and other standard terms of services. For details, please refer to the paragraph headed “Our customers – Principal terms of engagement” below in this section.

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

	FY2015/16	FY2016/17	FY2017/18	Seven months ended 31 January 2019	From 1 February 2019 up to the Latest Practicable Date
Number of projects for which we have received invitations	99	96	82	95	58
Number of projects for which we have submitted tenders	37	45	38	43 ^(Note 3)	33 ^(Note 4)
Number of projects awarded^(Notes 1 and 2)	16	28	24	23	18
Success rate (%)^(Notes 1 and 2)	<u>43.2</u>	<u>62.2</u>	<u>63.2</u>	<u>53.5</u>	<u>54.5</u>

Notes:

1. Excluding those projects tendered and projects awarded with contract sum at S\$50,000 or below, our adjusted tender success rate is 32.3%, 32.0%, 26.3%, 35.5% and 11.8% for FY2015/16, FY2016/17, FY2017/18, the seven months ended 31 January 2019 and from 1 February 2019 up to the Latest Practicable Date, respectively.

Our Directors consider that our higher tender success rate for projects with contract sum at S\$50,000 or below was mainly attributable to the more fast-paced tendering process for projects which are smaller in scale. Based on our industry experience, small-scale projects generally have a relatively tight deadline for tender submission and a shorter timeframe between the commencement of works and the date of awards. Therefore, M&E service providers who can prepare their tender documents and commence works within a short timeframe are in a better position to obtain the award of small-scale projects. Based on the capacity of our project management team and the availability of our site workers, we were generally able to respond to those tender invitations for small scale projects before deadlines and to deploy our workers according to our customers’ work schedule within relatively short notice. Our Directors believe this competitive factor has contributed to our higher success rate in respect of small-scale projects during the Track Record Period.

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2. In the above table, success rate for a financial year/period is calculated based on the number of projects awarded (whether awarded in the same financial year/period or subsequently) in respect of tenders submitted during that financial year/period. Our executive Directors confirm that such calculation basis is consistent with the general industry practice in Singapore.
3. Out of the 43 projects for which we have submitted tenders for the seven months ended 31 January 2019, the results of seven projects were pending as at the Latest Practicable Date, of which the project owners (namely the HDB, a local statutory body in Singapore, a private property owner and a private developer) were finalising the contract terms with the main contractors (i.e. our potential customers).
4. Out of the 33 projects for which we have submitted tenders from 1 February 2019 up to the Latest Practicable Date, the results of 11 projects were pending as at the Latest Practicable Date, of which the project owners (namely the HDB, a private property owner, a private property developer and a hotel operator) were finalising the contract terms with the main contractors (i.e. our potential customers).

During the Track Record Period, our Group had from time to time received invitations for tenders when our available resources were occupied by other projects on hand. Nonetheless, as far as we can cater to the work schedule of our customers and our available resources allow, it was our strategy to respond to our customer's invitations by submitting tenders instead of turning them down. In such circumstances, our executive Directors would take a more prudent approach in costs estimation by factoring a higher profit margin in the tender.

Our executive Directors believe such strategy allows us to (i) maintain our relationship with customer; (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 executive Directors consider that our overall success rate for our projects during the Track Record Period has been satisfactory in general and in line with the industry tender success rate.

For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our Group has received invitations for tenders in respect of 99, 96, 82 and 95 projects, among which, our Group had responded to such invitations by submitting tenders in respect of 37, 45, 38 and 43 projects, respectively. Our Group had decided not to respond to all of these invitations mainly due to the constraints in our manpower at the relevant time after having considered our service capacity and the work schedule of the relevant projects.

In view of our financial performance during the Track Record Period and our projects on hand as at the Latest Practicable Date, our Directors consider that the overall success rate of our tenders during the Track Record Period has been satisfactory.

Formation of project management team

We usually form a project management team which consists of project manager, project supervisor, quantity surveyor, draftsman and safety supervisor. Our project management team is generally responsible for (i) formulation of detailed design, plans and schedule; (ii) arranging necessary materials, equipment and labour resources required for the projects; (iii)

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delegation of works and collaboration with our subcontractors (if necessary); (iv) supervision of work progress, budget and quality of services rendered; (v) preparation of progress report; and (vi) participation in project meetings and communication with our customers on a continual basis to ensure the works performed fulfil our customers' requirements, and are completed on schedule, within budget and in compliance with all applicable statutory requirements.

Set out below are the major responsibilities of each key member in a management team:

- (i) Our project manager is mainly responsible for reviewing the electrical engineering designs, overseeing project implementation, managing work progress, allocating internal resources, reviewing and providing feedbacks on the shop drawings, managing daily communication and coordinating with our customers, subcontractors and other working parties involved in the project.
- (ii) Our project supervisor is mainly responsible for conducting material inspection to ensure the materials conform with our customers' specifications and requirements and conducting onsite supervision to ensure our electrical engineering works are performed in conformance with the shop drawings designs and maintain daily work records.
- (iii) Our quantity surveyor is mainly responsible for performing cost estimation, determining and monitoring the quantity of materials required in the project, and managing the project implementation costs.
- (iv) Our draftsman is mainly responsible for preparing the shop drawings based on the design provided by our customers and finalising the as-built drawings.
- (v) Our safety supervisor is mainly responsible for conducting regular site inspections to ensure our projects are carried out in strict compliance with the statutory occupational health and safety laws and regulations.

Submission of material checklist

Based on the specifications of the contracts and shop drawings design, our project management team will prepare a material checklist, setting out the quantity and types of materials required in the project, and submit to our customers or their authorised representatives for approval.

Assisting customers to obtain statutory approvals

Please refer to the paragraph headed "Description of our services – Assisting to obtain statutory approvals" above in this section for further details.

Procurement of materials

We are generally responsible for procuring materials required for our projects on our own account. Some of our customers may require us to purchase materials from their list of approved material suppliers. Our procurement team will contact the suppliers that we have obtained quotations from during the tender phase, and may further negotiate on the pricing and contract terms with them after we are awarded with the projects. Depending on the scale of our purchase, our project manager and/or executive Directors will approve the purchase orders for the major supplies that will be used in the project. Our project management team will ensure that the materials are as per stated in our purchase orders, including conformance to project's material specifications.

Engagement of subcontractors (if necessary)

Depending on our available labour resources and the types of specialised works involved, our Group may from time to time engage subcontractors to perform certain electrical engineering works. For further details, please refer to the paragraph headed "Our suppliers" below in this section.

Project preparation and implementation

Before the commencement of our site works, we would generally conduct certain site preparation works which typically involve preparation of shop drawings, wiring works and securing temporary electricity supply for project implementation.

Our site workers are primarily responsible for customisations and/or installations of the electrical systems under the supervision and guidance of the onsite project supervisor. Our customers may require us to perform installation of our electrical systems in a mock-up unit for their inspection and approval before commencement of works. Based on our mock-up installation, we may further discuss with our customers to modify and refine our works in order to ensure our workmanship are done to the satisfaction of our customers.

We will also set up a safety and risk assessment plan that identifies major risks in relation to our installation works. Our project managers will assess the implications of these risk identified and propose the precautionary measures required to be taken.

We generally receive progress payments from our customers based on our works done throughout project implementation. For further details on the payment terms, please refer to the paragraph headed "Our customers – Principal terms of engagement" in this section.

Project supervision and quality control

We perform in-house quality inspection and project 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.

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Testing and commissioning

We would carry out testing and commissioning on the electrical systems to ensure their functionality and connectedness. For further details, please refer to the paragraph headed “Description of our services – testing and commissioning” above in this section.

Handover inspection

Our customers or their authorised representatives will conduct inspection and examination on our works done to ensure they comply with their requirements and specifications. If our customers are satisfied with our works, they will conduct handover inspection or issue a completion certificate to us which indicates substantial completion of the project on our part.

Variation orders (if any)

A variation order may increase, omit or vary the original scope of work and alter the original contract sum. 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 determined by reference to the schedule of rates set out in the original service agreement. A variation order is usually placed by way of a purchase order by our customer describing the detailed works to be performed under such variation order.

For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our revenue attributable to the variation orders amounted to approximately S\$50,000, S\$294,000, S\$559,000 and S\$2.4 million, respectively. We have not experienced any material cancellation of works or material disputes with our customers on the amount of the variation orders during the Track Record Period and up to the Latest Practicable Date.

Defect liability period

Our service contracts generally include a defect liability period of 12 months, following the completion date of the project as certified by the customers or their authorised representatives. During the defect liability period, we are typically required to rectify any defect without delay at our own cost if the defect is due to our non-conformance of works performed, or due to our neglect or failure to comply with our contractual obligation.

Retention money (if necessary)

Depending on the contract terms, our customers may 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 the expiry of the defect liability period of 12 months following the completion date of the project.

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As at 30 June 2016, 2017, 2018 and 31 January 2019, our retention receivables (before netting off respective contract liabilities) amounted to approximately S\$3.8 million, S\$4.2 million, S\$2.7 million and S\$3.8 million respectively. Please refer to the section headed “Financial information – Contract assets and liabilities” in this prospectus for a further discussion and analysis regarding our retention receivables.

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Our Directors believe that the electrical engineering industry in Singapore does not exhibit any significant seasonality as building construction developments generally take place throughout the year in Singapore based on the experience of our Directors.

LICENCES AND REGISTRATIONS

The following table sets out the details of the licences and registrations of Khoon Engineering as at the Latest Practicable Date:

Relevant authority/ organisation	Workhead/Category	Qualification/ Licence/Grading	Date of expiry
BCA	General Builder – Class 2	GB2	4 December 2020
BCA	CW01 – General Building	C3 ^(Note)	1 July 2022
BCA	ME04 – Communication & Security Systems	L2 ^(Note)	1 July 2022
BCA	ME05 – Electrical Engineering	L6 ^(Note)	1 July 2022
BCA	ME06 – Fire Prevention & Protection Systems	L1 ^(Note)	1 July 2022
BCA	ME10 – Line Plant Cabling/Wiring for Telecommunications	L1 ^(Note)	1 July 2022
BCA	ME12 – Plumbing & Sanitary Works	L1 ^(Note)	1 July 2022
IMDA	Telecommunication Wiring Contractor’s (Class) Licence	Telecommunication Wiring Contractor’s (Class) Licence	Not applicable

Note: The differences in BCA gradings relate to the tendering limits for Singapore public sector projects. As at the Latest Practicable Date, C3 and L1 refer to S\$650,000, L2 refers to S\$1,300,000 and L6 refers to unlimited values.

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 during the Track Record Period and up to the Latest Practicable Date.

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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 prospectus 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 section headed “Regulatory overview – Builder’s licence and contractor registry” in this prospectus for further information.

As advised by the Singapore Legal Adviser, there is no material legal impediment in the renewal of the above licences and registrations by our Group as at the Latest Practicable Date.

PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

Revenue by category of buildings involved

Our electrical engineering services are widely required in new building developments, redevelopment, A&A and upgrading projects for residential, commercial and industrial buildings. In particular, we have established solid track record in undertaking electrical engineering works in public residential developments initiated by the HDB. During the Track Record Period, our projects related to commercial development generally involved office buildings and shopping complex, and our projects related to industrial development generally involved factory buildings and warehouses.

The following table sets forth a breakdown of our revenue during the Track Record Period by reference to the category of buildings involved in our projects:

	FY2015/16		FY2016/17		FY2017/18		Seven months ended 31 January 2018		Seven months ended 31 January 2019	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Residential buildings ^(Note)	29,128	75.5	25,074	81.4	30,719	91.1	16,404	95.2	25,613	90.4
Commercial and industrial buildings	9,445	24.5	5,721	18.6	3,013	8.9	832	4.8	2,723	9.6
Total	38,573	100.0	30,795	100.0	33,732	100.0	17,236	100.0	28,336	100.0

Note: For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our revenue derived from public residential projects amounted to approximately S\$26.0 million, S\$21.7 million, S\$30.7 million and S\$24.5 million, representing approximately 67.4%, 70.3%, 91.0% and 86.3% of our total revenue, respectively.

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Revenue by project sector

Public sector projects refer to projects of which the project owners are Singapore Government or statutory bodies, while private sector projects refer to projects that are not public sector projects. In respect of public sector projects, our customers were mainly (i) construction contractors engaged by the HDB for new building development and redevelopment projects; and (ii) local statutory bodies in Singapore for A&A and upgrading projects. In respect of private sector projects, our customers were mainly construction contractors engaged by property developers. The following table sets out a breakdown of our revenue by project sector and number of projects with revenue contribution to us during the Track Record Period:

	FY2015/16			FY2016/17			FY2017/18		
	No. of projects	% of total revenue		No. of projects	% of total revenue		No. of projects	% of total revenue	
	(Note 1) Revenue S\$'000		(Notes 1 and 2) Revenue S\$'000		(Notes 2 and 3) Revenue S\$'000				
Public sector	31	25,991	67.4	41	21,653	70.3	38	30,686	91.0
Private sector	7	12,582	32.6	14	9,142	29.7	15	3,046	9.0
Total	38	38,573	100.0	55	30,795	100.0	53	33,732	100.0

	Seven months ended 31 January 2018			Seven months ended 31 January 2019		
	No. of projects	% of total revenue		No. of projects	% of total revenue	
	Revenue S\$'000 (unaudited)		Revenue S\$'000 (unaudited)	Revenue S\$'000		Revenue S\$'000
Public sector	32	16,382	95.0	38	24,458	86.3
Private sector	14	854	5.0	12	3,878	13.7
Total	46	17,236	100.0	50	28,336	100.0

Notes:

1. Out of the 55 projects which contributed revenue to FY2016/17, 26 projects also contributed revenue to FY2015/16.
2. Out of the 53 projects which contributed revenue to FY2017/18, 27 and 14 projects also contributed revenue to FY2016/17 and FY2015/16, respectively.
3. Out of the 50 projects which contributed revenue to the seven months ended 31 January 2019, 29, 21 and 14 projects also contributed revenue to FY2017/18, FY2016/17 and FY2015/16, respectively.

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For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our revenue derived from private sector projects amounted to approximately S\$12.6 million, S\$9.1 million, S\$3.0 million and S\$3.9 million, representing approximately 32.6%, 29.7%, 9.0% and 13.7% of our total revenue, respectively. The decrease in percentage of revenue derived from private sector projects was mainly attributable to the completion of the Myanmar Project in August 2016, which is a private commercial project.

For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, the Myanmar Project contributed revenue of approximately S\$8.8 million, S\$2.1 million, nil and nil to our Group, representing approximately 22.8%, 6.8%, nil and nil, of our total revenue, respectively. The Myanmar Project accounted for a substantial portion of our revenue attributable to private sector projects. For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, the amount of revenue derived from the Myanmar Project accounted for approximately 69.8%, 23.1%, nil and nil of our revenue attributable to private sector projects, respectively. Since a significant part of works under the Myanmar Project was performed in FY2015/16, a substantial portion of revenue was recognised from the project in the same year. The amount of revenue attributable to the Myanmar Project decreased from S\$8.8 million in FY2015/16 to S\$2.1 million in FY2016/17 and further decreased to nil in FY2017/18 as the Myanmar Project was completed in August 2016.

Based on the reasons aforesaid, our Directors consider that the decrease in revenue attributable to our private sector projects during the Track Record Period was not due to any change in our business strategy. During the Track Record Period, we have remained open to opportunities from both public sector and private sector projects. In fact, the number of private sector projects undertaken by our Group has increased from 7 in FY2015/16 to 14 in FY2016/17 and further increased to 15 in FY2017/18. Going forward, we will continue to evaluate potential business opportunities for both public sector and private sector projects, with reference to the technical requirements, project size, expected complexity, commencement date, estimated profitability of the project, availability and capacity of our manpower, as well as the prevailing market conditions.

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Number of projects by range of revenue recognised

For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, there were 38, 55, 53 and 50 projects which contributed a total of S\$38.6 million, S\$30.8 million, S\$33.7 million and S\$28.3 million to our revenue, respectively. Set out below is a breakdown of such projects based on their respective revenue recognised during the Track Record Period:

	FY2015/16	FY2016/17	FY2017/18	Seven months ended 31 January 2019
	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>
Revenue recognised				
S\$1,000,000 or above	12	12	16	10
S\$500,000 to below				
S\$1,000,000	4	9	4	5
S\$50,000 to below				
S\$500,000	11	12	12	15
Below S\$50,000	11	22	21	20
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Total	38	55	53	50
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Top projects undertaken during the Track Record Period

The following table sets out the details of our top ten projects in terms of accumulated revenue contribution to our Group during the Track Record Period:

Rank	Customer	The contract sum ^(Note 2) SS'000	Private/public sector	Type of building development	Location of the project	Date of commencement and completion of our works ^(Note 3)	Revenue				Estimated revenue to be recognised after the Track Record Period SS'000	Gross profit during the Track Record Period SS'000			
							(percentage of total revenue recognised for the year/period)	For the seven months ended 31 January 2019	FY2015/16	FY2016/17			FY2017/18		
							SS'000	%	SS'000	%	SS'000	%			
1	Qingjian Group ^(Note 1)	US\$8,490 (equivalent to approximately S\$11,631)	Private	Commercial	Yangon, Myanmar	Commencement: March 2015; Completion: August 2016	8,814	22.9	2,133	6.9	-	-	-	310	
2	Customer Group B ^(Note 1)	9,288	Public	Residential	Sembawang, Singapore	Commencement: June 2014; Completion: July 2017	4,283	11.1	2,723	8.8	1,236	3.7	45 ^(Note 4)	0.2	1,536
3	Ken-Pai (S) Pte Ltd ^(Note 1)	10,750	Public	Residential	Punggol North, Singapore	Commencement: March 2016; Expected completion: December 2019	67	0.2	341	1.1	3,243	9.6	4,078	14.4	1,932
4	Qingjian Group ^(Note 1)	7,630	Private	Residential	Woodlands, Singapore	Commencement: March 2014; Completion: March 2017	3,130	8.1	3,412	11.1	-	-	-	-	986
5	Customer Group B ^(Note 1)	9,400	Public	Residential	Toa Payoh, Singapore	Commencement: October 2016 Expected completion: August 2020	-	-	227	0.7	2,415	7.2	3,685	13.0	1,139

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Rank	Customer	The contract sum ^(Note 2)	Private/public sector	Type of building development	Location of the project	Date of commencement and completion of our works ^(Note 3)	Revenue				Estimated revenue to be recognised after the Track Record Period	Gross profit during the Track Record Period				
							(percentage of total revenue recognised for the year/period)									
							FY2015/16	FY2016/17	FY2017/18	For the seven months ended 31 January 2019						
S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%									
6	Chang Hua Construction Pte Ltd ^(Note 1)	5,500	Public	Residential	Kallang Whampoa, Singapore	Commencement: April 2015; Completion: November 2018	421	1.1	1,580	5.1	3,015	8.9	603	2.1	-	1,151
7	Customer H ^(Note 1)	5,580	Public	Residential	Potong Pasir, Singapore	Commencement: December 2015; Completion: November 2018	1,229	3.2	1,747	5.7	1,827	5.4	777	2.7	-	1,464
8	Qingjian Group ^(Note 1)	8,000	Public	Residential	Yishun, Singapore	Commencement: September 2013; Completion: January 2017	3,576	9.3	1,523	4.9	-	-	-	-	-	582
9	Qingjian Group ^(Note 1)	10,500	Public	Residential	Bukit Batok, Singapore	Commencement: September 2016; Expected completion: January 2020	-	-	106	0.3	1,598	4.7	3,219	11.4	From 1 February 2019 to 30 June 2019: 2,689	738
10	Hock Guan Cheong Builder Pte Ltd ^(Note 1)	3,724	Public	Residential	Yishun, Singapore	Commencement: September 2015; Completion: June 2018	660	1.7	1,612	5.2	1,452	4.3	-	-	FY2019/20: 3,154	1,198

Notes:

- This is one of our top five customers during the Track Record Period and for further information, please refer to the paragraph headed "Our customers – Top customers" in this section.
- The contract sum does not take into account variation orders.
- Where applicable, future completion dates represent our management's best estimates according to the expected completion dates specified in the relevant contracts (if any) and the actual work schedule up to the Latest Practicable Date.
- Customer Group B issued the statement of final account with approximately S\$45,000 of net amount due to us in January 2019.

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Backlog

The following table sets out movement in the number of our projects during the Track Record Period and up to the Latest Practicable Date:

	FY2015/16	FY2016/17	FY2017/18	Seven months ended 31 January 2019	From 1 February 2019 up to the Latest Practicable Date
Opening number of projects ^(Note 1)	27	27	26	22	24
Number of new projects awarded to us ^(Note 2)	15	28	26	21	22
Number of projects completed ^(Note 3)	15	29	30	19	20
Ending number of projects ^(Note 4)	<u>27</u>	<u>26</u>	<u>22</u>	<u>24</u>	<u>26</u>

Notes:

- Opening number of projects means the number of awarded projects which were not completed as of the beginning of the relevant year/period indicated.
- Number of new projects means the number of new projects awarded to us during the relevant year/period indicated.
- Number of projects completed means the number of projects which are practically regarded as completed.
- Ending number of projects is equal to the opening number of projects plus number of new projects minus number of projects completed during the relevant year/period indicated.

The following table sets out the movement in the value of backlog of our projects during the Track Record Period and up to the Latest Practicable Date:

	FY2015/16 S\$'000	FY2016/17 S\$'000	FY2017/18 S\$'000	Seven months ended 31 January 2019 S\$'000	From 1 February 2019 up to the Latest Practicable Date S\$'000 (unaudited)
Opening value of backlog	61,615	59,933	61,463	67,597	59,424
Total value of new projects and variation orders awarded ^(Note 1)	36,891	32,325 ^(Note 3)	39,866	20,163	20,410
Revenue recognised	<u>38,573</u>	<u>30,795</u>	<u>33,732</u>	<u>28,336</u>	<u>18,089</u>
Ending value of backlog ^(Note 2)	<u>59,933</u>	<u>61,463</u>	<u>67,597</u>	<u>59,424</u>	<u>61,745</u>

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Notes:

1. Total value of new projects and variation orders awarded means the contract sum of new projects awarded and variation orders issued by our customers in the relevant year/period indicated.
2. Ending value of backlog means the portion of the total estimated revenue that has not been recognised with respect to our projects which had not been completed as at the end of the relevant year/period indicated.
3. The total value of new projects and variation orders awarded to our Group decreased from approximately S\$36.9 million in FY2015/16 to S\$32.3 million in FY2016/17. Such decrease was mainly attributable to an A&A and upgrading project with contract sum over S\$5 million being awarded to us by Customer H (as referred to in the paragraph headed “Customers – Top Customers” below in this section) in FY2015/16, whereas no A&A and upgrading project of comparable scale was awarded to us in FY2016/17.

Project awarded by Qingjian Group which was undertaken in Myanmar during the Track Record Period

During the Track Record Period, our Group was engaged by Qingjian Group (being one of our top five customers during the Track Record Period) for the provision of electrical engineering solutions in relation to various types of electrical systems in a commercial complex comprising shopping mall and office building in Myanmar (the “**Myanmar Project**”). The Myanmar Project commenced in March 2015 and was completed in August 2016.

The Myanmar Project was awarded to us by Qingjian Group as main contractor. In order to facilitate our management of the Myanmar Project, we had assigned three project managers for overseeing project implementation and managing work progress of the Myanmar Project. We have also engaged subcontractors to perform all the site works under the Myanmar Project. The major types of materials required for the project were procured by us from suppliers based in Singapore. Qingjian Group was responsible for obtaining the import licences for the import of such materials into Myanmar, and the suppliers of materials were responsible for delivering the materials to the job site of the Myanmar Project. For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, we derived revenue of approximately S\$8.8 million, S\$2.1 million, nil and nil from the Myanmar Project. The invoices in respect of our works done were issued to Qingjian Group, from whom we received payments directly in Singapore.

Myanmar is a jurisdiction that has historically been subject to a number of international sanctions programmes administered by the United States and other jurisdictions or organisations. While these programmes have been reduced considerably in recent years, there are a number of persons or organisations located in Myanmar that remain subject to targeted sanctions programmes, including being named on the Specially Designated Nationals and Blocked Persons List or the Sectoral Sanctions Identifications List maintained by OFAC.

Our Directors confirm that we have not been notified of that any International Sanctions will be imposed on us for the Myanmar Project during the Track Record Period. Neither of the counterparties with whom we worked in Myanmar are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties

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lists maintained by the European Union, Australia and the United Nations and therefore would not be deemed as sanctioned targets. Such sales and/or deliveries do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions.

As advised by our International Sanctions Legal Advisers, our activities during the Track Record Period do not appear to implicate restrictions under International Sanctions. Further, given the scope of our Share Offer and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Share Offer will not implicate any applicable International Sanctions on such parties, including our Company, our Company's investors, shareholders, the Stock Exchange and its listing committee and group companies, or any person involved in the Share Offer.

We have adopted know your client and other internal control and risk management measures to help us continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders from economic sanctions risks.

The Myanmar Legal Adviser has assessed our aforesaid operations in respect of the Myanmar Project and confirmed that it has not identified any fact or circumstance which would constitute a non-compliance that is material or systemic in nature.

In relation to the tax matters for the Myanmar Project, our Directors had consulted a local accounting firm in Singapore which has been our professional adviser in handling our tax matters. As advised by the local accounting firm, since we do not have a permanent establishment in Myanmar and we received payments from Qingjian Group directly in Singapore, the income derived from the Myanmar Project was subject to income tax liability in Singapore. Therefore, our Directors had filed our tax returns to the Singapore tax authority based on such professional advice and we had fully settled such tax liabilities during the Track Record Period.

During the preparation for the Listing, we have engaged an international accounting firm in Myanmar for assessing the tax implication of the Myanmar Project.

In general, the payer (rather than the recipient) of payment for goods and services shall have obligations under the Myanmar laws and regulations to withhold an amount equivalent to 3.5% on its payment to the recipient as the withholding tax payable to the Myanmar tax authority. During our project implementation period, the relevant withholding tax was not withheld from Qingjian Group's payment to us. Given that no withholding tax was withheld from the payments we received, the Myanmar tax authority may take the view that the recipient of the payment (i.e. our Group) would be subject to corporate income tax obligations in the place of the payer. In this regard, the international accounting firm has assisted us in handling our corporate income tax filing in Myanmar. Based on the assessment of the international accounting firm, it is estimated that our potential corporate income tax liability including penalty in Myanmar amount to a total of S\$88,000.

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Upon becoming aware of our potential tax exposure in Myanmar, we have made enquiries from time to time with tax officers of the Myanmar tax authority on the filing procedures given that we have not set up any branch or legal entity in Myanmar. The international accounting firm has also assisted us to make a written submission on our behalf to the Myanmar tax authority to clarify on the procedures for a non-resident company to register and submit corporate income tax filings applicable to our Group in respect of the Myanmar Project. Currently, we have not received any reply from the Myanmar tax authority in response to our enquiries. Besides, based on the advice of the international accounting firm, there are currently no written guidelines that have been issued by the Myanmar tax authority on the procedure for a non-resident company to register and file corporate income tax in Myanmar in relation to the Myanmar Project.

Having considered the aforesaid, we have recognised a contingent liability in the amount of approximately S\$88,000 in relation to the Myanmar Project. No provision was made in the financial statements of our Group having considered that (i) we have not yet received any response from Myanmar tax authority despite our efforts in seeking their guidance as there is no written guidance applicable to our case; (ii) the international accounting firm has confirmed that there is no precedent case available for our Group in relation to the procedure for a non-resident company to register and file corporate income tax in Myanmar which is applicable to our Group in relation to the Myanmar Project; and (iii) the estimated amount of our potential tax exposure is immaterial and our Controlling Shareholders have undertaken to fully indemnify our tax liability in respect of the Myanmar Project pursuant to the Deed of Indemnity.

The Myanmar Project represented the only offshore project undertaken by our Group during the Track Record Period and up to the Latest Practicable Date. Going forward, our Group intends to focus on projects based in Singapore. In the event that we receive invitations from our major customers with long-term business relationship to participate in projects with job site outside Singapore, our Directors will conduct evaluation on the feasibility of undertaking such project on a case-by-case basis, taking into consideration (i) the geographical location of the project site; (ii) the needs for maintaining business relationship with such customers; (iii) availability and capacity of our human resources; (iv) estimated profitability of the project; and (v) prevailing market conditions.

PROJECTS ON HAND

As at the Latest Practicable Date, our Group had 26 projects on hand (representing projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) with an aggregate of S\$81.3 million yet to be recognised as revenue after the Track Record Period among which, S\$17.6 million, S\$37.8 million and S\$25.9 million, are expected to be recognised as revenue from 1 February 2019 to 30 June 2019, in FY2019/20 and thereafter, respectively. The following table sets out the details of our on-going projects as at the Latest Practicable Date with revenue expected to be derived of S\$1.0 million or above individually after the Track Record Period:

Project No.	Location of the project	Customer	Private/ public sector	Type of building development	The contract sum ^(Note 1) S\$'000	Date of commencement and completion of our works ^(Note 2)	Revenue recognised during the Track Record Period S\$'000	Estimated revenue to be recognised after the Track Record Period S\$'000
1	Bishan, Singapore	Welltech Construction Pte Ltd	Private	Residential	12,800	Commencement: February 2018 Expected completion: December 2021	FY2017/18: 3 Seven months ended 31 January 2019: 1,049	From 1 February 2019 to 30 June 2019: 1,435 FY2019/20: 6,496 After FY2019/20: 3,817
2	Kranji, Singapore	A construction contractor ^(Note 3)	Private	Industrial	9,500	Commencement: December 2017 Expected completion: April 2020	FY2017/18: 304 Seven months ended 31 January 2019: 1,387	From 1 February 2019 to 30 June 2019: 1,688 FY2019/20: 6,121
3	Punggol North, Singapore	A construction contractor ^(Note 4)	Public	Residential	7,068	Commencement: April 2019 Expected completion: March 2021	-	From 1 February 2019 to 30 June 2019: 459 FY2019/20: 2,304 After FY2019/20: 4,305
4	Punggol North, Singapore	A construction contractor ^(Note 5)	Public	Residential	6,110	Expected commencement: July 2019 Expected completion: June 2022	-	FY2019/20: 1,722 After FY2019/20: 4,388

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Project No.	Location of the project	Customer	Private/ public sector	Type of building development	The contract sum ^(Note 1) S\$'000	Date of commencement and completion of our works ^(Note 2)	Revenue recognised during the Track Record Period S\$'000	Estimated revenue to be recognised after the Track Record Period S\$'000
5	Bukit Batok, Singapore	Qingjian Group	Public	Residential	10,500	Commencement: September 2016 Expected completion: January 2020	FY2016/17: 106 FY2017/18: 1,598 Seven months ended 31 January 2019: 3,219	From 1 February 2019 to 30 June 2019: 2,689 FY2019/20: 3,154
6	Sengkang, Singapore	Customer Group B	Public	Residential	6,000	Commencement: December 2018 Expected completion: August 2021	Seven months ended 31 January 2019: 274	From 1 February 2019 to 30 June 2019: 853 FY2019/20: 2,088 After FY2019/20: 2,785
7	Clementi, Singapore	Chiu Teng Construction Co Pte Ltd	Public	Residential	7,527	Commencement: April 2018 Expected completion: September 2021	FY2017/18: 333 Seven months ended 31 January 2019: 2,593	From 1 February 2019 to 30 June 2019: 993 FY2019/20: 1,753 After FY2019/20: 2,378
8	Sengkang, Singapore	Ken-Pal(s) Pte Ltd	Public	Residential	5,050	Expected commencement: July 2019 Expected completion: June 2022	-	FY2019/20: 1,414 After FY2019/20: 3,636
9	Bukit Batok, Singapore	A construction contractor ^(Note 6)	Public	Residential	5,589	Commencement: May 2018 Expected completion: April 2021	FY2017/18: 3 Seven months ended 31 January 2019: 860	From 1 February 2019 to 30 June 2019: 1,112 FY2019/20: 1,972 After FY2019/20: 1,642

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Project No.	Location of the project	Customer	Private/public sector	Type of building development	The contract sum ^(Note 1) S\$'000	Date of commencement and completion of our works ^(Note 2)	Revenue recognised during the Track Record Period S\$'000	Estimated revenue to be recognised after the Track Record Period S\$'000
10	Punggol North, Singapore	Ken-Pal (S) Pte Ltd	Public	Residential	10,750	Commencement: March 2016 Expected completion: December 2019	FY2015/16: 67 FY2016/17: 341 FY2017/18: 3,243 Seven months ended 31 January 2019: 4,078	From 1 February 2019 to 30 June 2019: 2,284 FY2019/20: 1,737
11	Tampines, Singapore	A construction contractor ^(Note 6)	Public	Residential	3,680	Commencement: December 2018 Expected completion: March 2021	Seven months ended 31 January 2019: 130	From 1 February 2019 to 30 June 2019: 784 FY2019/20: 2,026 After FY2019/20: 740
12	Toa Payoh, Singapore	Customer Group B	Public	Residential	9,400	Commencement: October 2016 Expected completion: August 2020	FY2016/17: 227 FY2017/18: 2,415 Seven months ended 31 January 2019: 3,685	From 1 February 2019 to 30 June 2019: 1,353 FY2019/20: 1,532 After FY2019/20: 339
13	Kallang, Singapore	Hock Guan Cheong Builder Pte Ltd	Public	Residential	2,900	Commencement: April 2019 Expected Completion: March 2021	-	From 1 February 2019 to 30 June 2019: 238 FY2019/20: 848 After FY2019/20: 1,814
14	Tampines, Singapore	Customer E	Public	Residential	1,688	Commencement: November 2018 Expected completion: October 2019	Seven months ended 31 January 2019: 352	From 1 February 2019 to 30 June 2019: 318 FY2019/20: 1,018
15	Bedok, Singapore	A construction contractor ^(Note 7)	Public	Residential	1,968	Commencement: October 2018 Expected completion: February 2020	Seven months ended 31 January 2019: 742	From 1 February 2019 to 30 June 2019: 548 FY2019/20: 678
16	Toa Payoh, Singapore	Chang Hua Construction Pte Ltd	Private	Industrial	1,300	Commencement: October 2018 Expected completion: March 2020	Seven months ended 31 January 2019: 286	From 1 February 2019 to 30 June 2019: 302 FY2019/20: 712
17	Tampines, Singapore	A local statutory body in Singapore	Public	Residential	1,137	Commencement: February 2019 Expected completion: February 2020	Seven months ended 31 January 2019: 130	From 1 February 2019 to 30 June 2019: 347 FY2019/20: 660

Notes:

1. The contract sum does not take into account variation orders.
2. The expected completion date for a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.
3. It is a Singapore company principally engaged in design and build works.
4. It is a Singapore company principally engaged in building construction, civil engineering and real estate development.
5. It is a subsidiary of a company listed on the Stock Exchange which is principally engaged as a main contractor in the provision of building and construction works in Singapore.
6. It is a Singapore company principally engaged in building construction.
7. It is a subsidiary of a PRC state-owned enterprise listed on the Shanghai Stock Exchange which is principally engaged in residential building construction and property development worldwide.

OUR CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers mainly included construction contractors and local statutory bodies in Singapore. The number of customers with revenue contribution to our Group was 26, 36, 43 and 34 for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively. During the Track Record Period, all of our customers were located in Singapore and our revenue was denominated in Singapore dollars or US dollars. Our revenue denominated in US dollars was mostly derived from the Myanmar Project. For further details, please refer to the paragraph headed “Projects undertaken during the Track Record Period – Project awarded by Qingjian Group which was undertaken in Myanmar during the Track Record Period” above in this section.

Construction contractors

Our customers during the Track Record Period were mainly construction contractors engaged in new building developments and redevelopments, which involve residential, commercial and industrial buildings.

During the Track Record Period, the majority of our revenue was generated from construction contractors engaged in public residential developments initiated by the HDB. In general, where the HDB has decided to implement a public residential development, it would normally invite construction contractors to participate in project tenders for undertaking the building and construction works in the project. As a common industry practice, the selected construction contractors would arrange to subcontract the electrical engineering works involved to M&E service providers (such as our Group).

Statutory bodies in Singapore

During the Track Record Period, we have also been engaged by local statutory bodies in Singapore, which are responsible for managing and maintaining the residential flats and commercial properties developed by the HDB, in A&A and upgrading projects.

Principal terms of engagement

We provide electrical engineering services to our customers on a project-by-project basis. Our executive Directors consider such arrangement is in line with the electrical engineering industry practice in Singapore. Our customers generally confirm our engagement by entering into a formal service contract with us, issuing a letter of award to us or endorsing on our fee proposals. The principal terms of our engagement with customers are summarised as follows:

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.

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Duration

The contract usually specifies the commencement date and duration of the project implementation, typically ranging from six months to four years, subject to extension granted by the customers where necessary.

Contract sum

In general, our contracts set out a lump sum fixed price for carrying out the scope of works pursuant to the specifications, drawings and technical requirements of the customers. Normally, no re-measurement will be conducted except for works done pursuant to variation order issued by customers. There is no specific clause in relation to price adjustment in our contracts with our customers.

Payment terms

Our Group generally submit a progress payment application to our customer 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 is generally 30 to 35 days from the issue of invoices. Our progress payments from customers are generally governed by the Building and Construction Industry Security of Payment Act. For further details, please refer to the paragraph headed “Regulatory overview – Building and Construction Industry Security of Payment Act, Chapter 30B of Singapore (“BCISPA”)”.

Insurance

Where we were engaged by construction contractors, our customers would normally take out contractors’ all risk insurance and work injury compensation insurance covering its own liabilities as well as our liabilities. Alternatively, we may be required under our service contract to take out the aforesaid insurance policies if we were engaged directly by statutory bodies in Singapore. For further details, please refer to the paragraph headed “Insurance” below in this prospectus.

Procurement of materials

We are generally responsible for procuring the relevant materials and equipment required for the project on our own account. We typically purchase materials from our internal list of approved material suppliers. In certain circumstances, we may be required to procure materials from an approved list of material suppliers provided by our customers or the HDB.

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In some of our projects, the contract includes a clause stating that our customer may procure certain specified materials (such as cement and electrical cables) for and on behalf of us at agreed prices. In this context, if we choose to purchase materials from the customer, we would regard such customer as our supplier of the relevant materials, further details of which are discussed in the paragraph headed “Top customers who were also our suppliers” in this section.

Defect liability period

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

Retention money

For details regarding our retention money, please refer to the paragraph headed “Operation flow – Retention money (if necessary)” above in this section.

Variation orders

For details regarding our variation orders, please refer to the paragraph headed “Operation flow – Variation order (if any)” above in this section.

Performance guarantee

Some of our customers had required us to provide performance guarantee issued by banks or insurance companies in the amount of approximately 10% of the contract sum in favour of our customers. 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 customers 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 customers, we are normally required to place a pledged deposit with the bank. Where we arrange with insurance company for the issuance of performance guarantee in favour of our customers, our Directors may be required to provide personal guarantees to the insurance company. Our performance guarantee is generally discharged upon the expiration of the defect liability period of 12 months following the completion date of the project.

During the Track Record Period and up to the Latest Practicable Date, no performance guarantees had been called by our customers by reason of non-performance of any of the contracts undertaken by us.

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

Employment of foreign workers

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

Termination

Our customers 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.

Top customers

For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, the percentage of our total revenue attributable to our top customer amounted to approximately 40.3%, 23.3%, 11.2% and 14.5% respectively, while the percentage of our total revenue attributable to our top five customers combined amounted to approximately 68.8%, 59.7%, 45.2% and 62.3%, respectively.

FY2015/16

Rank	Customer	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					S\$'000	%
1	Qingjian Group ^(Note 1)	Subsidiaries of a PRC-based company listed in Hong Kong which is principally engaged in building construction worldwide	Since 2004	30-35 days; by cheque	15,528	40.3

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Rank	Customer	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					S\$'000	%
2	Customer Group B ^(Note 2)	Subsidiaries of a company listed on the Singapore Stock Exchange which is principally engaged in general construction in Singapore	Since 2011	35 days; by cheque	4,283	11.1
3	Customer C	Subsidiary of a state-owned enterprise in the PRC which is principally engaged in, among others, engineering, construction and real estate development worldwide	Since 2012	35 days; by cheque	2,398	6.2
4	Chiu Teng Construction Co Pte Ltd	A Singapore company principally engaged in property development and building construction	Since 2009	30 days; by cheque	2,212	5.7
5	Customer E	A Singapore branch of a company listed on the Shanghai Stock Exchange which is principally engaged in providing construction and engineering services	Since 2008	45 days; by cheque	2,120	5.5
Top five customers combined					26,541	68.8
All other customers					12,032	31.2
Total revenue					38,573	100.0

Notes:

- Qingjian Group comprises Qingjian International (South Pacific) Group Development Co Pte Ltd and Customer A2, each being a subsidiary of a PRC-based company listed in Hong Kong which is principally engaged in building construction worldwide. Qingjian International (South Pacific) Group Development Co Pte Ltd and Customer A2 contributed revenue of S\$12.4 million and S\$3.1 million to our Group in FY2015/16, respectively.
- Customer Group B comprises Customer B1 and Customer B2, each being a subsidiary of a company listed on the Singapore Stock Exchange, which is principally engaged in general construction works in Singapore. Customer B1 and Customer B2 contributed revenue of S\$4.3 million and nil to our Group in FY2015/16, respectively.

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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	Qingjian Group ^(Note 1)	Subsidiaries of a PRC-based company listed in Hong Kong which is principally engaged in building construction worldwide	Since 2004	30-35 days; by cheque	7,173	23.3
2	Chang Hua Construction Pte Ltd	A Singapore company principally engaged in residential and commercial building construction	Since 2010	35 days; by cheque	3,335	10.8
3	Hock Guan Cheong Builder Pte Ltd	A Singapore company principally engaged in building construction	Since 2015	30 days; by cheque	3,164	10.3
4	Customer Group B ^(Note 2)	Subsidiaries of a company listed on the Singapore Stock Exchange which is principally engaged in general construction in Singapore	Since 2011	30 days; by cheque	2,955	9.6
5	Customer H	A Singapore statutory body responsible for managing and maintaining the common property of HDB residential flats and commercial property in the Jalan Besar and Potong Pasir region in Singapore	Since 2015	21 days to 35 days; by cheque	1,747	5.7
Top five customers combined					18,374	59.7
All other customers					12,421	40.3
Total revenue					<u>30,795</u>	<u>100.0</u>

Notes:

- Qingjian Group comprises Qingjian International (South Pacific) Group Development Co Pte Ltd and Customer A2, each being a subsidiary of a PRC-based company listed in Hong Kong which is principally engaged in building construction worldwide. Qingjian International (South Pacific) Group Development Co Pte Ltd and Customer A2 contributed revenue of S\$3.8 million and S\$3.4 million to our Group in FY2016/17, respectively.
- Customer Group B comprises Customer B1 and Customer B2, each being a subsidiary of a company listed on the Singapore Stock Exchange, which is principally engaged in general construction works in Singapore. Customer B1 and Customer B2 contributed revenue of S\$2.7 million and S\$0.2 million to our Group in FY2016/17, respectively.

BUSINESS

FY2017/18

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	Ken-Pal (S) Pte Ltd	A Singapore company principally engaged in building construction and maintenance	Since 2011	35 days; by bank transfer	3,792	11.2
2	Customer Group B ^(Note)	Subsidiaries of a company listed on the Singapore Stock Exchange which is principally engaged in general construction in Singapore	Since 2011	35 days; by cheque	3,651	10.8
3	Chang Hua Construction Pte Ltd	A Singapore company principally engaged in residential and commercial building construction	Since 2010	35 days; by cheque	3,015	8.9
4	Hock Guan Cheong Builder Pte Ltd	A Singapore company principally engaged in building construction	Since 2015	30-35 days; by cheque	2,661	7.9
5	Customer J	A Singapore company principally engaged in building construction	Since 2011	30 days; by cheque	2,144	6.4
				Top five customers combined	15,263	45.2
				All other customers	<u>18,469</u>	<u>54.8</u>
				Total revenue	<u><u>33,732</u></u>	<u><u>100.0</u></u>

Note: Customer Group B comprises Customer B1 and Customer B2, each being a subsidiary of a company listed on the Singapore Stock Exchange, which is principally engaged in general construction works in Singapore. Customer B1 and Customer B2 contributed revenue of S\$1.2 million and S\$2.4 million to our Group in FY2017/18, respectively.

BUSINESS

Seven months ended 31 January 2019

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	Ken-Pal (S) Pte Ltd	A Singapore company principally engaged in building construction and maintenance	Since 2011	35 days; by bank transfer	4,120	14.5
2	Customer Group B ^(Note 1)	Subsidiaries of a company listed on the Singapore Stock Exchange which is principally engaged in general construction in Singapore	Since 2011	35 days; by cheque	4,004	14.1
3	Chiu Teng Construction Co Pte Ltd	A Singapore company principally engaged in property development and building construction	Since 2009	30 days; by cheque	3,907	13.8
4	Qingjian Group ^(Note 2)	Subsidiaries of a PRC-based company listed in Hong Kong which is principally engaged in building construction worldwide	Since 2004	30-35 days; by cheque	3,219	11.4
5	Welltech Construction Pte Ltd	A Singapore company principally engaged in building construction	Since 2011	35 days; by cheque	2,412	8.5
			Top five customers combined		17,662	62.3
			All other customers		10,674	37.7
			Total revenue		<u>28,336</u>	<u>100.0</u>

Notes:

- Customer Group B comprises Customer B1 and Customer B2, each being a subsidiary of a company listed on the Singapore Stock Exchange, which is principally engaged in general construction works in Singapore. Customer B1 and Customer B2 contributed revenue of S\$0.3 million and S\$3.7 million to our Group in the seven months ended 31 January 2019, respectively.
- Qingjian Group comprises Qingjian International (South Pacific) Group Development Co Pte Ltd and Customer A2, each being a subsidiary of a PRC-based company listed in Hong Kong which is principally engaged in building construction worldwide. Qingjian International (South Pacific) Group Development Co Pte Ltd and Customer A2 contributed revenue of S\$3.2 million and nil to our Group in the seven months ended 31 January 2019, respectively.

As at the Latest Practicable Date, save for an insignificant amount of shares in Customer Group B, which is a company whose shares are listed on the Singapore Stock Exchange, held for passive investment purpose from time to time by Mr. JK Ang, 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.

Further information on our top customers

Qingjian Group consists of Qingjian International (South Pacific) Group Development Co Pte Ltd and Customer A2, each being a subsidiary of a PRC-based company (the “**Qingjian Group Holdco**”) whose shares are listed on the Stock Exchange. According to the latest annual report of Qingjian Group Holdco, its principal business activities include (i) property development and provision of construction services in Singapore; and (ii) provision of foundation and construction services in Hong Kong and Macau. Based on the latest annual report of Qingjian Group Holdco, its revenue amounted to approximately HK\$11.1 billion, HK\$8.6 billion, HK\$10.3 billion and HK\$7.5 billion for the years ended 31 December 2015, 2016, 2017 and 2018, respectively.

Customer Group B consists of Customer B1 and Customer B2, each being a subsidiary of a company (the “**Customer Group B Holdco**”) whose shares are listed on the Singapore Stock Exchange. According to the latest annual report of Customer Group B Holdco, its principal business activities include provision of construction services, property development, leasing and management of investment properties and hotel operations in the Asia-Pacific region. Based on the latest annual report of Customer Group B Holdco, its revenue amounted to approximately S\$676.5 million, S\$748.0 million, S\$859.7 million and S\$1.1 billion for the years ended 31 December 2015, 2016, 2017 and 2018, respectively.

Customer C is the Singapore branch of a subsidiary of a state-owned enterprise in the PRC (the “**Customer C Holdco**”), whose shares are listed on the Stock Exchange and the Shanghai Stock Exchange. According to the latest annual report of Customer C Holdco, its principal business activities include the provision of engineering contracting services, property development, manufacturing of equipment and resource development worldwide. Based on the latest annual report of Customer C Holdco, its revenue amounted to approximately HK\$250.7 billion, HK\$253.3 billion, HK\$281.5 billion and HK\$338.1 billion for the years ended 31 December 2015, 2016, 2017 and 2018, respectively.

Chiu Teng Construction Co Pte Ltd is a private company incorporated in 1983 in Singapore, the principal activities of which include property development and provision of building construction services. According to the public information available at the Singapore Accounting and Corporate Regulatory Authority, its total paid up issued capital is approximately S\$15 million. Chiu Teng Construction Co Pte Ltd is not a listed company and therefore its operational and financial information is not publicly available.

Customer E is a Singapore branch of a subsidiary of a company (the “**Customer E Holdco**”) whose shares are listed on the Shanghai Stock Exchange. According to the latest annual report of Customer E Holdco, the principal activities of its subsidiaries include provision of construction services. Based on the latest annual report of Customer E Holdco, its revenue amounted to approximately HK\$15.3 billion, HK\$15.8 billion, HK\$17.0 billion and HK\$17.9 billion for the years ended 31 December 2015, 2016, 2017 and 2018, respectively.

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Chang Hua Construction Pte Ltd is a private company incorporated in 1998 in Singapore, the principal activities of which include provision of building construction services. According to the public information available at the Singapore Accounting and Corporate Regulatory Authority, its total paid up issued capital is approximately S\$15 million. Chang Hua Construction Pte Ltd is not a listed company and therefore its operational and financial information is not publicly available.

Hock Guan Cheong Builder Pte Ltd is a private company incorporated in 1985 in Singapore, the principal activities of which include provision of building construction services. According to the public information available at the Singapore Accounting and Corporate Regulatory Authority, its total paid up issued capital is approximately S\$15.5 million. Hock Guan Cheong Builder Pte Ltd is not a listed company and therefore its operational and financial information is not publicly available.

Customer H is a Singapore statutory body responsible for managing and maintaining the common property of HDB residential flats and commercial property in the Jalan Besar and Potong Pasir region in Singapore.

Ken-Pal (S) Pte Ltd is a private company incorporated in 1989 in Singapore, the principal activities of which include provision of building construction and maintenance services. According to the public information available at the Singapore Accounting and Corporate Regulatory Authority, its total paid up issued capital is approximately S\$15 million. Ken-Pal (S) Pte Ltd is not a listed company and therefore its operational and financial information is not publicly available.

Customer J is a private company incorporated in 2016 in Singapore, the principal activities of which include provision of building construction services. According to the public information available at the Singapore Accounting and Corporate Regulatory Authority, its total paid up issued capital is approximately S\$100. Customer J is not a listed company and therefore its operational and financial information is not publicly available.

Welltech Construction Pte Ltd is a private company incorporated in 1987 in Singapore, the principal activities of which include building construction. According to the public information available at the Singapore Accounting and Corporate Regulatory Authority, its total paid up issued capital is approximately S\$35 million. Welltech Construction Pte Ltd is not a listed company and therefore its operational and financial information is not publicly available.

Customer concentration

For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, the percentage of our total revenue attributable to our top customer amounted to approximately 40.3%, 23.3%, 11.2% and 14.5%, respectively. The percentage of our total revenue attributable to our top five customers combined amounted to approximately 68.8%, 59.7%, 45.2% and 62.3% 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:

- As at the Latest Practicable Date, our Group has established business relationship of seven years or above with some of our major customers during the Track Record Period (including Qingjian Group, Customer Group B, Chiu Teng Construction Co Pte Ltd, Customer E, Chang Hua Construction Pte Ltd, Ken-Pal (S) Pte Ltd, Customer J and Welltech Construction Pte Ltd as referred to in the paragraph headed "Our customers – Top customers" below in this section). Therefore, we will endeavour to accommodate their demand for our services to the extent our resources allow instead of turning down their requests, resulting in them being our top customers.
- According to the F&S Report, public residential developments initiated by the HDB are generally awarded to a limited number of established construction contractors in Singapore which conform to the Singapore Government's quality standard. Given the majority of our projects undertaken during the Track Record Period were public residential developments initiated by the HDB, a significant portion of our revenue was derived from a limited number of construction contractors engaged by the HDB for the corresponding public residential development. According to the F&S Report, it is not uncommon for electrical engineering solutions providers which undertake public residential development projects initiated by the HDB (such as our Group) to rely on a few construction contractors and such customer concentration is not uncommon in the industry. Further, our proven track record in undertaking public residential projects gave us an in-depth understanding of the type and standards of electrical systems in different public housing buildings and related facilities, which in turn provided assurance to our customers that their projects will be executed efficiently and in conformance with the HDB's standard. As such, we consider that we have developed a mutual and complementary relationship with these construction contractors.
- Except for Qingjian Group (which remained as our top customer for FY2015/16 and FY2016/17 in terms of revenue contribution), the ranking and combination of our top five customers for each of the three financial years during the Track Record Period were substantially different. This suggests that we did not place undue reliance on any particular one of them throughout the Track Record Period for revenue generation.

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- We have reduced our reliance on Qingjian Group while at the same time we were able to maintain our profitability as evidenced by the fact that our gross profit increased from S\$4.8 million for FY2015/16 to S\$5.2 million for FY2016/17, and further increased to S\$6.5 million for FY2017/18. Besides, there has been a decreasing trend in the percentage of revenue derived from Qingjian Group to our total revenue, from approximately 40.3% for FY2015/16 to approximately 23.3% for FY2016/17.
- We undertake projects 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.
- We have made consistent effort in expanding and diversifying our customer base. The number of customers for our electrical engineering services which generated revenue to us increased from 26 in FY2015/16 to 36 in FY2016/17 and further increased to 43 in FY2017/18. Further, the percentage of revenue derived from our top five customers have decreased considerably from 68.8% in FY2015/16 to 59.7% in FY2016/17, and further decreased to 45.2% in FY2017/18.

Top customers who were also our suppliers

Contra-charge arrangement with our customers

During the course of our business, there may be occasions where our customers pay on our behalf for materials used in our projects and subsequently deduct such payments when settling our service fees for the project. Such arrangement is generally known as “contra-charge arrangement” and the amounts involved are referred to as “contra-charge”. During the Track Record Period, we had contra-charge arrangements with some of our top customers, including Qingjian Group, Customer Group B, Customer C, Chiu Teng Construction Co Pte Ltd, Customer E, Chang Hua Construction Pte Ltd, Hock Guan Cheong Builder Pte Ltd, Customer J and Welltech Construction Pte Ltd. In this context, we regard such customers as our suppliers as well. Such contra-charge generally included purchase cost of materials used in our projects. Upon our request, our customers may purchase materials on our behalf and such amounts are subsequently settled under contra-charge arrangements. Effectively, the payments due to us from our customers under our projects will be settled after netting off such contra-charge amounts.

For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our contra-charge incurred for the purchase of materials from our top customers amounted to approximately S\$0.4 million, S\$54,000, S\$0.2 million and S\$0.2 million, representing approximately 1.3%, 0.3%, 1.1% and 0.8% of our total purchases for the corresponding period, respectively.

PRICING STRATEGY

Our pricing is generally determined based on certain mark-up over our estimated costs. We estimate our costs to be incurred in a project to determine our 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 prospectus 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 is overseen by our executive Directors, whose background and experience are disclosed in the section headed “Directors and senior management” in this prospectus, 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 availability of our manpower and resources; (vi) the completion time requested by customers; (vii) any subcontracting which is expected to be necessary; and (viii) the prevailing market conditions.

We prepare our tender price 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 and duration of the project; (ii) the prospect of obtaining future contracts from the customer; (iii) any possible positive effect of our Group’s reputation in the electrical engineering industry; (iv) the amount of the portion of work undertaken by any subcontractor; and (v) the likelihood of any material deviation of the actual cost from our estimation having regard to the price trend of key cost components; and (vi) the general market condition.

SALES AND MARKETING

During the Track Record Period, we secured new businesses mainly through direct invitations for tender 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 electrical engineering 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 management team would monitor the GeBIZ and newspaper for new and upcoming public building development projects and approach the construction contractors which are likely to tender or have tendered for these projects for possible participation in the relevant electrical engineering works. Our corporate website serves as a marketing platform which enables our customers to have a better understanding of our corporate profiles.

BUSINESS

OUR 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 carrying on our business mainly include (i) our subcontractors; (ii) suppliers of materials; and (iii) suppliers of other miscellaneous services including services provided by third party professionals (such as professional engineers and licenced electrical workers) for arranging external testing on our works as part of the certification procedures pursuant to the requirements under the Singapore laws and regulations. Our purchase amount from our suppliers was denominated in Singapore dollars or US dollars. Our suppliers generally grant us a credit term of 30 days or require us to pay upon delivery.

The following table sets forth a breakdown of our costs of subcontracting services and costs of materials and other services expenses during the Track Record Period by type of suppliers:

	FY2015/16		FY2016/17		FY2017/18		Seven months ended 31 January 2019	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
	Subcontracting services	15,633	57.1	12,873	63.0	14,155	63.1	12,394
Materials	10,722	39.1	7,048	34.5	7,917	35.3	6,839	35.5
Others ^(Note)	1,048	3.8	520	2.5	361	1.6	53	0.2
Total	27,403	100.0	20,441	100.0	22,433	100.0	19,286	100.0

Note: These miscellaneous services mainly included services provided by third party professionals (such as professional engineers and licenced electrical workers).

Please refer to the paragraph headed “Financial information – Fluctuation in cost of services” in this prospectus 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.

We may obtain quotations from our suppliers in making our cost estimation during the tender phase. Our procurement team will contact the suppliers that we have obtained quotations from during the tender phase, and may further negotiate on the pricing and contract terms with them after we are awarded with the projects. 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, our Group may from time to time engage subcontractors to perform certain electrical engineering works. During the Track Record Period, we have engaged subcontractors mainly for performing CATV installation works, ELV works, fibre optic connection works, underground installation works and ACMV works.

We engage our subcontractors on a project-by-project basis. We have not committed to any minimum purchase amount with our subcontractors. The salient terms included in our subcontracting agreements are summarised as follows:

Scope of services

The subcontracting agreement generally sets out the scope of services to be provided by our subcontractors. We require our subcontractors to complete the subcontracted works according to our customers' specifications, drawings and requirements.

Subcontracting charges

Our subcontractors generally charge us for a fixed price, which is subject to any variation orders or additional works to be performed by the subcontractor with our prior approval.

Duration

The subcontracting agreement generally sets out the estimated commencement date and completion date of the subcontracted services.

Defect liability period

Our subcontractors shall be responsible for rectifying works defects arising from works subcontracted to them at their own expenses for 12 months following completion of their works.

Payment arrangements

Our subcontractors are required to submit monthly progress claim to us setting out the details of the completed work on a monthly basis. Our payment to our subcontractors are generally governed by the Building and Construction Industry Security of Payment Act. For further details, please refer to the paragraph headed "Regulatory overview – Building and Construction Industry Security of Payment Act, Chapter 30B of Singapore ("BCISPA")".

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Retention money

We usually hold up to 10% of each progress payment to our subcontractors up to a maximum of 5% of the total contract sum as retention money. Typically, half of the retention money withheld is released to our subcontractors upon completion of their works and the remaining retention money is released after the expiry of the defect liability period.

Materials, machinery and equipment

On some occasions, we may purchase the necessary materials such as cement and electrical cables on behalf of our subcontractors at their costs and deduct the amount we incurred for the purchases from our payment to the subcontractors. We generally require our subcontractors to provide and arrange for the necessary machinery and equipment such as mobile elevating work platforms to be used in their works at their own costs.

Safety and prohibition of illegal workers

Our subcontractors are required to carry out the subcontracted works in accordance with the relevant laws and regulations as well as the safety rules of our customers and our Group which include the provision of personal protection equipment for all workers on site. Our subcontractors are also prohibited from hiring illegal workers. In the event of any non-compliance, the relevant subcontractor shall indemnify our Group against any action, loss, damages arising from such non-compliance.

Termination and liquidated damages

Our subcontractors shall be liable to pay us liquidated damages if they fail to complete their works on time. We are entitled to terminate the work order without prior notice in the event of breach of contract by our subcontractor.

Suppliers of materials

We generally procured the materials required for our projects from our suppliers on our own account on a project-by-project basis. We may enter into purchase agreements with some of our material suppliers, pursuant to which they shall supply the materials at the agreed prices specified in the agreement during the term of the project, based on the actual quantity ordered by us.

Based on the agreed material price, we will place purchase orders for materials such as electrical cables, switchgears, light fittings and other electrical components from our suppliers on an as-needed basis, taking into account the estimated amount of materials required for the project. Our purchase orders generally specify the volume, delivery date, product specification and types of materials we required.

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The delivery costs for the materials supplied are generally borne by our suppliers. Any materials that fail to comply with the specifications or standards provided in the purchase order will be returned to the suppliers for replacement. Our suppliers generally provide us with a warranty period of 12 months for the materials they supplied to us. Some of our suppliers may require us to pay a deposit equivalent to approximately 30% of the total purchase amount as deposit. We have not committed to any minimum purchase amount with our suppliers of materials. In general, our materials suppliers charge us based on the total quantity of our purchase.

Suppliers of miscellaneous services

We have from time to time carried out testing and commissioning on the electrical systems to ensure their functionality and connectedness. As such, we have engaged third party professionals such as professional engineers and licenced electrical workers to arrange for external testing on our works as part of the certification procedures pursuant to the requirements under the Singapore laws and regulations. Our purchase orders generally specify the scope of services required and the schedule of works. We have not committed to any minimum purchase amount with our suppliers of miscellaneous services.

Top suppliers

For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, the percentage of our total purchases from our top supplier amounted to approximately 10.3%, 18.0%, 16.4% and 18.4% respectively, while the percentage of our total purchases from our top five suppliers combined amounted to approximately 37.5%, 41.5%, 48.2% and 48.5% respectively.

The following tables set out information of our top five suppliers for each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019:

FY2015/16

Rank	Supplier	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						S\$'000	%
1	Supplier A	A private company in Singapore, the principal activities of which mainly include electrical works	Subcontracting of electrical installation works	Since 2011	30 days; by cheque	2,836	10.3
2	Supplier B	A private company in Singapore, the principal activities of which mainly include electrical works	Subcontracting of electrical installation works	Since 2015	30 days; by cheque	2,374	8.7

BUSINESS

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	%
3	Supplier C	A private company in Singapore, the principal activities of which mainly include electrical works	Subcontracting of electrical installation works	Since 2014	30 days; by cheque	1,763	6.5
4	Supplier Group D ^(Notes 1 & 2)	A group of private companies in Singapore, the principal activities of which mainly include electrical works, engineering design, supply of electrical parts and consultancy activities	Subcontracting of electrical installation works	Since 2015	30 days; by cheque	1,694	6.2
5	Supplier E	A private company in Singapore, the principal activities of which mainly include wholesale of industrial, construction and related machinery and equipment	Supply of generators	Since 2015	30 days; by cheque	1,602	5.8
				Top five suppliers combined		10,269	37.5
				All other suppliers		17,134	62.5
				Total purchases		<u>27,403</u>	<u>100.0</u>

Notes:

- Supplier Group D comprises Million Miles Electrical Pte. Ltd. (“**Million Miles**”) and Supplier D2, being private companies in Singapore, the principal activities of both companies mainly include electrical works. Million Miles was formerly owned as to 50% by Mr. YK Ang and 50% by an independent third party (“**Independent Third Party A**”). Both Mr. YK Ang and Independent Third Party A were directors of Million Miles. Supplier D2 was owned as to 80% by Independent Third Party A. Independent Third Party A was the sole director of Supplier D2.
- Mr. YK Ang resigned from his directorship and sold his shareholdings in Million Miles to Independent Third Party A in April 2018.

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 Group D ^(Notes 1 & 2)	A group of private companies in Singapore, the principal activities of which mainly include electrical works, engineering design, supply of electrical parts and consultancy activities	Subcontracting of electrical installation works	Since 2015	30 days; by cheque	3,678	18.0
2	Supplier F	Subsidiary of a company listed on the NASDAQ which is principally engaged in manufacturing and distributing cable and wire products in the Asia Pacific region	Supply of cables	Since 2011	60 days; by cheque	2,070	10.1
3	Supplier G	A private company in Singapore, the principal activities of which mainly include engineering design and consultancy activities, and general wholesale trade	Subcontracting of works ancillary to electrical installation works	Since 2014	30 days; by cheque	1,014	5.0
4	Supplier H	A Singapore company principally engaged in supplying switchgear products	Supply of switchboards	Since 2012	30 days; by cheque	927	4.5
5	Supplier C	A private company in Singapore, the principal activities of which mainly include electrical works	Subcontracting of electrical installation works	Since 2014	30 days; by cheque	801	3.9
Top five suppliers combined						8,490	41.5
All other suppliers						11,951	58.5
Total purchases						<u>20,441</u>	<u>100.0</u>

BUSINESS

Notes:

1. Supplier Group D comprises Million Miles Electrical Pte. Ltd. (“**Million Miles**”), being private companies in Singapore, the principal activities of both companies mainly include electrical works. Million Miles was formerly owned as to 50% by Mr. YK Ang and 50% by an independent third party (“**Independent Third Party A**”). Both Mr. YK Ang and Independent Third Party A were directors of Million Miles. Supplier D2 was owned as to 80% by Independent Third Party A. Independent Third Party A was the sole director of Supplier E2.
2. Mr. YK Ang resigned from his directorship and sold his shareholdings in Million Miles to Independent Third Party A in April 2018.

FY2017/18

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 Group D ^(Notes 1 & 2)	A group of private companies in Singapore, the principal activities of which mainly include electrical works, engineering design, supply of electrical parts and consultancy activities	Subcontracting of electrical installation works and supply of cables and certification services	Since 2015	7-30 days; by cheque	3,676	16.4
2	Supplier A	A private company in Singapore, the principal activities of which mainly include electrical works	Subcontracting of electrical installation works	Since 2011	30 days; by cheque	2,953	13.2
3	JT Construct Pte. Ltd. ^(Note 3)	A private company in Singapore, the principal activities of which mainly include electrical works and communications and power line construction	Subcontracting of electrical installation works	Since 2014	30 days; by cheque	2,071	9.2
4	Supplier J	A private company in Singapore, the principal activities of which mainly include supplying cables	Supply of cables	Since 2015	30 days; by cheque	1,326	5.9

BUSINESS

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	%	
5	Supplier G	A private company in Singapore, the principal activities of which mainly include engineering design and consultancy activities, and general wholesale trade	Subcontracting of works ancillary to electrical installation works	Since 2014	30 days; by cheque	791	3.5	
						Top five suppliers combined	10,817	48.2
						All other suppliers	11,616	51.8
						Total purchases	<u>22,433</u>	<u>100.0</u>

Notes:

- Supplier Group D comprises Million Miles Electrical Pte. Ltd. (“**Million Miles**”) and Supplier D2, being private companies in Singapore, the principal activities of both companies mainly include electrical works. Million Miles was formerly owned as to 50% by Mr. YK Ang and 50% by an independent third party (“**Independent Third Party A**”). Both Mr. YK Ang and Independent Third Party A were directors of Million Miles. Supplier D2 was owned as to 80% by Independent Third Party A. Independent Third Party A was the sole director of Supplier D2.
- Mr. YK Ang resigned from his directorship and sold his shareholdings in Million Miles to Independent Third Party A in April 2018. Hence, our transactions with Million Miles after the aforesaid resignation and disposal of shareholdings was no longer regarded as related party transaction.
- Mr. YK Ang was formerly a director and a shareholder (holding 80% of the total issued share capital) of JT Construct Pte. Ltd.. In March 2018, Mr. YK Ang resigned his directorship and sold his shareholdings in JT Construct Pte. Ltd. to an independent third party. Hence, our transactions with JT Construct Pte. Ltd. after the aforesaid resignation and disposal of shareholdings was no longer regarded as related party transaction.

Seven months ended 31 January 2019

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 Singapore, the principal activities of which mainly include electrical works	Subcontracting of electrical installation works	Since 2011	30 days; by cheque	3,556	18.4

BUSINESS

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 %	
2	JT Construct Pte. Ltd. ^(Note)	A private company in Singapore, the principal activities of which mainly include electrical works and communications and power line construction	Subcontracting of electrical installation works	Since 2014	30 days; by cheque	2,960	15.3
3	Supplier J	A private company in Singapore, the principal activities of which mainly include supplying cables	Supply of cables	Since 2015	30 days; by cheque	1,154	6.0
4	Supplier K	A private company in Singapore, the principal activities of which mainly include electrical works	Subcontracting of electrical installation works	Since 2018	30 days; by cheque	918	4.8
5	Supplier L	A private company in Singapore, the principal activities of which mainly include electrical works	Subcontracting of electrical installation works	Since 2018	30 days; by cheque	770	4.0
					Top five suppliers combined	9,358	48.5
					All other suppliers	9,928	51.5
					Total purchases	<u>19,286</u>	<u>100.0</u>

Note: Mr. YK Ang was formerly a director and a shareholder (holding 80% of the total issued share capital) of JT Construct Pte. Ltd.. In March 2018, Mr. YK Ang resigned his directorship and sold his shareholdings in JT Construct Pte Ltd. to an independent third party. Hence, our transactions with JT Construct Pte. Ltd. after the aforesaid resignation and disposal of shareholdings was no longer regarded as related party transaction.

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.

Reasons for subcontracting arrangement

Our Directors confirm that subcontracting of works is in line with normal market practice in the Singapore electrical engineering industry. Subcontractors can provide additional labours without the need for us to keep them under our employment. During times when our labour resources are tightened and depending on the types of specialised works involved, we may subcontract some of our works to other subcontractors, taking into account the availability of our labour resources and the schedule of works.

Basis of selecting suppliers

Selection of subcontractors

We generally select our subcontractors from the list of approved subcontractors provided by our customers. 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 which aligns with the list of approved subcontractors provided by our customers and such list is updated on a continuous basis. As at 31 January 2019, there were more than 30 approved subcontractors on our internal list. When subcontracting services are required for a 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 material suppliers

We generally purchase materials from our internal list of approved material suppliers. Depending on the project requirements and specifications, we may be required to procure materials from an approved list of material suppliers provided by our customers or the HDB. We would 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 also maintain an internal list of approved suppliers which aligns with the list of approved material suppliers provided by our customers and such list is reviewed and updated on a continuous basis. As at 31 January 2019, there were more than 75 approved suppliers on our internal list of approved suppliers.

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 system and occupational health and safety management system which are in conformity with the requirements of ISO 9001, ISO 14001 and OHSAS 18001 standards respectively.

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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) our project management team conducts regular meetings with subcontractors' responsible personnel to review their performance and resolve any issues encountered in the course of their works;
- (ii) our project management team reviews the works performed by our subcontractors on a continual basis during project implementation based on our quality control manual. We assess the performance of our subcontractors based on their (i) ability to meet delivery schedules; (ii) ability to meet the relevant tests' requirements; (iii) response to instructions; (iv) ability to honour the defect liability period; (v) management commitment; (vi) quality of services; and (vii) cost competitiveness;
- (iii) our subcontractors are required to follow our guidelines and instructions on workplace safety. Our project management team will closely monitor the on-site safety performance of our subcontractors; and
- (iv) we require our subcontractors to submit progress report to us on a regular basis.

QUALITY CONTROL

We believe that our commitment to quality services is crucial to our reputation and continual success. We place strong emphasis on service quality by implementing a comprehensive quality control system. Khoon Engineering obtained certification in 2017 certifying that its quality management system satisfies the requirements of ISO 9001 standard. In conformity with the ISO 9001 standards, our Group has developed and implemented a quality manual which stipulates procedures and control in relation to quality management system, proper filing, communication with customers, revision on quality manual and procedures, employees' training, internal and external audits, evaluation and procurement of subcontracting services and non-conforming works management.

BUSINESS

The quality control measures adopted by our Group include the followings:

Feedbacks from customers

Our executive Directors and senior management team regularly communicate with and conduct site visits to collect feedbacks from our customers. We would follow up and respond to the feedbacks from our customers in a timely manner with a view to maintain and continually improve our service standard. Throughout the project implementation, we may be invited to attend progress meetings held by our customers and/or the project owners from time to time to resolve any issues identified in the projects.

Designation of project management team

A project management team is assigned for each project based on the project nature and the relevant qualifications and experiences required. The project management team is headed by the project manager who is responsible for the overall management of the project, including liaising and communicating with our customers, coordinating and providing guidance to team members, overseeing the progress, budget and quality of services rendered. Depending on our customers' requests, we are generally required to submit monthly progress reports to our customers throughout the project implementation. Our monthly progress reports are prepared by the project management team which will report on the project status and any issue identified throughout the project.

Procurement of materials

Our Group maintains an approved list of suppliers which aligns with the list of approved materials suppliers provided by our customers and such list is updated on a regular basis. We typically arrange sample inspection on the materials upon their arrival. Please refer to the paragraph headed "Our suppliers – Basis of selecting suppliers – Selection of material suppliers" for our procurement policies of materials. We have from time to time required our suppliers to provide us with testing certificates for the materials supplied to us. Our suppliers are responsible for replacing any materials which do not meet the relevant specifications or standards and any associated costs incurred.

Works performed by subcontractors

Our Group maintains an approved list of subcontractors which aligns with the list of approved subcontractors provided by our customers. We selected our subcontractors 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 refer to the paragraph headed "Our suppliers – Control over subcontractors" above in this section for further details in this regard.

INVENTORY

In general, materials are procured by us on an as-needed basis in accordance with the project specifications. The major components of the electrical systems are used upon delivery on-site. 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. For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our total insurance premiums incurred were approximately S\$26,000, S\$51,000, S\$43,000 and S\$40,000, respectively.

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.

Our Group maintains work injury compensation policy for all of our employees pursuant to WICA. The insurance policy, which is renewed on an annual basis, provides for a coverage of up to S\$10 million per any one event.

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 MOM under the Employment of Foreign Manpower Act. For further details, please refer to the paragraph headed “Regulatory overview – Employment of foreign workers” in this prospectus.

Under the aforesaid requirement under the Employment of Foreign Manpower Act, we have furnished security bonds in the form of insurance guarantees for our non-Malaysian foreign employees.

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 insurance policy in respect of any illness or injury suffered by our foreign employees with a coverage of up to S\$15,000 per person per disability.

Contractors’ all risk insurance

In project where we were engaged by local statutory bodies in Singapore, our Group may be required to maintain 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.

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Other insurance coverage

We have taken out public liability insurance which covers our legal liability to third parties arising out of our business and third party liability insurance on our motor vehicles.

Uninsured risks

Certain risks disclosed in the “Risk factors” section of this prospectus, 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.

EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had a total of 187 employees (including our three executive Directors but excluding our three independent non-executive Directors). All our employees were stationed in Singapore. The following table sets out a breakdown of our employees by function:

	As at 30 June 2016	As at 30 June 2017	As at 30 June 2018	As at 31 January 2019	As at the Latest Practicable Date
General management	2	3	5	5	5
Procurement	2	2	2	4	4
Project management	32	32	32	32	31
Administration and finance	4	3	5	5	5
Site workers	<u>110</u>	<u>133</u>	<u>137</u>	<u>135</u>	<u>142</u>
	<u>150</u>	<u>173</u>	<u>181</u>	<u>181</u>	<u>187</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 Myanmar.

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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 of foreign workers” in this prospectus.

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

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

(i) Legality of the source of foreign workers

Pursuant to the Employment of Foreign Manpower Act and Immigration Act Chapter 133 of Singapore, employers must obtain a valid work pass from the MOM for their foreign employees. Our administration and finance department works closely with our recruiting agencies to ensure that (i) our foreign workers have obtained in-principle approvals prior to their arrivals in Singapore; and (ii) the requisite security bonds have been furnished for such foreign workers. Prior to the commencement of employment with our foreign workers, our administration and finance department normally inspects and takes copies of the originals of the identification documents and work permits of such foreign workers.

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

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

(ii) Dependency ceilings

Under the rules of the MOM, the dependency ceiling quota for companies in the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers. Based on the latest information available from the MOM database as at the Latest Practicable Date, our operating subsidiary, Khoon Engineering, has utilised 83.6% of the quota balance for foreign workers. Based on the latest information available from the MOM database as at the Latest Practicable Date and on the ratio of one full-time local worker to seven foreign workers, the maximum number of foreign workers Khoon Engineering can hire is 189, which means that we still have available quota to hire 31 additional foreign workers based on the dependency ceilings. Our Directors consider that

our existing quota balance for foreign workers are sufficient to cater to the employment of our existing foreign workers and those who are planned to be recruited by us after the Listing.

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

(iii) Minimum percentage of higher-skilled workers

Pursuant to the rules of the MOM, at least 10% of a construction company's work permit holders must be higher-skilled workers before the company can hire any new basic-skilled workers. Based on the latest information available from the MOM database as at the Latest Practicable Date, approximately 31.9% of the work permit holders hired by us are higher-skilled workers.

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

(iv) Security bonds requirements

For each non-Malaysian foreign employee for whom we were successfully granted with a work permit, a security bond of S\$5,000 in the form of a banker's guarantee or insurance guarantee is required to be furnished to MOM under the Employment of Foreign Manpower Act. During the Track Record Period and up to the Latest Practicable Date, our Group has complied with the aforesaid requirements by furnishing security bonds for our non-Malaysian foreign employees in the form of insurance guarantees.

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 bi-annually which will be taken into account in annual salary review and promotion appraisal.

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Our Group incurred staff costs (including directors, and chief executive's remuneration, and salaries, wages, contribution to Central Provident Fund and other benefits) of approximately S\$6.0 million, S\$4.4 million, S\$4.7 million and S\$3.6 million for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively.

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 have organised sessions of industrial trainings for our site workers in respect of the different trade of works involved in our electrical engineering projects. 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 directors and 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. For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our contributions paid or payable to the Central Provident Fund were approximately S\$0.2 million, S\$0.2 million, S\$0.2 million and S\$0.1 million, respectively.

ENVIRONMENTAL COMPLIANCE

Our Group's operations are subject to certain environmental requirements pursuant to the laws in Singapore, primarily in relation to public nuisances. For details of the regulatory requirements, please refer to the section headed "Regulatory overview – Environmental laws and regulations" in this prospectus.

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 that satisfies the requirements of ISO 14001 international standard since 2017. 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.

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In accordance with our environmental management system, our Group reviews and assesses environmental hazards and monitor changes in environmental laws and regulations on a regular basis. Appropriate trainings on environmental compliance are provided for our employees. Preventive and corrective actions are taken to ensure our compliance with relevant environment laws and regulations.

We have adopted the following environmental management measures in relation to:

- (i) noise level control, which includes identification of noise hazards, taking practicable measures to reduce excessive noise, sending workers for annual audiometric examination and reviewing their results, and providing hearing protection devices;
- (ii) air pollution control, which includes proper maintenance of hydraulic excavator and use of canvas if there is excessive dust; and
- (iii) breeding of vectors, which includes (i) engaging specialists from pest control company to carry out regular spraying of insecticides and fogging of the project site to prevent mosquito breeding; and (ii) establishing a site environmental control policy which stipulates the vector control measures and controls over mosquito breeding.

OCCUPATIONAL HEALTH AND WORK SAFETY

Our safety measures and management system

We place emphasis on occupational health and work safety. Since 2012, 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. We have also obtained a bizSAFE Level Star certification which is the highest bizSAFE level that may be awarded under the bizSAFE program in 2013.

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. Our safety manual is reviewed and updated by an independent third party safety consultant on an annual basis. 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.

Further, in accordance with our safety management system, we have engaged a safety adviser, being an independent safety auditing agency approved by Occupational Safety Department of the MOM in the Safety Management System Audit Scheme, to perform review procedures on our workplace safety system.

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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 supervisors safety courses for our employees with reference to their expertise, work experience and work requirements. 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.

PROPERTIES

Owned property

The following table summarises information regarding our owned property which was leased to an independent third party as at the Latest Practicable Date:

Address	Gross floor area	Usage	Net book value as at 31 January 2019
No. 3 Ang Mo Kio Street 62, #04-34 LINK@AMK, 569139	Approximately 2,153 sq.ft.	Investment property	S\$878,610

Leased properties

Our Group has leased the following properties which were material to our business operation as at the Latest Practicable Date:

Address	Gross floor area	Landlord	Permitted usage	Term of the lease
Block 5000 Ang Mo Kio Avenue 5 #04-01 Techplace II Singapore 569870	Approximately 4,174 sq.ft.	Independent third party	For assembly, repair and storage of electrical equipment cum ancillary office	From 17 September 2018 to 30 October 2021
Block 50, Unit No. #02-09, #02-12, Penjuru Place, Singapore 608566	N/A	Independent third party	For accommodation of our foreign labour	From 8 January 2018 to 31 January 2020

As at 31 January 2019, 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 prospectus. 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 prospectus 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.

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MACHINERY AND EQUIPMENT

Our machinery and equipment mainly comprised six hydraulic excavators and ten motor vehicles (comprising two lorries and eight passenger vehicles) as at 31 January 2019. We generally deploy our hydraulic excavators to assist our workers in performing installation works. Our lorries are generally used for arranging (i) transportation for our site workers; and (ii) delivery of tools and equipment, to and from the relevant work sites. The repair and maintenance of our machinery and equipment is conducted by external service providers on an as-needed basis.

Further, during the Track Record Period, we generally required our subcontractors to provide and arrange for the delivery of the necessary machinery and equipment such as mobile elevating work platforms to be used in their works at their own costs.

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 two domain names. Our Group had registered a trademark in Singapore and had applied for the registration of a trademark in Hong Kong. For further information, please refer to the section headed “Statutory and General Information – Further information about the business of our Group – 8. Intellectual property rights of our Group” in this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of an 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.

MARKET AND COMPETITION

According to the F&S Report, it is predicted that being supported by the favourable economic environment of Singapore, there will be a growing number of construction works in both the public and private sectors, demanding more electrical engineering services. Thus, the revenue generated from the electrical engineering services in Singapore will experience a growth from S\$871.0 million in 2019 to S\$1,054.5 million in 2022, at a CAGR of 6.6%.

In addition, the rising population in Singapore has caused a rise in demand for flats resulting in a growing number of residential building works as well as maintenance on existing residential buildings, which drives the demand for electrical engineering services from the residential sector. The revenue of the electrical engineering services market from the

BUSINESS

residential sector is predicted to increase at a CAGR of 5.7% from 2019 to 2022, amounting to S\$665.4 million in 2022. Driven by the future development plans of public residential buildings as well as the upgrading work plans – Home Improvement Programme (HIP) in upgrading existing old flats, the revenue generated from the electrical engineering services in public residential sector in Singapore is expected to rise at a CAGR of 6.2%, reaching S\$333.8 million by 2022.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance. In addition, our Directors are not aware of any litigation, arbitration or claim pending or threatened by or against us which may have a material adverse effect on our business, financial condition or results of operations.

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.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed “Risk factors” in this prospectus. 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 “Our 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 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 undertaking the following measures: (i) taking into consideration any possible inflation and cost increases during the term of the contract when submitting tender proposal; (ii) obtaining quotations from different suitable materials suppliers and/or subcontractors for comparison when placing purchase orders; and (iii) pricing of our services are overseen by our executive Directors.

(iii) Risk relating to subcontractors' performance

Please refer to the paragraphs headed "Our suppliers – Basis of selecting suppliers – Selection of subcontractors" and "Our suppliers – Control over subcontractors" above in this section.

(iv) 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 our 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 engagements from new customers, our accounting and finance staff would check on the background of the potential customer in order to assess their credibility.

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 included active communications and conducting follow up calls with the customers.

We generally grant our customers a credit term of 30 to 35 days from the invoice date. As at 30 June 2016, 2017, 2018 and 31 January 2019, we recorded trade receivables (net of impairment allowance for debts) of approximately S\$1.0 million, S\$2.5 million, S\$3.4 million and S\$1.6 million respectively, of which approximately S\$0.4 million, S\$1.0 million, S\$0.8 million and S\$0.5 million respectively have been past due but not impaired. For each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our average trade receivables turnover days were approximately 5 days, 20 days, 31 days and 19 days, respectively.

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

(v) Liquidity risk management

There are often time lags between making payment to our materials suppliers and/or subcontractors and receiving payment from our customers when undertaking contractual works, resulting in possible cash flow mismatch. Further, some of our customers may require us to take out performance guarantees, thereby locking up a portion of our capital for a prolonged 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 financial controller 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 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.

(vi) 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 any changes of the above are closely monitored and communicated to our management and supervisory team members for proper implementation and compliance.

(vii) Occupational health and work safety

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

(viii) 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 MOM 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. 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 terminated.

(ix) Quality control system

Please refer to the paragraph headed "Quality control" in this section.

(x) Environmental management system

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

(xi) 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 prospectus. 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 all three of our independent non-executive Directors, whose backgrounds and profiles are set out in the section headed "Directors and senior management" in this prospectus. 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 prospectus. 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 Listing.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of six Directors comprising three executive Directors and three independent non-executive Directors. The following table sets out the information regarding the members of the Board:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management	Roles and responsibilities
Executive Directors						
Mr. Ang Jui Khoon (洪維坤)	68	Chairman and executive Director	28 May 1988	24 July 2018	Father of Mr. KK Ang and Mr. YK Ang	Overall strategic planning, business development and corporate management of our Group and serving as the chairman of the Nomination Committee
Mr. Ang Kok Kwang (Hong Guoguang) (洪號光)	44	Executive Director and chief executive officer	6 January 1999	24 July 2018	Son of Mr. JK Ang, elder brother of Mr. YK Ang	Day-to-day operations and overall project management, formulating corporate and business strategies and making major operation decisions of our Group, and serving as a member of the Remuneration Committee
Mr. Ang Yong Kwang (Hong Yongquan) (洪咏權)	34	Executive Director and general manager	24 August 2010	24 July 2018	Son of Mr. JK Ang, younger brother of Mr. KK Ang	Day-to-day operations, overall project management and administrative matters of our Group, and serving as a member of the Nomination Committee

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management	Roles and responsibilities
Independent non-executive Directors						
Ms. Tan Pei Fung (陳沛芬)	36	Independent non-executive Director	10 June 2019	10 June 2019	–	Providing independent judgements on our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as the chairlady of the Audit Committee and member of the Remuneration Committee and Nomination Committee
Mr. Yeo Kwang Maccann (楊光)	34	Independent non-executive Director	10 June 2019	10 June 2019	–	Providing independent judgements on our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as the chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee
Mr. Hon Chin Kheong (Han Zhenqiang) (韓振強)	45	Independent non-executive Director	10 June 2019	10 June 2019	–	Providing independent judgements on our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as a member of the Audit Committee and the Nomination Committee

DIRECTORS AND SENIOR MANAGEMENT

Our senior management, together with our executive Directors, are responsible for the day-to-day management of our business. The table below sets forth certain information in respect of the senior management of our Group other than those who are our executive Directors:

Name	Age	Position	Date of joining our Group	Relationship with other Directors and senior management	Roles and responsibilities
Mr. Lim Shi Ann (Lin Shi'an) (林世安)	34	Financial controller	2 April 2018	–	Overall accounting and financial matters of our Group
Mr. Ong Qijie (Wang Qijie) (王麒捷)	37	Project director	8 August 2012	–	Procurement and performance of the electrical engineering projects
Mr. Li Junming, Calvin (李俊明)	36	Assistant general manager	29 February 2016	–	Overseeing and coordinating the activities of various departments of our Group, assisting the general manager and other executive Directors in developing strategies to improve our service quality and productivity, and assisting in our human resources functions

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ang Jui Khoon (洪維坤) (“Mr. JK Ang”), aged 68, is an executive Director and one of the Controlling Shareholders of our Company. He was re-designated as an executive Director and appointed as the chairman of our Board on 31 August 2018. Mr. JK Ang is a co-founder of our Group, and also a director of Khoon Engineering. Mr. JK Ang is responsible for the overall strategic planning, business development and corporate management of our Group. His appointment as the chairman of the Nomination Committee will take effect on the Listing Date.

Mr. JK Ang has over 47 years of relevant experience in the electrical engineering industry. From June 1972 to March 1973, Mr. JK Ang was employed by Great Electrical Enterprise (Pte) Limited as an electrician. He then worked for Reliance Electric (Pte) Limited as an electrician from April 1973 to November 1975. In April 1975, Mr. JK Ang founded Khoon Engineering Contractor as a sole proprietorship and commenced the business of providing electrical engineering contracting services in Singapore. Subsequently, Mr. JK Ang founded Khoon Engineering as a majority shareholder in May 1988.

Mr. JK Ang holds an Electrician’s Licence which was granted by the EMA for lifetime in July 2016. Mr. JK Ang has also been registered in the BCA as a trade foreman of electrical works, the latest registration of which was granted by the BCA in June 2017 and will be expired by August 2019. Mr. JK Ang has been the representative of Khoon Engineering as a corporate member of Singapore Electrical Contractors and Licensed Electrical Workers Association since March 2014. Mr. JK Ang was awarded Grade Three of National Trade Certificate in Electrical Fitting & Installation (Industrial) by Industrial Training Board Singapore in May 1975.

Mr. JK Ang is the father of Mr. KK Ang and Mr. YK Ang. Please refer to the sub-section headed “Directors – Executive Directors” in this section for the biographical information of Mr. KK Ang and Mr. YK Ang.

Mr. JK Ang did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

Mr. JK Ang had been a director of the following companies which were incorporated in Singapore prior to their dissolution:

Name of company	Nature of business	Position	Date of dissolution	Means of dissolution
Daiyen Trading (Pte) Ltd	Retail trade – retail sale of paints and general wholesale trade (including general importers and exporters)	Director	25 November 1996	Dissolved by striking off in Singapore

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Nature of business	Position	Date of dissolution	Means of dissolution
Khoon Electrical Contractors Pte Ltd	Manufacture of electrical equipment – manufacture of electrical household appliances (e.g. refrigerators, hot plates, toasters, food mixers, cookers, hair dryers, fans, shavers) and electrical works	Director	14 March 1990	Dissolved by members' voluntary winding up in Singapore
Besco Electric (S) Pte Ltd	Specialised construction activities-electrical works and general contractors (building construction including major upgrading works)	Director	12 February 2009	Dissolved by striking off in Singapore
Unimech Holding Pte Ltd	Financial service activities, except for insurance and pension funding – other holding companies and manufacture of disk drives (including CD-ROM drives, DVD-ROM drives, optical drives, flash drives, tape drives, solid state drives, storage subsystems)	Director	30 April 2009	Dissolved by striking off in Singapore
Oceanlink Holdings (S) Pte Ltd	Financial service activities, except for insurance and pension funding – bank/financial holding companies	Director	4 December 2003	Dissolved by striking off in Singapore
Rise Corporation Pte Ltd	Manufacture of machinery and equipment – manufacture and repair of lifting and handling equipment (including conveying systems, robots, industrial automated systems and automated guided vehicles)	Director	5 March 2008	Dissolved by striking off in Singapore

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Nature of business	Position	Date of dissolution	Means of dissolution
BM Construct Pte Ltd	Construction of buildings – general contractors (building construction including major upgrading works)	Director	5 June 2015	Dissolved by striking off in Singapore

Mr. JK Ang confirms that there was no fraudulent act or misfeasance on his part leading to the dissolution of the above companies 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 the companies. He also confirms that the above companies were solvent immediately prior to their dissolution.

Mr. JK Ang had been an owner and/or manager of the following entities which were established in Singapore prior to their dissolution:

Name of entity	Nature of business	Position	Date of dissolution	Means of dissolution
Khoon Engineering Contractor	Specialised construction activities – electrical works	Owner and manager	30 June 1988	Termination in Singapore
ANG JK Engineering	Architectural and engineering activities; technical testing and analysis – general building engineering design and consultancy services	Owner	25 May 2018	Cessation of registration in Singapore

ANG JK Engineering was a partnership owned by Mr. JK Ang and Mr. YK Ang prior to its dissolution. The reasons for Mr. JK Ang and Mr. YK Ang to dissolve ANG JK Engineering include, among others, that:

- (1) they intended to dedicate more time and effort on the operation of our Group;
- (2) since ANG JK Engineering's principal business activities partially overlap with that of our Group, they decided to dissolve ANG JK Engineering to avoid any potential competition between ANG JK Engineering and our Group and any potential conflict of interest that may arise from being both the owners of ANG JK Engineering and directors of our Group after the Listing;
- (3) there were no suitable candidate for succeeding partners;

DIRECTORS AND SENIOR MANAGEMENT

- (4) although ANG JK Engineering recorded a net profit for each of the two years ended 31 December 2017 and the five months ended 31 May 2018, it has remained a small-scale building engineering company and its scale of operations is no match for that of Khoon Engineering, which has a long established reputation in the industry. In particular, given that Khoon Engineering has been the one and only customer of ANG JK Engineering, all of ANG JK Engineering's income was derived from Khoon Engineering. Irrespective of the efforts made by Mr. JK Ang and Mr. YK Ang in managing ANG JK Engineering, their financial reward in ANG JK Engineering was ultimately derived from the business awarded by Khoon Engineering. Mr. JK Ang and Mr. YK Ang believe that their time and efforts dedicated to our Group would be more financially rewarding in the long run as compared to ANG JK Engineering as they could leverage on the industry reputation and networks of Khoon Engineering and its upcoming listing status to expand its businesses on a larger platform and benefit from it directly; and
- (5) our Group did not overly rely on the services provided by ANG JK Engineering since our Group has various suppliers which can provide similar services offered by ANG JK Engineering. It can be illustrated by the decrease in amount of our transaction with ANG JK Engineering while achieving growth in our profitability for FY2017/18 as compared to FY2016/17.

Mr. JK Ang confirms that there was no fraudulent act or misfeasance on his part leading to the dissolution of the above entities 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 the entities. He also confirms that the above entities were solvent immediately prior to their dissolution.

Mr. Ang Kok Kwang (Hong Guoguang) (洪號光) (“Mr. KK Ang”), aged 44, is an executive Director, the chief executive officer and one of the Controlling Shareholders of our Company. He 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. His appointment as a member of the Remuneration Committee will take effect on the Listing Date.

Mr. KK Ang has over 20 years of relevant experience in the electrical engineering industry. Since January 1999, he has been a director of Khoon Engineering.

Mr. KK Ang obtained a Diploma in Electrical Engineering from Singapore Polytechnic in May 1994 and a Bachelor of Engineering with Honours from the University of Melbourne in Australia in December 1998. Mr. KK Ang currently holds a Wiring Installer Licence issued by the Info-communications Development Authority of Singapore in April 2008. Mr. KK Ang has also been registered in the BCA as a trade foreman of electrical works, the latest registration of which was granted by the BCA in July 2017 and will be expired in August 2019.

Mr. KK Ang is the son of Mr. JK Ang and the elder brother of Mr. YK Ang. Please refer to the sub-section headed “Directors – Executive Directors” in this section for the biographical information of Mr. JK Ang and Mr. YK Ang.

DIRECTORS AND SENIOR MANAGEMENT

Mr. KK Ang did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

Mr. KK Ang had been a director of the following company which was incorporated in Singapore prior to its dissolution:

Name of company	Nature of business	Date of dissolution	Means of dissolution
Rise Corporation Pte Ltd	Manufacture of machinery and equipment – manufacture and repair of lifting and handling equipment (including conveying systems, robots, industrial automated systems and automated guided vehicles)	5 March 2008	Dissolved by striking off in Singapore

Mr. KK Ang confirms that there was no fraudulent act or misfeasance on his part leading to the dissolution of the above company 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 the company. He also confirms that the above company was solvent immediately prior to its dissolution.

Mr. Ang Yong Kwang (Hong Yongquan) (洪咏權) (“**Mr. YK Ang**”), aged 34, is an executive Director and the general manager of our Company. He is responsible for the day-to-day operations, overall project management and administrative matters of our Group. His appointment as a member of the Nomination Committee will take effect on the Listing Date.

Mr. YK Ang has over 8 years of experience in the electrical engineering industry. Mr. YK Ang began his career when he joined Khoon Engineering as a project manager in August 2010. He was promoted to general manager of Khoon Engineering in July 2016.

Mr. YK Ang obtained a Diploma in Information Technology from Ngee Ann Polytechnic in Singapore in August 2004. He further obtained a Bachelor of Information Technology (major in network administration and design, major in computer security) from the Edith Cowan University in Australia in August 2009. Mr. YK Ang has also been registered in the BCA as a supervisor of mechanical and electrical works, the latest registration of which was granted by the BCA in August 2018 and will be expired in August 2020.

Mr. YK Ang is the son of Mr. JK Ang and the younger brother of Mr. KK Ang. Please refer to the sub-section headed “Directors – Executive Directors” in this section for the biographical information of Mr. JK Ang and Mr. KK Ang.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YK Ang did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

Mr. YK Ang had been an owner of the following entity which was established in Singapore prior to its dissolution:

Name of entity	Nature of business	Position	Date of dissolution	Means of dissolution
ANG JK Engineering	Architectural and engineering activities; technical testing and analysis – general building engineering design and consultancy services	Owner	25 May 2018	Cessation of registration in Singapore

Mr. YK Ang confirms that there was no fraudulent act or misfeasance on his part leading to the dissolution of the above entity 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 the entity. He also confirms that the above entity was solvent immediately prior to its dissolution.

Independent Non-executive Directors

Ms. Tan Pei Fung (陳旖芬) (“Ms. Tan”), aged 36, was appointed as an independent non-executive Director on 10 June 2019. Her appointment as the chairlady of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee will take effect on the Listing Date. She is primarily responsible for providing independent judgment to our Board.

Ms. Tan has over 17 years of experience in the accounting and finance industry. In February 2002, Ms. Tan joined Likok Paper Trading Pte Ltd as a finance and administration manager. She was promoted to her current position as group finance director in June 2008. Ms. Tan was admitted to full membership of CPA Australia in August 2011.

Ms. Tan obtained a Bachelor of Commerce from University of Tasmania in Australia in December 2005. Part of the curriculum of the said degree was taught in Singapore, while the remaining part was taught in Australia.

Ms. Tan did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Tan had been a director of the following companies which were incorporated in Singapore prior to their dissolution:

Name of company	Nature of business	Position	Date of dissolution	Means of dissolution
Likok Resources Pte Ltd	Wholesale trade – general wholesale trade (including general importers and exporters) (importers & exporters in recycled materials, industrial resources etc.)	Director	17 September 2015	Dissolved by striking off in Singapore
Likok Enterprise Pte Ltd	Wholesale trade – ship bunkering and general wholesale trade (including general importers and exporters)	Director	8 August 2016	Dissolved by striking off in Singapore

Ms. Tan confirms that there was no fraudulent act or misfeasance on her part leading to the dissolution of the above companies and she is not aware of any actual or potential claim which has been or will be made against her as a result of the dissolution of the companies. She also confirms that the above companies were solvent immediately prior to their dissolution.

Mr. Yeo Kwang Maccann (楊光) (“Mr. Yeo”), aged 34, was appointed as an independent non-executive Director on 10 June 2019. His appointment as the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee will take effect on the Listing Date. He is primarily responsible for providing independent judgment to our Board.

Mr. Yeo has over 9 years of experience in the financial industry and business management. Mr. Yeo began his career when he was employed by the Monetary Authority of Singapore in August 2009 as an associate of its capital markets intermediaries department. He left the Monetary Authority of Singapore in April 2011. Mr. Yeo was employed by Credit Suisse Group AG (Singapore) as a senior analyst from May 2011 to June 2012. After that, Mr. Yeo joined TriOptima Asia Pacific Pte. Ltd. from June 2012 to July 2017 as a client manager. In August 2017, Mr. Yeo joined Roman Deco Pte Ltd as a managing director.

Mr. Yeo obtained a Bachelor of Accountancy and a Bachelor of Business Management from Singapore Management University in June 2009.

Mr. Yeo did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yeo had been an owner and manager of the following entity which was established in Singapore prior to its dissolution:

Name of entity	Nature of business	Position	Date of dissolution	Means of dissolution
Roman Kapital	Computer programming, consultancy and related activities – other information technology and computer service activities (e.g. disaster recovery services)	Owner and manager	2 February 2014	Cancellation in Singapore

Mr. Yeo confirms that there was no fraudulent act or misfeasance on his part leading to the dissolution of the above entity 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 the entity. He also confirms that the above entity was solvent immediately prior to its dissolution.

Mr. Hon Chin Kheong (Han Zhenqiang) (韓振強) (“Mr. Hon”), aged 45, was appointed as an independent non-executive Director on 10 June 2019. His appointment as a member of the Audit Committee and the Nomination Committee will take effect on the Listing Date. He is primarily responsible for providing independent judgment to our Board.

Mr. Hon has over 19 years of experience in the architectural profession. From March 2000 to April 2001, Mr. Hon was employed by Otis Koglin Wilson Architects in Chicago, USA, as a junior architect. After that, he joined P&T Consultants Pte Ltd in Singapore from 2001 to 2013, where his last position was senior associate. In September 2013, Mr. Hon joined Swan & Maclaren Architects Pte Ltd as a director.

Mr. Hon was granted Diploma in Mechanical Engineering from Singapore Polytechnic in May 1994, and was granted Bachelor of Architecture from Illinois Institute of Technology in the United States in May 2001. Mr. Hon was admitted as a member of the Singapore Board of Architects in July 2005.

Mr. Hon did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hon had been an owner of the following entities which were established in Singapore prior to their dissolution:

Name of entity	Nature of business	Position	Date of dissolution	Means of dissolution
Digiprint Mediaworks	Other professional, scientific and technical activities – photo taking services (e.g. portrait or studio photography) and motion picture, video, television and other programme post-production activities)	Owner	18 September 2005	Cancellation in Singapore
Home Direct Furnishing	Retail trade – retail sale of furnishings (e.g. curtains, carpets, pillow cases) and wholesale of furnishings (including curtains, carpets, wallpaper)	Owner	27 September 2013	Cancellation in Singapore

Mr. Hon confirms that there was no fraudulent act or misfeasance on his part leading to the dissolution of the above entities 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 the entities. He also confirms that the above entities were solvent immediately prior to their dissolution.

SENIOR MANAGEMENT

Mr. Lim Shi Ann (Lin Shi'an) (林世安) (“**Mr. Lim**”), aged 34, is the financial controller of our Company and is responsible for overall accounting and financial matters of our Group.

Mr. Lim has over 7 years of experience in the accounting industry. Mr. Lim was employed by Ernst & Young Solutions LLP from March 2011 to December 2017 where his last position was manager. In April 2018, Mr. Lim joined Khoon Engineering as its financial controller.

Mr. Lim obtained a Diploma in Banking & Financial Services from Singapore Polytechnic in May 2004. Mr. Lim was certified as an affiliate of the Association of Chartered Certified Accountants in December 2009, and was qualified as a chartered accountant of Singapore in April 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ong Qijie (Wang Qijie) (王麒捷) (“Mr. Ong”), aged 37, is the project director of our Company and is responsible for the procurement and performance of electrical engineering projects of our Group.

Mr. Ong has over 6 years of experience in the electrical engineering industry. Mr. Ong joined Khoon Engineering in August 2012 and was promoted to senior project manager in July 2016. Mr. Ong was appointed as a project director of Khoon Engineering in April 2018.

Mr. Ong obtained a Diploma in Electronics, Computer & Communication Engineering from Singapore Polytechnic in May 2002. He further obtained a Bachelor of Engineering from Singapore University of Social Sciences (previously known as SIM University) in September 2010.

Mr. Li Junming, Calvin (李俊明) (“Mr. Li”), aged 36, is the assistant general manager of our Company and is responsible for overseeing and coordinating the activities of various departments of our Group, assisting the general manager and other executive Directors in developing strategies to improve our service quality and productivity, and assisting in our human resources functions.

Mr. Li has over 7 years of experience in the financial industry and business management. Mr. Li began his career in July 2011 when he was employed by GFI Group as a FOREX/derivative broker. He left GFI Group in April 2013. From May 2013 to June 2014, he was employed by DBS Bank Ltd. where his last position was senior relationship manager. Mr. Li was employed by Advanced Recycling Pte Ltd as a project manager from July 2014 to February 2016. Mr. Li joined Khoon Engineering in February 2016 as a project manager. In April 2018, Mr. Li was promoted to assistant general manager of Khoon Engineering.

Mr. Li obtained a Diploma in Electronics, Computer & Communication Engineering from Singapore Polytechnic in May 2004. He further obtained a Bachelor of Business (Economics and Finance) from Royal Melbourne Institute of Technology in Australia in August 2011.

COMPANY SECRETARY

Ms. Leung Hoi Yan (梁皓欣) (“Ms. Leung”), aged 39, was appointed as the company secretary of our Company on 10 June 2019 and is responsible for our secretarial affairs.

Ms. Leung has over 15 years of experience in accounting field and over 8 years professional experience in company secretarial and corporate governance matters of listed company in Hong Kong. From March 2004 to June 2005, she worked at Insu-Value Insurance Consultants Limited as accounts clerk. From June 2005 to March 2007, she worked at Hong Kong Communications Group Limited as accounts clerk. She worked at Strategic Public Relations Group Limited from April 2007 to April 2010 with her last position as Assistant Accountant. From July 2010 to July 2018, she worked at Fast Team International Investment Limited, with her last position as assistant company secretary. She works with BPO Global Services Limited as Company Secretarial Manager of its listed company division and she joined BPO Global Services Limited since August 2018. Ms. Leung has been the company secretary of HKE Holdings Limited (a company listed on the Stock Exchange with stock code 1726) since 1 June 2019, Shuang Yun Holdings Limited (a company listed on the Stock Exchange with stock code 1706) since 1 June 2019 and FSM Holdings Limited (a company listed on the Stock Exchange with stock code 1721) since 1 June 2019, respective.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Leung holds a Honours Diploma in Accounting from Hong Kong Shue Yan College in July 2003 and obtained a Bachelor of Commerce (Honours) in Accounting from Hong Kong Shue Yan University in November 2008. She has been an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators since December 2016.

In the three years immediately preceding the Latest Practicable Date, Ms. Leung has not held any directorship in any listed companies.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 10 June 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. 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 three independent non-executive Directors, namely Ms. Tan, Mr. Yeo and Mr. Hon. Ms. Tan is the chairlady of our Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee on 10 June 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. 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 independent non-executive Directors.

Our Remuneration Committee comprises two independent non-executive Directors, namely Ms. Tan and Mr. Yeo and one executive Director, namely Mr. KK Ang. Mr. Yeo is the chairman of our Remuneration Committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our Company established the Nomination Committee on 10 June 2019 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. 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 three independent non-executive Directors, namely Ms. Tan, Mr. Yeo and Mr. Hon and two executive Directors, namely Mr. JK Ang and Mr. YK Ang. Mr. JK Ang is the chairman of our Nomination Committee.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Kingsway Capital Limited as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. 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 Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of the Shares under Rule 13.10 of the Listing Rules.

The term of appointment shall commence on the Listing Date and end 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 Listing Date and such appointment shall be subject to extension by mutual agreement.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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 are and will be formulated by our Board on the recommendations of the Remuneration Committee of our Company (comprising two independent non-executive Directors). During the Track Record Period, the remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses and other allowances and benefits in kind) 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 profit performance of our Group and the individual performance of our Directors or senior management members. Our Company intends to adopt the same remuneration policies after the Listing, subject to the review by and the recommendations of the Remuneration Committee of our Company.

For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, the aggregate amount of remuneration paid or payable by our Group to our Directors was approximately S\$2,090,000, S\$747,000, S\$791,000 and S\$911,000, respectively.

For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, the aggregate amount of remuneration paid or payable by our Group to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) was approximately S\$153,000, S\$206,000, S\$204,000 and S\$172,000, respectively.

Save as disclosed above, no other payments have been paid or are payable by our Group for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 to our Directors or the five highest paid individuals of our Group.

It is estimated that, under the arrangements currently in force, the aggregate remuneration (including benefits in kind but excluding any discretionary bonus) payable by our Group to our Directors for FY2018/19 will be approximately S\$893,000.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors 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 receive options to be granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “Other Information – 12. Share Option Scheme” in Appendix IV to this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Pursuant to the Acting in Concert Deed, Mr. JK Ang and Mr. KK Ang confirmed their acting in concert arrangements during the Track Record Period and agreed to continue to act in concert upon the Listing. Accordingly, Mr. JK Ang and Mr. KK Ang are acting together as a group of Controlling Shareholders. Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), our ultimate Controlling Shareholders, Mr. JK Ang and Mr. KK Ang, through Lead Development (an investment holding company owned as to 87.27% by Mr. JK Ang and as to 12.73% by Mr. KK Ang) together indirectly hold 75% interest in our Company. Please see section headed “Substantial Shareholders” for details of the shareholding interest of our Controlling Shareholders.

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 DEED

In preparation for the Listing, on 31 October 2018, Mr. JK Ang and Mr. KK Ang executed the Acting in Concert Deed, pursuant to which Mr. JK Ang and Mr. KK Ang confirmed their acting in concert arrangements during the Track Record Period, and agreed to continue to act in the above manner regarding the affairs of our Group upon the Listing until the Acting in Concert Deed is terminated in writing. Under the acting in concert arrangements, Mr. JK Ang and Mr. KK Ang had exercised their voting rights unanimously at all shareholders’ general meetings of Khoon Engineering on all major affairs.

Pursuant to the Acting in Concert Deed, Mr. JK Ang and Mr. KK Ang undertook that (i) they shall actively cooperate with each other and acting in concert with an aim to achieve consensus and concerted action on all activities relevant to the operation of each member of our Group and major affairs relating to our Group; (ii) they shall continue to act in concert to exercise collective control in their capacity as shareholders in respect of such shareholding interests in our Company; (iii) when exercising their voting rights at the shareholders’ meetings of each member of our Group, they shall vote, or procure any entities and trusts controlled by them to vote unanimously in accordance with the consensus achieved among them; (iv) prior to voting on any resolutions in shareholders’ meeting of each member of our Group, they shall discuss the relevant matters with one another with a view to reaching consensus and a unanimous vote, and decisions based on the consensus achieved in the shareholders’ meetings of each member of our Group shall not be challenged by any of them for any reason; and (v) they shall cooperate with each another to obtain and maintain the consolidated control and the management of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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 Listing.

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 department, independent treasury function for cash receipts and payments, and the ability to operate independently from our Controlling Shareholders from a financial perspective.

During the Track Record Period, our Group had certain performance bonds issued by a bank and an insurance company which were guaranteed by our ultimate Controlling Shareholders and in favour of our Group's customers as security for the due performance and observance of our Group's obligations under the contracts entered into between our Group and the customers. Details of such performance bonds are set out in the section headed "Financial information – Contingent liabilities" of this prospectus. The personal guarantees by our ultimate Controlling Shareholders will be released upon Listing and will be replaced by corporate guarantees and/or other collaterals from our Group.

During the Track Record Period, our Group had certain amounts due from/to our ultimate Controlling Shareholders, and their related parties, details of which are set out in note 20 to the Accountants' Report. Our Directors confirm that all amounts due from/to our Controlling Shareholders and/or their related parties have been fully settled as at the Latest Practicable Date.

Save as disclosed above, our Directors confirm that there was no other financial assistance, security or guarantee provided by our Controlling Shareholders or their respective close associates in favour of our Group or vice versa during the Track Record Period and as at the Latest Practicable Date.

Our Directors believe that, upon Listing, our Group is capable of obtaining financing from third parties without the support of our Controlling Shareholders. Therefore, our Group will be financially independent from our Controlling Shareholders and/or any of their respective close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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; (c) all the trademark and other intellectual property necessary or desirable for our business are registered in, or the registration for which has been applied under, the name of our Group; (d) 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, accordingly, our Directors consider that our Group's business operation to be independent from our Controlling Shareholders and their close associates.

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 three executive Directors and three independent non-executive Directors. Although our ultimate Controlling Shareholders, namely Mr. JK Ang and Mr. KK Ang, will simultaneously be our executive Directors and retain a controlling interest in our Company after the Listing, 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 on 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 Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Major suppliers' independence

Mr. YK Ang, one of our executive Directors and son of Mr. JK Ang, was formerly a director and a shareholder (holding 50% of the total issued share capital) of Million Miles Electrical Pte. Ltd. (“**Million Miles**”) and formerly a director and a shareholder (holding 80% of the total issued share capital) of JT Construct Pte. Ltd. (“**JT Construct**”), both of which are top five suppliers of our Group during the Track Record Period. He sold his shareholding interests and resigned from his directorships in both Million Miles and JT Construct in April 2018 and March 2018 respectively.

Prior to the disposal of Mr. YK Ang's shareholding interests in Million Miles, Million Miles was owned as to 50% by Mr. YK Ang and 50% by Mr. Ong Kim Poh. Mr. Ong Kim Poh was a project director of Khoon Engineering during the period from January 2015 to June 2018. Other than being a former employee of Khoon Engineering and having interests in Million Miles, he is an independent third party who has no past or present relationship (business or otherwise) with our Company, subsidiaries, directors, shareholders, senior management or any of their respective associates. In April 2018, Mr. YK Ang sold his entire shareholding interest in Million Miles to Mr. Ong Kim Poh. The consideration for the transfer of Mr. YK Ang's 50% shareholding interest in Million Miles was S\$11,500, which was determined with reference to the then latest unaudited net asset value of Million Miles, i.e. approximately S\$24,000.

Prior to the disposal of Mr. YK Ang's shareholding interests in JT Construct, JT Construct was owned as to 80% by Mr. YK Ang and 20% by Mr. Oh Ley Tiong. Mr. Oh Ley Tiong was a project manager of Khoon Engineering during the period from July 2014 to December 2016. Other than being a former employee of Khoon Engineering and having interests in JT Construct, he is an independent third party who has no past or present relationship (business or otherwise) with our Company, subsidiaries, directors, shareholders, senior management or any of their respective associates. In March 2018, Mr. YK Ang sold his entire shareholding interest in JT Construct to Mr. Oh Ley Tiong. The consideration for the transfer of Mr. YK Ang's 80% shareholding interest in JT Construct was S\$86,110, which was determined with reference to the then latest unaudited net asset value of JT Construct, i.e. approximately S\$108,000. Please refer to the section headed “Business – Suppliers – Top suppliers” for more details about Million Miles and JT Construct and our business relationship with them.

The factors and circumstances leading to Mr. YK Ang's decision to dispose of his interests in Million Miles and JT Construct include, among others, the following:

- (1) each of Million Miles and JT Construct is a small-scale electrical engineering company and its scale of operations is no match for that of Khoon Engineering which has a long-established reputation in the industry and possesses registrations under various ME workheads under the CRS. In particular, given that Khoon Engineering has been the one and only customer of both Million Miles and JT Construct, all of their income was derived from Khoon Engineering. In light of the relatively short operating history of Million Miles and JT Construct as compared with Khoon Engineering, Mr. YK Ang believes that it would be beneficial to his

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

family and Khoon Engineering if he could devote more time and resources to Khoon Engineering and leverage on its industry reputation and upcoming listing status to further expand its businesses from external customers;

- (2) he intended to avoid any potential conflict of interest resulting from serving as a director of Million Miles, and JT Construct and our Group concurrently after the Listing in order to demonstrate our commitment to strong corporate governance; and
- (3) he intended to dedicate more effort to his family business. Khoon Engineering is a company co-founded by his father, Mr. JK Ang in 1988. Over the years, Khoon Engineering has established its reputation as an electrical engineering service provider in Singapore. His elder brother, Mr. KK Ang, also worked for Khoon Engineering for over 15 years. He considered the importance of Khoon Engineering to his family and believed that he should contribute more of his time and expertise to the business growth and development of our Group, which underpinned his decision to join Khoon Engineering. Subsequently, after his promotion to general manager of Khoon Engineering in July 2016, he started to play an increasingly significant role in the business development of Khoon Engineering. With a view to sharing the workloads of his family members in managing Khoon Engineering, Mr. YK Ang planned to gradually reduce his involvement in those entities he had shareholdings in. Furthermore, as an executive Director, Mr. YK Ang is expected to devote additional time and efforts to handle the matter of our Company in relation to its continuing obligations under the Listing Rules after the Listing.

Having considered the aforesaid factors, Mr. YK Ang considered that it is more worthwhile to spend more time and attention in developing his career at Khoon Engineering than at Million Miles or JT Construct.

Given that (i) our purchases from Million Miles amounted to approximately 5.4%, 14.4%, 4.6% and 1.8% of our total purchases for each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively; (ii) our purchases from JT Construct amounted to approximately 3.2%, 2.6%, 9.2% and 15.3% of our total purchases for each of FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively; (iii) there were more than 30 subcontractors providing similar services on our internal list of approved subcontractors as at the Latest Practicable Date; and (iv) our terms and conditions with our other materials suppliers and subcontractors providing similar services and/or products are not less favourable than those with Million Miles or JT Construct, our Directors are of the view that we have not in the past placed, and do not expect in the foreseeable future to place, any reliance on Million Miles or JT Construct in achieving the sustainability of our operations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

During the Track Record Period, our Group entered into certain transactions with a number of our suppliers in Singapore in which our Controlling Shareholders and/or executive Directors had control and/or beneficial interest (“**Past Related Parties**”). Please refer to note 30 to the historical financial information of the Accountants’ Report as set out in Appendix I to this prospectus for a breakdown of the transaction amounts between our Group and the Past Related Parties during the Track Record Period. The following table sets out the principal business activities and scale of operations of the Past Related Parties.

Name of Past Related Parties	Principal business activities	Scale of operations
Million Miles Electrical Pte. Ltd.	Electrical works	A private company based in Singapore which generated net profit of S\$87,166, S\$105,555 and S\$84,876 for each of the three years ended 31 May 2016, 31 May 2017 and 31 May 2018 respectively ^(Note 2)
JT Construct Pte. Ltd.	Electrical works, communications and power line construction	A private company based in Singapore which generated net profit of S\$44,157 and S\$50,772 for each of the two years ended 30 June 2016 and 30 June 2017 respectively, and recorded a net loss of S\$49,488 for the year ended 30 June 2018 ^{(Note 1) (Note 2)}

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Name of Past Related Parties	Principal business activities	Scale of operations
ANG JK Engineering	General building engineering design and consultancy services	A partnership based in Singapore which generated net profit of S\$139,214, S\$160,544 and S\$150,712 for each of the two years ended 31 December 2016 and 31 December 2017 and the five months ended 31 May 2018 respectively ^(Note 2)
WMK Solutions Pte. Ltd. (“ WMK Solutions ”) ^(Note 3)	General contractors (building constructions including major upgrading works)	A private company based in Singapore which generated net profit of S\$189,219 and S\$122,686 for each of the two years ended 30 June 2017 and 30 June 2018 respectively ^(Note 2)
Comwealth Solutions Pte. Ltd.	Infrastructure engineering design and consultancy services, general wholesale trade (including general importers and exporters)	A private company based in Singapore which generated net profit of S\$91,280 and S\$31,000 for each of the two years ended 30 June 2016 and 30 June 2018 respectively, and recorded a net loss of S\$158,208 for the year ended 30 June 2017

Notes:

- The net profit of JT Construct Pte. Ltd. decreased by S\$100,260 from a net profit of S\$50,772 for the year ended 30 June 2017 to a net loss of S\$49,488 for the year ended 30 June 2018 was mainly attributable to (i) decrease in gross profit as a result of higher dormitory expenses incurred for its labour; and (ii) an increase in employee benefits expenses by approximately S\$50,000 as a result of salary increases for directors and staff members.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

2. During the Track Record Period, Million Miles, JT Construct and ANG JK Engineering did not have any other customer apart from our Group. As for WMK Solutions, it had two and four other customers apart from our Group for each of FY2016/17 and FY2017/18 respectively. Our Group contributed to approximately 1% and 40% of the revenue of WMK Solutions for each of FY2016/17 and FY2017/18, respectively.
3. Prior to the disposal of Mr. KK Ang's shareholding interests in WMK Solutions, WMK Solutions was owned as to 40% by Mr. KK Ang and 60% by Mr. Chong Wai Mun. In April 2018, Mr. KK Ang sold his entire shareholding interests in WMK Solutions to Mr. Chow Phee Yee. Mr. Chow Phee Yee has approximately 15 years of experience in the construction industry with expertise in electrical engineering and lightning works. Both Mr. Chong Wai Mun and Mr. Chow Phee Yee are independent third parties who have no past or present relationship (business or otherwise) with our Company, subsidiaries, directors, shareholders, senior management or any of their respective associates. The consideration for the transfer of Mr. KK Ang's 40% in WMK Solutions was S\$95,500, which was determined with reference to the then latest unaudited net asset value of WMK Solutions, i.e. approximately S\$239,000.

We remain open to the prospect of continuing our business relationships with Million Miles, JT Construct and WMK Solutions after the Listing, taking into consideration the following factors:

- we are committed to the provision of quality services. We have implemented various internal control measures on monitoring the quality and progress of our subcontractors/material suppliers, including but not limited to conducting regular assessments on our suppliers and maintaining approved lists of material suppliers and subcontractors which are reviewed and updated on a continuous basis. Each of Million Miles, JT Construct and WMK Solutions has been an approved supplier of our Group throughout the Track Record Period and up to the Latest Practicable Date which demonstrates that each of them has been able to provide goods and/or services to our Group in compliance with its requirements and specifications. Going forward, we will regularly review the services quality of Million Miles, JT Construct and WMK Solutions, and continue to include them in our approval list of material suppliers and subcontractors, if appropriate;
- after the respective disposals by Mr. YK Ang and Mr. KK Ang of their interests in each of Million Miles, JT Construct and WMK Solutions, these past related parties have become independent from our Group;
- the expertise and experience of each of Mr. Ong and Mr. Oh in their relevant fields; and
- we engage our suppliers on a project-by-project basis. We will evaluate the quotations submitted by Million Miles, JT Construct and WMK Solutions based on our internal selection process for our future projects.

Based on the above considerations, we consider that it is in our Group's interest to remain open to the prospect of continuing our business relationships with each of Million Miles, JT Construct and WMK Solutions after the Listing.

During the Track Record Period, apart from subcontracting services, our Group entered into transactions with the Past Related Parties for the purchase of direct materials, certification services and sundry services.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our purchases of direct materials consisted of purchases of electrical cables, PVC pipes and conduits. Electrical cables, PVC pipes and conduits are frequently used components in performing electric engineering works and are subject to wear and tear. In some circumstances, we may only require small amount of these components to perform urgent works in our worksites. Purchasing from the Past Related Parties would be more flexible as third-party suppliers may not be willing to supply small amounts of components in a short period of time. Our Directors confirm that our procurement of materials from the Past Related Parties were conducted on arm's length basis and on normal commercial terms.

Certification services provided by the Past Related Parties consisted of the certification works provided by qualified licensed electrical workers. Certification procedures are among those external testing procedures required by Singapore laws and regulations, which form an integral part of our entire spectrum of electrical engineering works. These certification works are required to be performed by a qualified licensed electrical worker, which some of the Past Related Parties possessed. We considered it is more flexible to obtain such certification services from the Past Related Parties given that we may need to deliver our completed projects with certificate in tight schedule. Our Directors confirm that our procurement of certification services from the Past Related Parties were conducted on arm's length basis and on normal commercial terms.

Our sundry services transactions with the Past Related Parties consisted of both sundry income and sundry expenses. Sundry income represents the handling fee mark-ups we charged to the Past Related Parties on top of our payments made for material purchases on their behalf, which is in line with our practice with other subcontractors. Sundry expenses represent certain miscellaneous transactions which are ancillary to the sub-contracting services provided by the Past Related Parties, such as miscellaneous site expenses.

Our Directors confirm that none of the Past Related Parties has been involved in any legal proceedings, subject to any bankruptcy or winding up procedures, or penalized by any governmental authorities during the Track Record Period and up to their disposals or dissolution.

Our Directors confirm that, save as disclosed above, 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.

Major customers' independence

Save for an insignificant amount of shares in Customer Group B, which is a company whose shares are listed on the Singapore Stock Exchange, held for passive investment purpose from time to time by Mr. JK Ang, 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.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

For the purpose of the Listing, each of our Controlling Shareholders, Mr. JK Ang, Mr. KK Ang and Lead Development (collectively, the “**Covenantors**”) has given certain non-competition undertakings in favour of our Company (for itself and as trustee for and on behalf of 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 Listing Date 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:

- (1) 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**”);
- (2) 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;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (3) 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).

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.

- (4) 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, which 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, 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.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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.

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) compliance with the Listing Rules, 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) appointment of Kingsway 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 recuse 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) appointment of 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 of the Deed of Non-competition and the enforcement thereby by our Company. We believe our independent non-executive Directors possess the qualification, integrity and they 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 an impartial, external opinion to protect the interests of our public Shareholders. Further details of our independent non-executive Directors are set out in "Directors and Senior Management";

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (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 Listing and immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or the 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 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 other member of our Group:

Name	Nature of interest	Number of Shares held/interested as at the date of the submission of application for Listing ⁽¹⁾	Approximate percentage of shareholding in the Company as at the date of the submission of application for Listing	Number of Shares held/interested immediately after completion of the Capitalisation Issue and the Share Offer ⁽¹⁾	Approximate percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Share Offer
Lead Development ⁽²⁾	Beneficial owner	1	100%	750,000,000	75%
Mr. JK Ang ⁽²⁾	Interest in a controlled corporation	1	87.27%	750,000,000	75%
Ms. Pan Moi Kia ⁽³⁾	Interest of spouse	1	87.27%	750,000,000	75%
Mr. KK Ang ⁽²⁾	Interest in a controlled corporation	1	12.73%	750,000,000	75%
Ms. Chong Sze Yen, Josephine ⁽⁴⁾	Interest of spouse	1	12.73%	750,000,000	75%

Notes:

- (1) All interests stated are long positions.
- (2) Lead Development is the direct Shareholder of our Company. All the issued shares of Lead Development are legally and beneficially owned by Mr. JK Ang as to 87.27% and Mr. KK Ang as to 12.73%. On 31 October 2018, Mr. JK Ang and Mr. KK Ang entered into the Acting in Concert Deed to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that they will continue to act in the same manner regarding the affairs of our Group upon the Listing. For details, please refer to the section headed “Relationship with Controlling Shareholders – Acting in Concert Deed” of this prospectus. Accordingly, by virtue of the SFO, Mr. JK Ang and Mr. KK Ang are deemed to be interested in the Shares held by Lead Development.
- (3) Ms. Pan Moi Kia is the spouse of Mr. JK Ang. Accordingly, Ms. Pan Moi Kia is deemed or taken to be interested in the Shares Mr. JK Ang is interested in under the SFO.
- (4) Ms. Chong Sze Yen, Josephine is the spouse of Mr. KK Ang. Accordingly, Ms. Chong Sze Yen, Josephine is deemed or taken to be interested in the Shares Mr. KK Ang is interested in under the SFO.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or the 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 is 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 other 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 Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme):

HK\$

Authorised share capital

<u>1,500,000,000</u>	Shares of par value HK\$0.01 each	<u>15,000,000</u>
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Shares issued and fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer

HK\$

30,000	Shares in issue as at the date of this prospectus	300
749,970,000	Shares to be issued pursuant to the Capitalisation Issue	7,499,700
<u>250,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,500,000</u>
<u>1,000,000,000</u>	Total issued Shares	<u>10,000,000</u>

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Share Offer 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 the Over-allotment Option or 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 of the Listing Rules, at least 25% of the total issued share capital of our Company must be at all times be held by the public (as defined in the Listing Rules). The 250,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon Listing.

SHARE CAPITAL

RANKING

The Offer Shares 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 prospectus 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 this prospectus, save for entitlements under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of the then sole Shareholder passed on 10 June 2019, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$7,499,700 (or such amount any one Director may determine) standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749,970,000 Shares (or any such number of Shares any one Director may determine) 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 10 June 2019 (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.

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 Share Offer – Conditions of the Public Offer” of this prospectus, 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 Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or 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 will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable law; or
- (c) when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate to issue Shares, please see the section headed "Further Information about our Company and its Subsidiaries – 3. Resolutions in writing of the then sole Shareholder passed on 10 June 2019" in Appendix IV to this prospectus.

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 Share Offer – Conditions of the Share Offer" of this prospectus, 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 the completion of the Capitalisation Issue and the Share Offer (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 prospectus regarding the repurchase of Shares is set out in the section headed "Further information about our Company and its subsidiaries – 6. Repurchase of our own securities" in Appendix IV to this prospectus.

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 expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable law; or
- (c) when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate to repurchase shares, please see the section headed "Further information about our Company and its subsidiaries – 3. Resolutions in writing of the then sole Shareholder passed on 10 June 2019" in Appendix IV to this prospectus.

SHARE CAPITAL

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 section headed “Other Information – 12. Share Option Scheme” in Appendix IV to this prospectus.

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, please see Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited Historical Financial Information, including the notes thereto, as set out in the “Accountants’ Report” in Appendix I to this prospectus. This Historical Financial Information is not necessarily indicative of the future performance of our Group. Our financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group’s experience and perception of historical trends, current conditions and expected future developments, as well as other factors that our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group’s expectations and projections depend on a number of risks and uncertainties over which our Group does not have control, including but not limited to those discussed below and elsewhere in this prospectus, particularly in the section “Risk factors” in this prospectus.

OVERVIEW

With an operating history of 30 years, we are a Singapore-based M&E service provider specialised in providing electrical engineering solutions. Our electrical engineering services mainly comprise (i) customisation and/or installation of electrical systems; (ii) assisting to obtain statutory approvals; and (iii) testing and commissioning. Our services are essential for ensuring the functionality and connectedness of the electrical systems as well as their compliance with the prescribed designs and statutory requirements.

Our electrical engineering services are widely required in new building developments and redevelopment, A&A and upgrading projects, which involve residential, commercial and industrial buildings. In particular, we have established solid track record in undertaking electrical engineering works in public residential developments initiated by the HDB, the public housing authority of the Singapore Government.

During the Track Record Period, the majority of our revenue was derived from public residential development projects, which amounted to approximately S\$26.0 million, S\$21.7 million, S\$30.7 million and S\$24.5 million for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively.

FINANCIAL INFORMATION

BASIS OF PREPARATION

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 24 July 2018.

The Historical Financial Information have been prepared in accordance with the accounting policies which confirm with IFRSs issued by the IASB and the principles of common control combination has been applied for the preparation of the Historical Financial Information.

Pursuant to a group reorganisation (the “**Reorganisation**”) as detailed in the section headed “History, development and reorganisation – Reorganisation” in this prospectus, which was completed on 12 March 2019, our Company became the holding company of the companies now comprising our Group.

Our Group resulting from the Reorganisation, including our Company and its subsidiaries, have always been under the common control of the Controlling Shareholders throughout the Track Record Period or since their respective dates of incorporation where there is a shorter period, and before and after the Reorganisation. As a result, the Historical Financial Information has been prepared under the principles of common control combination as if our Company had been the holding company of Khoon Engineering, the principal operating subsidiary, throughout the Track Record Period and as at each reporting date taking into account the respective date of incorporation of the group entities.

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 our Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective date of incorporation, where there is a shorter period.

The combined statements of financial position of our Group as at 30 June 2016, 2017, 2018 and 31 January 2019 have been prepared to present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

The Historical Financial Information is presented in S\$, which is also the functional currency of our Company and its principal operating subsidiary.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial condition and results of operations of our Group have been, and will continue to be, affected by several factors, including those set out below and in the section “Risk Factors” of this prospectus.

Our revenue is mainly derived from projects which are non-recurrent in nature

During the Track Record Period, we provide electrical engineering services to our customers on a project-by-project basis and our engagements with our customers are non-recurrent in nature. Specifically, our revenue has a significant portion from providing electrical engineering services in public sector projects in which the project owners are HDB, the public housing authority of the Singapore Government, and local statutory bodies in Singapore. Therefore, our customers are under no obligation to continue to award contracts to us, and there are no guarantee that we will be able to secure new contracts in the future and the Singapore Government will continue to pursue development and continual support in the public housing sector.

Our future growth and success will then depend on our ability to continue securing contracts. During the Track Record Period, we secured new businesses mainly through direct invitation for tender by our customers, and contracts are normally awarded to us by our customers through a tendering process. Our tender success rate was 43.2%, 62.2%, 63.2%, 53.5% and 54.5%, respectively, for FY2015/16, FY2016/17, FY2017/18, the seven months ended 31 January 2019, and from 1 February 2019 to the Latest Practicable Date. 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.

Pricing and cost estimation of our projects

Our revenue is derived from our electrical engineering projects. The contract sum quoted in the tender is determined after evaluation of our scope of work and taking into account all related costs involved including estimated costs for materials, manpower required and subcontracting services (if necessary). 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 at or below our estimated costs, and our ability to execute the projects efficiently.

However, the actual amount of time and costs involved in completing a project may vary and be affected by many factors, amongst other things, under-estimation of costs, excessive wastage, inefficiency, damage, performance of our workers and subcontractors and other unforeseen circumstances. Any significant cost overruns may adversely affect our profitability, results of operation and financial performance.

FINANCIAL INFORMATION

Fluctuation in cost of services

Our subcontracting charges and cost of materials are the major components of our cost of services during the Track Record Period. Subcontracting charges accounted for 46.3%, 50.4%, 52.0% and 54.9% of total cost of services for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively, while our cost of materials accounted for 31.8%, 27.6%, 29.1% and 30.3% of total cost of services for the same respective years or period.

During the Track Record Period, we purchased materials from our materials suppliers, such as electrical cables, switchgears, light fittings and other electrical components, which are in turn dependent on the prices of the underlying commodities, such as copper, aluminum, rubber, plastics and steel plate etc. Depending on our available labour resources and the types of specialised work involved, we also from time to time engaged subcontractors to perform certain electrical engineering works, mainly for CATV installation works, ELV works, fibre optic connection work and underground installation work and ACMV works. Accordingly, our subcontracting charges represented payments to those subcontractors and therefore may vary depending on the size of the projects, their required skills, the extent of involvement and the complexity of work etc.

The subcontracting charges and materials costs may fluctuate after we have secured our projects and may deviate from our initial estimation during the tender phase. In the event that the subcontracting charges or materials cost increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensation or price adjustment in our contracts with our customers, our financial performance and profitability will be adversely affected. We may enter into purchase agreements with some of our material suppliers, pursuant to which they shall supply the materials at the agreed prices specified in the agreement during the term of the project, and hence our exposure to subsequent fluctuation in the price of materials is minimised.

The following sensitivity analysis illustrate the impact of hypothetical fluctuations of material costs and subcontracting charges on our profit before taxation during the Track Record Period, assuming all other variables remained constant. The hypothetical fluctuation rate for material costs and subcontracting charges are set at 5% and 10% by reference to the cost structure analysis as stated in the F&S Report, in respect of CAGR of the average price of cables and switchgears as well as the average monthly salary of workers in electrical engineering services industry in Singapore for the period from 2013 to 2020.

Hypothetical fluctuation <i>Decrease/increase in profit before taxation</i>	Change in cost of direct materials	
	<i>+/-5%</i> <i>S\$'000</i>	<i>+/-10%</i> <i>S\$'000</i>
FY2015/16	536	1,072
FY2016/17	352	705
FY2017/18	396	792
Seven months ended 31 January 2019	342	684

FINANCIAL INFORMATION

Hypothetical fluctuation <i>Decrease/increase in profit before taxation</i>	Change in subcontracting charges	
	<i>+/-5%</i>	<i>+/-10%</i>
	<i>S\$'000</i>	<i>S\$'000</i>
FY2015/16	782	1,563
FY2016/17	644	1,287
FY2017/18	708	1,416
Seven months ended 31 January 2019	620	1,239

Shortage of labour in the construction industry in Singapore

According to the F&S Report, one of the challenges to the construction industry (including the electrical engineering 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. Our direct labour costs amounted to S\$5.2 million, S\$3.5 million, S\$3.6 million and S\$2.6 million for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively.

If we are unable to maintain a sufficient labour force necessary to perform our projects, we may be forced to increase wages in order to attract or retain workers, or increase our reliance on subcontractors, or otherwise be unable to maintain the quality of our services and our results of operations may be adversely affected.

Collectability of contract assets and recoverability of our trade receivables

We are subject to the credit risks and our liquidity is dependent on our customers making prompt payments on their invoices. As at 30 June 2016, 2017, 2018 and 31 January 2019, our trade receivables amounted to approximately S\$1.0 million, S\$2.5 million, S\$3.4 million and S\$1.6 million, of which approximately S\$0.4 million, S\$1.0 million, S\$0.8 million and S\$0.5 million have been past due but not impaired, respectively.

Furthermore, our contract assets amounted to approximately S\$4.9 million, S\$7.7 million, S\$11.4 million and S\$24.8 million as at 30 June 2016, 2017, 2018 and 31 January 2019, respectively, in relation to (i) our rights to consideration for our relevant electrical engineering services completed under the contracts but not billed; and (ii) the retention money held by the customers to secure our due performance of the contracts during the defect liability period (generally 12 months after the completion of the relevant works).

There is no assurance that we will be able to bill all or any part of contract assets for our services completed according to payment terms of the contracts, or that we will be able to recover all or any part of trade receivable from customers within the credit terms granted by us to our customers at all.

Further, our trade receivables turnover days were approximately 5 days, 20 days, 31 days and 19 days for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively. Any difficulty in billing for the work completed or collecting a substantial portion of our trade receivables from our customers could materially and adversely affect our cash flows and financial position.

FINANCIAL INFORMATION

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENTS

The financial information of our Group has been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. The significant accounting policies adopted by our Group are set forth in note 4 to the Accountants' Report in Appendix I to this prospectus.

In the application of our Group's accounting policies, our Directors are required to make judgments, 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 on-going 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. Our Directors believe the key sources of estimation and judgements made in applying our accounting policies, such as revenue recognition, contract assets and liabilities and estimated impairment of trade receivables, for the preparation of our financial statements, further information are set forth in note 5 to the Accountants' Report in Appendix I to this prospectus.

Our Group has consistently applied the accounting policies which conform with IFRSs that are effective for the financial year beginning on 1 July 2018 and throughout the Track Record Period, except that our Group adopted IFRS 9 Financial Instrument since 1 July 2018 and International Accounting Standard ("IAS") 39 Financial Instruments: Recognition and Measurement for the FY2015/16, FY2016/17 and FY2017/18.

IFRS 9 "Financial Instruments"

The application of IFRS 9 on 1 July 2018 has no significant impact on the financial performance and the combined financial position of our Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected loss approach as at same date when compared to that of IAS 39.

IFRS 15 "Revenue from Contracts with Customers"

Our Group has adopted IFRS 15 "Revenue from Contracts with Customers" and consistently applied throughout the Track Record Period, though IFRS 15 that is effective for the financial year beginning on or after 1 January 2018. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS supersedes the previous revenue recognition standards including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations. Upon application of IFRS 15, our Group 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 customers.

FINANCIAL INFORMATION

We have assessed the effects of adoption of IFRS 15 on our Group's financial position and performance and identified certain judgement for applying the accounting policy, classification and presentation of balances in the combined statements of financial position as set out below:

- (a) Specifically considering guidance on contract combinations, contract modification arising from variation orders and variable consideration, particularly taking into account the reason for the difference in timing between the transfer of control of goods and services to the customer and the timing of the related payments. Our Directors assessed that revenue from provision of services on electrical engineering works should be recognised over time as the customer controls our work during the course of provision for services by our Group. Furthermore, our Directors consider the currently used input method faithfully depicts our Group's performance towards complete satisfaction of these performance obligation under IFRS 15.
- (b) Presentation of contract assets and contract liabilities in the combined statements of financial position. IFRS 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position. They would have been presented as "amount due from customers for contract work" and "amount due to customers for contract work" should IAS 11 have been applied throughout the Track Record Period.

Taking into account the impact disclosed above, our Directors consider that the application of IFRS 15 did not have any significant impact on our Group's financial position and performance during the Track Record Period as compared to requirements of IAS 18 and IAS 11.

Adoption of new and amendments to IFRSs

Our Group has not applied the new and amendments to IFRSs, IASs, amendments to IFRSs/IASs and the new interpretations that have been issued but not yet effective. Except for IFRS 16 "Leases", our Group considers that the application of the other new and amendments to IFRSs, IASs and new interpretations is unlikely to have a material impact on our Group's financial position and performance as well as disclosure in foreseeable future. The details of the assessments for the impact to our Group by those new and other new and amendments to IFRSs, IASs and new interpretations are set out in note 3 to the Accountants' Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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 prospectus. As such, the following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	FY2015/16	FY2016/17	FY2017/18	Seven months ended	
				31 January	
	S\$'000	S\$'000	S\$'000	2018	2019
				S\$'000	S\$'000
				<i>(unaudited)</i>	
Revenue	38,573	30,795	33,732	17,236	28,336
Cost of services	<u>(33,762)</u>	<u>(25,553)</u>	<u>(27,231)</u>	<u>(13,983)</u>	<u>(22,563)</u>
Gross profit	4,811	5,242	6,501	3,253	5,773
Other income	219	346	251	123	104
Other gains or losses	(106)	300	204	(250)	(38)
(Allowance for) reversal of impairment loss on trade receivables	(25)	–	(54)	(3)	31
Administrative expenses	(1,291)	(1,401)	(1,654)	(883)	(1,442)
Finance costs	(9)	(15)	(39)	(9)	–
Listing expenses	<u>–</u>	<u>–</u>	<u>(948)</u>	<u>–</u>	<u>(1,713)</u>
Profit before taxation	3,599	4,472	4,261	2,231	2,715
Income tax expense	<u>(539)</u>	<u>(646)</u>	<u>(760)</u>	<u>(426)</u>	<u>(791)</u>
Profit and other comprehensive income for the year/period	<u><u>3,060</u></u>	<u><u>3,826</u></u>	<u><u>3,501</u></u>	<u><u>1,805</u></u>	<u><u>1,924</u></u>

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was principally generated from the provision of electrical engineering services. Our electrical engineering services are widely required in new building developments, redevelopment, A&A and upgrading projects, which involve residential, commercial and industrial buildings. Revenue from electrical engineering services contracts are recognised over time using input method, i.e. based on the actual costs incurred to date as a percentage of the total budgeted costs to complete the project.

FINANCIAL INFORMATION

Such total budgeted costs to completion, as reflected in our cost budget, is predetermined during the tender stage for each project by our quantity surveyors, under the supervision and guidance of our executive Directors, mainly based on the estimated material costs to be used, the quotations provided by our materials suppliers and/or subcontractors involved in the project, estimated staff costs directly related to the personnel to be involved in the project, and some other costs estimated by our quantity surveyors, having considered the scale, complexity, defect liability period and work schedules of the project. In order to ensure our estimation of the budgeted cost up to completion is accurate and up-to-date throughout the project implementation, our project managers conduct periodic review of the budget of each project on an on-going basis by comparing the predetermined cost budget with the actual costs incurred to date. Actual costs incurred in a project are reported by the project managers to our executive Directors.

To ensure our financial reporting system operates in accordance with the accounting policies adopted by our Group, we have adopted certain internal control measures in ensuring the costs incurred are properly recorded in the financial reporting system as well as the accuracy of the percentage of total costs for completing the projects under the input method. Our Group's accounting entries for preparing the monthly management accounts are handled by our designated accounting staff based on relevant supporting documents, including invoices issued for progress payment to our customers, progress claim submitted by our subcontractors, and payment invoice from our suppliers and/or subcontractors, and data extracted from our Group's payroll system.

Our financial controller carries out monthly review to ensure that the actual costs incurred for each project by comparing to the latest budget costs. If any material deviation is identified, our executive Directors will enquire with the responsible project managers for the potential cause of the deviation and decide for appropriate follow-up actions to be taken. Based on the above procedures, the actual costs incurred to date are calculated by our designated accounting staff by aggregating the costs of materials procured, the subcontracting charges for the work done to date, staff costs extracted from our payroll system, and other direct costs incurred for the project. Our financial controller is responsible for reviewing the works of our accounting staff and ensuring the accuracy of the actual costs, budgeted costs and the percentage to completion for the project.

The table below sets forth our revenue by reference to the category of buildings involved for the periods indicated:

	FY2015/16		FY2016/17		FY2017/18		Seven months ended 31 January			
	S\$'000	%	S\$'000	%	S\$'000	%	2018 S\$'000	%	2019 S\$'000	%
Residential buildings	29,128	75.5	25,074	81.4	30,719	91.1	16,404	95.2	25,613	90.4
Commercial and industrial buildings	9,445	24.5	5,721	18.6	3,013	8.9	832	4.8	2,723	9.6
	<u>38,573</u>	<u>100.0</u>	<u>30,795</u>	<u>100.0</u>	<u>33,732</u>	<u>100.0</u>	<u>17,236</u>	<u>100.0</u>	<u>28,336</u>	<u>100.0</u>

FINANCIAL INFORMATION

Residential buildings

Our revenue was mainly derived from residential projects, which amounted to approximately S\$29.1 million, S\$25.1 million, S\$30.7 million and S\$25.6 million for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively, representing 75.5%, 81.4%, 91.1% and 90.4% of our total revenue. Our customers of these residential projects were mainly from public sectors, including construction contractors engaged by the HDB for new building development and redevelopment projects and local statutory bodies in Singapore for A&A and upgrading projects. As such, our revenue derived from public residential projects amounted to approximately S\$26.0 million, S\$21.7 million, S\$30.7 million and S\$24.5 million for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively, representing 67.4%, 70.3%, 91.0% and 86.3% to our total revenue.

Apart from our engagement in the public residential projects, we were also engaged in residential projects under private sector, in which our customers were mainly construction contractors engaged by property developers. However, the portion of our revenue from residential projects under private sector are relatively small, representing approximately 8.1%, 11.1%, 0.1% and 4.1% to our total revenue for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively.

Commercial and industrial buildings

During the Track Record Period, we also undertook projects related to commercial development generally involving office buildings and shopping complex, and the projects related to industrial development generally involving factory buildings and warehouses. All these commercial and industrial projects are awarded by our customers who are construction contractors engaged by property developers. Our revenue derived from commercial and industrial projects were approximately S\$9.4 million, S\$5.7 million, S\$3.0 million and S\$2.7 million for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively, representing 24.5%, 18.6%, 8.9% and 9.6% to our total revenue, which was mainly contributed by the Myanmar project.

The Myanmar Project, for which the job site was located at a commercial complex comprising shopping mall and office building in Myanmar, is our top project completed during the Track Record Period in terms of revenue contribution. The Myanmar Project was awarded to us by Qingjian Group (a construction contractor being one of our top five customers during the Track Record Period). The Myanmar Project commenced in March 2015 and was completed in August 2016. We derived revenue of approximately S\$8.8 million, S\$2.1 million, nil and nil from this project for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively. For further details, please refer to the section headed “Business – Projects undertaken during the Track Record Period – Project awarded by Qingjian Group which was undertaken in Myanmar during the Track Record Period” in this prospectus.

FINANCIAL INFORMATION

By project sector

Public sector projects refer to projects of which the project owners are Singapore Government or statutory bodies, while private sector projects refer to projects other than public sector projects. The following table sets forth a breakdown of our revenue by project sector and number of projects with revenue contribution to us during the Track Record Period:

	FY2015/16			FY2016/17			FY2017/18		
	No. of projects ^(Note 1)	Revenue S\$'000	% of total revenue	No. of projects ^(Notes 1&2)	Revenue S\$'000	% of total revenue	No. of projects ^(Notes 2&3)	Revenue S\$'000	% of total revenue
Public sector	31	25,991	67.4	41	21,653	70.3	38	30,686	91.0
Private sector	7	12,582	32.6	14	9,142	29.7	15	3,046	9.0
	<u>38</u>	<u>38,573</u>	<u>100.0</u>	<u>55</u>	<u>30,795</u>	<u>100.0</u>	<u>53</u>	<u>33,732</u>	<u>100.0</u>

	Seven months ended 31 January					
	2018			2019		
	No. of projects	Revenue S\$'000 (unaudited)	% of total revenue	No. of projects ^(Note 3)	Revenue S\$'000	% of total revenue
Public sector	32	16,382	95.0	38	24,458	86.3
Private sector	14	854	5.0	12	3,878	13.7
Total	<u>46</u>	<u>17,236</u>	<u>100.0</u>	<u>50</u>	<u>28,336</u>	<u>100.0</u>

Notes:

- Out of the 55 projects which contributed revenue to FY2016/17, 26 projects also contributed revenue to FY2015/16.
- Out of the 53 projects which contributed revenue to FY2017/18, 27 and 14 projects also contributed revenue to FY2016/17 and FY2015/16, respectively.
- Out of the 50 projects which contributed revenue to the seven months ended 31 January 2019, 29, 21 and 14 projects also contributed revenue to FY2017/18, FY2016/17 and FY2015/16, respectively.

As mentioned above, the majority of our revenue during the Track Record Period was generated from public sector projects, which are solely related to residential buildings, either awarded by construction contractors engaged by HDB for new building development and redevelopment projects or by local statutory bodies in Singapore for A&A and upgrading projects.

In respect of the private sector projects, which related to residential, commercial and industrial buildings development. Our customers of private sector projects are construction contractors engaged by property developers. Our revenue derived from private sector projects amounted to approximately S\$12.6 million, S\$9.1 million, S\$3.0 million and S\$3.9 million for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively,

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representing 32.6%, 29.7%, 9.0% and 13.7% to our total revenue. We derived revenue of approximately S\$8.8 million, S\$2.1 million, nil and nil from the Myanmar Project for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019.

By our role as main contractor or subcontractor

The following table sets forth a breakdown of our revenue during the Track Record Period by our role as main contractor or subcontractor in the projects:

	FY2015/16		FY2016/17		FY2017/18		Seven months ended 31 January								
	No. of projects	% of total revenue	No. of projects	% of total revenue	No. of projects	% of total revenue	2018		2019						
							Revenue	% of total revenue	Revenue	% of total revenue					
	S\$'000		S\$'000		S\$'000										
Main contractor	8	2,865	7.4	24	4,857	15.8	24	5,633	16.7	24	3,145	18.2	17	959	3.4
Subcontractor	30	35,708	92.6	31	25,938	84.2	29	28,099	83.3	22	14,091	81.8	33	27,377	96.6
Total	38	38,573	100.0	55	30,795	100.0	53	33,732	100.0	46	17,236	100.0	50	28,336	100.0

(unaudited)

Cost of services

Cost of services rendered primarily consists of (i) subcontracting charges, (ii) direct materials, (iii) staff costs and benefits, and (iv) professional fee for the services provided by third party professionals. Other costs included costs relating to insurance, rental charges, entertainment, site expenses, transportation and depreciation etc. The following table sets out the breakdown of the components of our Group's costs of services during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		Seven months ended 31 January			
	S\$'000	%	S\$'000	%	S\$'000	%	2018		2019	
							Revenue	% of total revenue	Revenue	% of total revenue
	S\$'000		S\$'000		S\$'000					
Subcontracting charges	15,633	46.3	12,873	50.4	14,155	52.0	6,282	44.9	12,394	54.9
Direct materials	10,722	31.8	7,048	27.6	7,917	29.1	4,861	34.8	6,839	30.3
Staff costs and benefits	5,173	15.3	3,516	13.8	3,571	13.1	2,079	14.9	2,624	11.7
Professional fee	1,048	3.1	520	2.0	361	1.3	85	0.6	53	0.2
Others	1,186	3.5	1,596	6.2	1,227	4.5	676	4.8	653	2.9
Total	33,762	100.0	25,553	100.0	27,231	100.0	13,983	100.0	22,563	100.0

(unaudited)

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Subcontracting charges

Depending on our available labour resources and the types of specialised works involved, we may consider to subcontract some of our electrical engineering works to other subcontractors. During the Track Record Period, we have engaged subcontractors to perform certain electrical engineering works, mainly for performing CATV installation works, ELV works, fibre optic connection works, underground installation works and ACMV works. For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, we have incurred subcontracting charges of approximately S\$15.6 million, S\$12.9 million, S\$14.2 million and S\$12.4 million, representing 46.3%, 50.4%, 52.0% and 54.9% of total costs of services, respectively.

Direct materials

We generally procured the materials required for our projects from our suppliers on our own account on a project-by-project basis. The major types of materials that we purchased included electrical cables, switchgears, light fittings and other electrical components. As the materials required for the projects are procured on an as-needed basis in accordance with the project specification, and the major components of the contracted electrical system are used upon delivery on-site, no inventory was kept and hence all materials procured were charged to costs of services directly during the Track Record Period. For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, we incurred direct material costs of approximately S\$10.7 million, S\$7.0 million, S\$7.9 million and S\$6.8 million, representing 31.8%, 27.6%, 29.1% and 30.3% of total costs of services, respectively.

Staff costs and benefits

During the Track Record Period, our staff costs and benefits mainly represented basic salary, discretionary bonus, contributions to Central Provident Fund (“CPF”) and other benefits to our project management personnel and site workers involved in our projects. In addition, approximately S\$1.4 million of our staff costs and benefits for FY2015/16 represented discretionary bonuses for two executive Directors to reward their performance and contributions on our project management. Our site workers are employed in Singapore, including local workers and foreign workers from India, Malaysia, Bangladesh and Myanmar. The average number of site workers for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 was 128, 122, 132 and 145 respectively. For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, we incurred staff costs and benefits including the discretionary bonus of approximately S\$5.2 million, S\$3.5 million, S\$3.6 million and S\$2.6 million, representing 15.3%, 13.8%, 13.1% and 11.7% of total costs of services, respectively.

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Professional fee

During the Track Record Period, we have engaged third party professionals, such as professional engineers and licenced electrical workers for certification for our electrical engineering works.

Gross profit and gross profit margin

Our pricing of services is generally determined based on certain mark-up over our estimated costs 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 availability of our manpower and resources; (vi) the completion time requested by customers; (vii) any subcontracting which is expected to be necessary; and (viii) the prevailing market conditions. Therefore, the percentage of mark-up may vary substantially from project to project due to above factors, as well as our Directors may also consider other qualitative and uncertainty factors, including the prospect of obtaining future contracts from the customer, any possible positive effect of our Group's reputation in the electrical engineering industry, and the likelihood of any material deviation of the actual cost from our estimation having regard to the price trend of key cost components etc.

The following table sets out the breakdown of our total gross profit and gross profit margin by the type of buildings and project sector during the Track Record Period.

	FY2015/16		FY2016/17		FY2017/18	
	Gross profit S\$'000	Gross profit margin %	Gross profit S\$'000	Gross profit margin %	Gross profit S\$'000	Gross profit margin %
Residential buildings						
Public sector	4,023	15.5	3,837	17.7	5,564	18.1
Private sector	472	15.0	514	15.0	2	6.1
	4,495	15.4	4,351	17.4	5,566	18.1
Commercial and industrial buildings	316	3.3	891	15.6	935	31.0
	4,811	12.5	5,242	17.0	6,501	19.3

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	Seven months ended 31 January			
	2018		2019	
	Gross profit S\$'000 <i>(unaudited)</i>	Gross profit margin %	Gross profit S\$'000	Gross profit margin %
Residential buildings				
Public sector	3,021	18.4	4,953	20.3
Private sector	–	–	77	6.7
	<hr/>	<hr/>	<hr/>	<hr/>
	3,021	18.4	5,030	19.6
Commercial and industrial buildings	232	27.9	743	27.3
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>3,253</u>	<u>18.9</u>	<u>5,773</u>	<u>20.4</u>

Our total gross profit amounted to approximately S\$4.8 million, S\$5.2 million, S\$6.5 million and S\$5.8 million for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively. The public residential projects contributed approximately 83.6%, 73.2%, 85.6% and 85.8% of total gross profit for the same periods. Our overall gross profit margin increased from 12.5% for FY2015/16 to 17.0% for FY2016/17, and further increased to 19.3% for FY2017/18, and slightly improved to 20.4% for the seven months ended 31 January 2019.

Other income

Our other income mainly comprised (i) interest income from banks and loan to an independent third party, (ii) government grants, (iii) rental income, (iv) sponsorship income and (v) sundry income, which amounted to approximately S\$0.2 million, S\$0.3 million, S\$0.3 million and S\$0.1 million for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively.

Interest income generated from loan to an independent third party were approximately nil, S\$8,000, nil and nil for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively. The loan to an independent third party of approximately S\$225,000 was interest bearing with 3.5% per annum, and which was advanced in FY2016/17 and fully settled in FY2017/18. Save as disclosed above, no other loan to independent third party has been made by our Group during the Track Record Period.

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For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, we received the government grants mainly from five schemes (namely Wage Credit Scheme, Temporary Employment Credit Scheme, Special Employment Credit Scheme, the Building Information Management Scheme and Workforce Training and Upgrading Scheme) in aggregate of approximately S\$0.1 million, S\$62,000, S\$63,000 and S\$17,000 respectively. The information of these five schemes are set forth in note 7 to the Accountants' Report in Appendix I to this prospectus.

Rental income was generated from the leasing of an investment property located in Singapore which amounted to approximately S\$23,000, S\$30,000, S\$33,000 and S\$20,000 for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively.

During the seven months ended 31 January 2019, we received approximately S\$29,000 sponsorship income from various suppliers for participation of our enterprise ceremony.

Other gains or losses

Other gains or losses included net exchange gain or loss, gain on disposal of property, plant and equipment, handling charges to subcontractors, and written off of property, plant and equipment, amounting to losses of approximately S\$0.1 million, gains of S\$0.3 million, S\$0.2 million and losses of S\$38,000 for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively.

During the Track Record Period, certain revenue, trade receivables and bank balances were denominated in US\$, resulting in our exposure to currency risk due to the fluctuation in US\$ against the functional currency of our Group's principal subsidiary. Our revenue denominated in US\$ was mostly derived from the Myanmar Project. We incurred net exchange loss of approximately S\$0.3 million and S\$49,000 for FY2015/16 and FY2017/18 due to depreciation of US\$ during these years, but recorded net exchange gain of approximately S\$0.2 million for FY2016/17 due to appreciation of US\$ during that year. However, the net exchange loss was incurred merely of approximately S\$38,000 as our exchange fluctuation exposure was minimal for the seven months ended 31 January 2019, as the Myanmar Project was completed in FY2016/17.

The gain on disposal of property, plant and equipment of approximately S\$0.1 million, S\$17,000, S\$0.3 million and nil for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively, were mainly generated from sales of aged motor vehicles and a self-owned property during the Track Record Period.

We normally charge our subcontractors for certain mark-up as handling fee on top of our payment made for material purchases on their behalf.

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(Allowance for) reversal of impairment loss on trade receivables

For FY2015/16, FY2016/17 and FY2017/18, impairment allowance for debts of approximately S\$25,000, nil and S\$54,000 are recognised against trade receivables based on estimated irrecoverable amounts, determined by reference to individual customer's credit quality. For the seven months ended 31 January 2019, our Group reversed the impairment allowance for debts of approximately S\$31,000, upon the balance of impairment allowance was reduced based on individual assessment for all customers as at 31 January 2019.

Administrative expenses

Administrative expenses mainly comprised salaries and other benefits for directors and administrative staff and depreciation. The table below sets forth a breakdown of our administrative expenses for the respective period indicated:

	FY2015/16	FY2016/17	FY2017/18	Seven months ended	
				31 January	
	S\$'000	S\$'000	S\$'000	2018	2019
				S\$'000	S\$'000
				<i>(unaudited)</i>	
Staff costs (including					
directors' remuneration)	880	973	1,189	672	1,013
Depreciation	223	289	260	148	106
Legal and professional fee	78	56	7	7	30
Entertainment	33	13	35	7	34
Travelling and motor vehicle					
expenses	27	8	10	2	23
Others	50	62	153	47	236
	1,291	1,401	1,654	883	1,442
	1,291	1,401	1,654	883	1,442

Staff costs represent salaries, bonus, allowances, contributions to CPF and staff welfare benefits to our administrative personnel. The increase in our staff costs during the Track Record Period was mainly due to the increase in our headcount and salary increments.

Depreciation were charged on property, plant and equipment which primarily related to motor vehicles, computer and office equipment, buildings and investment property.

Our Group also incurred other administrative expenses for operating our business, including entertainment, repair and maintenance expenses, travelling and motor vehicle expenses etc.

Finance costs

Our finance costs are primarily interests on obligation under finance leases and bank borrowings, amounting to approximately S\$9,000, S\$15,000, S\$39,000 and nil for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively.

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Listing expenses

Our Group incurred listing expenses of approximately S\$0.9 million and S\$1.7 million for FY2017/18 and the seven months ended 31 January 2019 respectively, which is non-recurring in nature.

Income tax expense

Our Group's revenue was mainly derived in Singapore, and therefore, our Group was subject to Singapore corporate income tax ("CIT").

CIT is calculated at 17% of the estimated assessable profit and our Group 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 adjusted to 40%, capped at S\$15,000 for Year of Assessment 2018 and CIT rebate of 20%, capped at S\$10,000 for Year of Assessment 2019, determined based on financial year end date of our group entities incorporated in Singapore. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 of normal chargeable income.

In addition, our Group enjoyed tax concessions pertaining to incentive schemes given by the Singapore tax authority during the Track Record Period. One of the major tax concessions is the Productivity and Innovation Credit Scheme (the "PIC Scheme"). Under the PIC Scheme, our Group enjoys 400% tax deductions for qualifying expenditures incurred from the Years of Assessment of 2016 to 2018. The PIC Scheme is not applicable for the year of Assessment 2019 and onwards.

Also, our Group recognised deferred taxation resulted from the temporary taxable differences arising from accelerated tax depreciation in relation to capital allowance claims on qualified assets in accordance with prevailing tax laws in Singapore.

The effective tax rates of our Group for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 were approximately 15.0%, 14.4%, 17.8% and 29.1% respectively, taking into account the CIT rebate and tax concession as well as non-deductible listing expenses.

Income tax paid

General rules for tax filing

In Singapore, companies are required by the Income Tax Act (Cap. 134) to report an estimated tax payable by three (3) months after the financial year end. The estimation is based on the company's knowledge and the available accounting information (without the need of audited figures) on the date of filing (hereafter known as: "**Initial Filing**"). Upon filing of such an estimate, the Inland Revenue Authority of Singapore ("**IRAS**") will subsequently issue an

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original notice of assessment based on the Initial Filing. In the case that the company did not submit the Initial Filing, the IRAS may issue an original notice of assessment based on company's past years' income or information available to IRAS. The company would then have to settle the outstanding payment of taxes within one (1) month from the date of issuance of the original notice of assessment, unless instalments are granted. After the Initial Filing, the company is required to submit the tax return, tax computation and audited accounts to the IRAS by 30 November of the year following the end of its financial year⁽¹⁾ (hereafter known as: "**Final Filing**"). Once the Final Filing is submitted to the IRAS, the IRAS will issue an additional/amended notice of assessment (i.e. additional tax or tax refund) if there are any discrepancies between the Initial Filing and the Final Filing. After receiving the additional notice of assessment, the company should settle the outstanding payments within one (1) month from the date of issuance of the additional notice of assessment.

Note:

1. For example, companies are required to submit their Final Filing by 30 November 2018 to report their taxable income in relation to their financial year 2017.

The tax filing procedures of our Group

We generally engage a tax agent to assist us to submit our Initial Filing, based on our available accounting information, within 3 months after our financial year end. Subsequently, we will engage an auditor and the tax agent for the preparation of the audited financial statements and the submission of final tax computation, respectively. We will settle the tax payments within the specified time frame according to the notice of assessments issued by the IRAS.

The reason for low tax payment for the year ended 30 June 2018 when compared to tax expenses for the year ended 30 June 2017

The tax payment made in FY2018 was approximately S\$127,484 while the tax expenses for the year ended 30 June 2017 was approximately S\$646,014. Such difference was primarily due to the timing difference for tax filing and tax payment under the tax rules in Singapore.

The tax payment made in FY2018 of approximately S\$127,484 represents (i) an estimated tax payable of S\$111,975 for the financial year ended 30 June 2017 ("**FY2017**") (i.e. Year of Assessment 2018) stated on the original notice of assessments issued by IRAS on 29 September 2017 based on our Initial Filing for FY2017, (ii) an additional tax payment (i.e. the difference from the tax paid between the Initial Filing and the Final Filing) of S\$20,509 for the financial year ended 30 June 2016 ("**FY2016**") (i.e. Year of Assessment 2017) stated on the additional notice of assessment issued by IRAS on 14 October 2017, and (iii) a refund of tax payment of S\$5,000 for the FY2017 (i.e. Year of Assessment 2018) stated on the notice of amended assessment issued by IRAS on 31 March 2018 as a result of the increase in corporate income tax rebate as announced in the Singapore Budget 2018.

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After finalising of our financial statements for the FY2016, our tax agent prepared and submitted the Final Filing to IRAS on 4 October 2017. Based on the final tax computation for the FY2016, the tax payable was higher than the tax paid which was estimated by IRAS based on information available to them under the original notice of assessment. Therefore, we have paid additional tax of approximately S\$20,509 according to the additional notice of assessment.

We submitted the Initial Filing for FY2017 on 22 September 2017 which was prepared based on the available accounting information up to the date of filing. The deadline for the Final Filing for FY2017 is 30 November 2018. The tax expenses for the year ended 30 June 2017 of approximately S\$646,014 was assessed and calculated based on the financial statements audited by Deloitte & Touche LLP. Our tax agent has submitted the final tax computation on behalf of our Group and we have settled the final tax payment for FY2017 according to the additional notice of assessment which was issued by IRAS subsequent to the filing of the final tax computation during the year ending 30 June 2019.

REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2016/17 compared with FY2015/16

Revenue

Our total revenue decreased by approximately S\$7.8 million or 20.2%, from approximately S\$38.6 million for FY2015/16 to approximately S\$30.8 million for FY2016/17. Such decrease was mainly attributable to the drop of revenue from public residential projects and commercial and industrial projects, which was slightly offset by higher revenue contribution from private residential projects.

	FY2015/16		FY2016/17		Change %
	Revenue S\$'000	% of total revenue	Revenue S\$'000	% of total revenue	
Residential buildings					
Public sector	25,991	67.4	21,653	70.3	(16.7)
Private sector	3,137	8.1	3,421	11.1	9.1
	29,128	75.5	25,074	81.4	(13.9)
Commercial and industrial buildings	9,445	24.5	5,721	18.6	(39.4)
	<u>38,573</u>	<u>100.0</u>	<u>30,795</u>	<u>100.0</u>	<u>(20.2)</u>

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Public residential

During FY2015/16 and FY2016/17, the size and number of projects undertaken for residential buildings under public sector remained stable. The revenue derived from public residential projects decreased by approximately S\$4.3 million or 16.7% mainly due to the combined effect of the following:

- (i) several sizeable projects, such as those projects located at Punggol and Choa Chu Kang, Singapore were completed in FY2015/16 and contributed revenue of approximately S\$6.5 million in FY2015/16; and
- (ii) new sizeable projects awarded in FY2016/17, such as those projects located at Bukit Batok awarded by Qingjian Group, Toa Payoh awarded by Customer Group B and Bedok awarded by Welltech Construction Pte Ltd contributed a small portion of revenue of approximately S\$1.1 million to our Group as such projects were still in the preliminary stage and project preparation process in FY2016/17.

Apart from the above projects, as the duration of our project implementation for projects involving public residential buildings typically range from one to four years, out of the 29 sizeable public residential projects which contributed revenue in FY2016/17, 21 projects of them also contributed revenue in FY2015/16. These 21 projects contributed revenue of approximately S\$19.5 million and S\$20.5 million in FY2015/16 and FY2016/17, respectively.

Commercial and industrial

Revenue derived from the projects for commercial and industrial buildings under private sector declined by approximately S\$3.7 million or 39.4%. It was mainly attributable to the Myanmar Project. This project commenced in March 2015 and was completed in August 2016 with contract sum of approximately US\$8.5 million (equivalent to S\$11.6 million). For each of FY2015/16 and FY2016/17, we derived revenue of approximately S\$8.8 million and S\$2.1 million respectively from this project.

Other than the Myanmar Project, we were engaged in several commercial and industrial projects during FY2016/17, which contributed revenue of approximately S\$2.6 million for the year.

Cost of services

Our cost of services decreased by approximately S\$8.2 million or 24.3% from approximately S\$33.8 million for FY2015/16 to approximately S\$25.6 million for FY2016/17, which was mainly due to the decrease in our revenue. The percentage contribution from the three major components of our cost of services (namely subcontracting charges, direct materials and staff costs and benefits) remained stable in FY2015/16 and FY2016/17, while their amounts dropped by approximately 17.7%, 34.3% and 32.0%, respectively, in FY2016/17. Our staff and benefits decreased in FY2016/17 as compared to FY2015/16 mainly because we distributed a discretionary bonus to two executive Directors of approximately S\$1.4 million in FY2015/16.

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Gross profit and gross profit margin

Our gross profit slightly increased from approximately S\$4.8 million for FY2015/16 to approximately S\$5.2 million for FY2016/17 by approximately S\$0.4 million, representing an increase of 9.0%. It was mainly because (i) the number and size of our projects involving residential buildings remained stable; and (ii) more medium size commercial and industrial projects with relatively higher profit margin as compared to the Myanmar Project were undertaken. As a result, our overall gross profit margin improved from approximately 12.5% for FY2015/16 to 17.0% for FY2016/17.

Public residential

Our gross profit generated from the projects for residential buildings under public sector slightly dropped by approximately S\$0.2 million or 4.6% from S\$4.0 million for FY2015/16 to S\$3.8 million for FY2016/17, mainly due to the decrease in our revenue in FY2016/17. Our gross profit margin from public residential projects improved to 17.7% for FY2016/17 from 15.5% for FY2015/16, mainly attributable to:

- (i) Since 2015, our Group gradually implemented the following measures for improvement in project management efficiency and better control over the materials procurement:
 - (a) provided routine training for our workers to improve their quality of work and their productivity;
 - (b) acquired a building design software which enables us to plan and calculate the materials used in our projects more efficiently in order to prevent material wastage; and
 - (c) closely worked with our suppliers to customise the material specification more precisely. This in turn reduced the manual works required from our workers for processing or modifying those supplied materials before applying them for performing the site works, and lowered the occurrence of materials wastage, which led to saving in both of our manpower and materials costs.

As a result of the foregoing measures, the gross profit margin (other than certain A&A and upgrading projects with relatively higher gross profit margin as explained below) eventually improved and it was evidenced by our gross profit margin for those projects awarded in 2015 and 2016 was generally higher (i.e. ranging from 12% to 20%) as compared to those projects of similar scale and nature of works and awarded in or before 2013 (i.e. 7% to 13%). The majority of the revenue from public residential projects in FY2015/16 were derived from the projects awarded in or before 2013 with relatively lower gross profit margin, and those projects awarded in 2015 and 2016 with relatively higher gross profit margin has contributed approximately 42.0% of the total revenue derived from public residential projects in FY2016/17.

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- (ii) In general, we can charge a higher margin for A&A and upgrading projects than other projects such as new building development and redevelopment, because A&A and upgrading projects relate to enhancement to existing building structure which last over a shorter period compared to new building projects. The shorter turnaround time and additional precautionary measures to prevent disruption to the existing building represent relatively higher risk and contractors would need to possess the technical skills and experience required to handle such projects. Hence, due to the nature of such projects, we are generally able to charge a higher mark-up margin. The average gross profit margin of A&A and upgrading projects was about 20% for FY2015/16 and FY2016/17, and the gross profit margin for certain projects may reach over 35%. Revenue from these A&A and upgrading projects with relatively higher gross margin increased by 21.5% from approximately S\$7.9 million in FY2015/16 to approximately S\$9.6 million in FY2016/17.

The following table sets out the details of our A&A and upgrading projects with gross profit margin over 35% during FY2015/16 and FY2016/17:

Project	Customer	Location of the project	The contract sum ^(Note) S\$'000	Date of commencement and completion of our works	Revenue			Seven months ended 31 January 2019 S\$'000
					FY2015/16 S\$'000	FY2016/17 S\$'000	FY2017/18 S\$'000	
Project 1	A construction contractor	Jurong East, Singapore	833	Commencement: March 2012; Completion: August 2015	224	-	-	-
Project 2	Chang Hua Construction Pte Ltd	Pasir Ris, Bedok, Tampines, Hougang, Punggol and Sengkang, Singapore	1,864	Commencement: July 2014; Completion: October 2016	1,086	641	-	-

Note: The contract sum does not take into account variation orders.

Project 1

We generally prepare our tender price based on a certain percentage of mark-up over our estimated cost. In determining the percentage of mark-up, we generally take into account our business relationship with and the credit history and financial track record of the customer. Project 1 represented the first project awarded to us by the relevant customer. As our Group was not particularly familiar with the payment pattern and the creditworthiness of the relevant customer, our Directors have charged a higher percentage of mark-up when determining the tender price for Project 1, resulting in its higher gross profit margin.

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Project 2

In determining the pricing of our services and the percentage of mark-up over our estimated cost, we would take into account the availability of our manpower and resources as well as the needs for subcontracting services. We have performed a substantial portion of works under Project 2 with our own workers, thereby lowering our needs for subcontracting services and the subcontracting charges incurred therefrom. In particular, subcontracting charges accounted for only approximately 1.2% of the total costs incurred for Project 2 during the Track Record Period. Given that a profit margin is generally factored in the subcontracting charges charged by our subcontractors, our Directors consider that our relatively high profit margin for Project 2 is mainly attributable to the insignificant amount of subcontracting services required for the project. In addition, the site works of Project 2 involved six different locations which, in turn, required additional site preparatory and coordination works on our part. Therefore, our Directors have charged a higher percentage of mark-up in determining our tender price.

Commercial and industrial

Our gross profit from commercial and industrial projects increased significantly by approximately 182.0% or S\$0.6 million, and the corresponding gross profit margin has largely increased to 15.6% for FY2016/17 from 3.3% for FY2015/16. Such increase was mainly due to (i) the increase in number of medium size commercial and industrial projects with relatively higher gross profit margin undertaken during FY2016/17; and (ii) the impact from the Myanmar Project which had relatively low gross profit margin and was completed in August 2016. The gross profit generated from those medium size commercial and industrial projects was approximately S\$0.7 million for FY2016/17, and less than S\$0.1 million for FY2015/16.

Our gross profit for FY2015/16 from the commercial and industrial projects was mainly contributed by the Myanmar Project, which had a relatively low gross profit margin. This is primarily due to the higher subcontracting costs incurred for this project as we subcontracted most of the site works to our subcontractors. Since this project commenced in March 2015 and was completed in August 2016, its contribution to the gross profit in FY2016/17 was lower when compared to FY2015/16 and thus our gross profit margin for FY2015/16 was lower.

Other income

Our other income increased by approximately S\$0.1 million, from approximately S\$0.2 million for FY2015/16 to approximately S\$0.3 million for FY2016/17, mainly attributable to the increase in bank interest income by approximately S\$0.1 million as we placed larger amount of bank deposits with maturity of more than three-month carrying higher interest rates during FY2016/17.

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Other gains or losses

We recorded other losses of approximately S\$0.1 million for FY2015/16 and other gains of approximately S\$0.3 million for FY2016/17, mainly due to exchange fluctuation. We recorded net exchange loss for FY2015/16 and net exchange gain for FY2016/17 primarily due to fluctuation in the exchange rate of SGD and US\$.

Allowance for impairment loss on trade receivables

Our allowance for impairment on trade receivables of approximately S\$25,000 and nil was made for FY2015/16 and FY2016/17 respectively, as no further estimated irrecoverable trade debts was determined in FY2016/17.

Administrative expenses

Our administrative expenses remained at similar level of approximately S\$1.3 million for FY2015/16 and approximately S\$1.4 million for FY2016/17. The slight increase of approximately S\$0.1 million was mainly attributable to the rise of salaries of general administrative staffs and higher depreciation charges in FY2016/17 as a result of the purchase of additional machinery and equipment during the year.

Finance costs

Our finance costs increased from approximately S\$9,000 for FY2015/16 to approximately S\$15,000 for FY2016/17. The slight increase was primarily due to the increase in finance costs on obligations under finance lease as a result of acquisition of additional motor vehicles under new finance leases during the year.

Income tax expense

We incurred income tax expenses of approximately S\$0.5 million and S\$0.6 million for FY2015/16 and FY2016/17 respectively, at constant effective tax rates of 15.0% and 14.4%. The effective tax rates are less than the applicable tax rate of CIT, taking into account the CIT rebate and tax concession for these two financial years.

Profit and other comprehensive income for the year

As a result of the foregoing factors, our profit and total comprehensive income increased to approximately S\$3.8 million for FY2016/17 from S\$3.1 million for FY2015/16, as a result of (i) the increase in gross profit due to improvement of our gross profit margin from the projects; and (ii) increase in other gains from foreign exchange gains. Therefore, the net profit margin of our Group increased from 7.9% for FY2015/16 to 12.4% for FY2016/17.

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FY2017/18 compared with FY2016/17

Revenue

Our total revenue increased by approximately S\$2.9 million or 9.5%, from approximately S\$30.8 million for FY2016/17 to approximately S\$33.7 million for FY2017/18. Such increase was mainly attributable to the increase in our revenue derived from public residential projects, which was partly offset by the decrease in revenue derived from commercial and industrial projects and private residential projects.

	FY2016/17		FY2017/18		Change
	Revenue	% of total revenue	Revenue	% of total revenue	
	S\$'000	%	S\$'000	%	%
Residential buildings					
Public sector	21,653	70.3	30,686	91.0	41.7
Private sector	3,421	11.1	33	0.1	(99.0)
	<u>25,074</u>	<u>81.4</u>	<u>30,719</u>	<u>91.1</u>	<u>22.5</u>
Commercial and industrial buildings	5,721	18.6	3,013	8.9	(47.3)
	<u>30,795</u>	<u>100.0</u>	<u>33,732</u>	<u>100.0</u>	<u>9.5</u>

Public residential

The number and size of projects for residential buildings under public sector in FY2017/18 remained at similar level compared to FY2016/17. The revenue derived from public residential projects increased by approximately S\$9.0 million or 41.7% mainly because of a larger amount of work done in FY2017/18 in respect of those same projects undertaken in FY2016/17. As certain sizeable projects for new development of public residential buildings awarded in FY2016/17, including those projects located at Bukit Batok awarded by Qingjian Group, Toa Payoh awarded by Customer Group B and Bedok awarded by Welltech Construction Pte Ltd, Singapore, have entered project implementation in FY2017/18, the amount of work done for these projects in FY2017/18 was higher than that in FY2016/17 when they were still in the preliminary stage and the project preparation process. As a result, our revenue recognised for these projects amounted to S\$10.4 million for FY2017/18 but only S\$1.1 million for FY2016/17.

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Commercial and industrial

Revenue derived from the projects for commercial and industrial buildings dropped by approximately S\$2.7 million or 47.3%. During FY2017/18, we maintained our effort to provide electrical engineering services for those medium size commercial and industrial projects. The drop of revenue was mainly attributable to the Myanmar Project which was completed in August 2016, and such project generated revenue of approximately S\$2.1 million in FY2016/17 but nil in FY2017/18.

Cost of services

Our cost of services increased by approximately S\$1.7 million or 6.6% from approximately S\$25.6 million for FY2016/17 to approximately S\$27.2 million for FY2017/18. Such increase was mainly because of the growth of revenue by approximately 9.5%. The percentage contribution from the three major components of our cost of services (namely subcontracting charges, direct materials and staff costs and benefits) remained stable while their amounts increased by approximately 10.0%, 12.3% and 1.6% respectively in FY2017/18.

Gross profit and gross profit margin

Our gross profit further increased by approximately S\$1.3 million or 24.0%, from approximately S\$5.2 million for FY2016/17 to approximately S\$6.5 million for FY2017/18 which was in line with the revenue growth of 9.5% for FY2017/18. It was mainly due to the increase in the amount of works done in the projects for residential buildings under public sector. In addition, our overall gross profit margin further improved from approximately 17.0% for FY2016/17 to 19.3% for FY2017/18 primarily due to (i) better performance of our public residential projects; and (ii) more engagement in commercial and industrial projects with relatively higher profit margin.

Public residential

Our gross profit from the public residential projects increased by S\$1.7 million or 45.0%, from approximately S\$3.8 million for FY2016/17 to S\$5.6 million FY2017/18, which was in line with our revenue growth of 41.7% from these projects. This was mainly due to the increase in the amount of work done in FY2017/18 for these projects. Our gross profit margin from public residential projects slightly increased to 18.1% for FY2017/18 from 17.7% for FY2016/17. It was mainly because our Group maintained the project management efficiency and control over the materials procurement in FY2016/17, and there was further growth of revenue from public residential A&A and upgrading projects with higher gross profit margin to approximately S\$12.0 million in FY2017/18 by 25.0% as compared to that of approximately S\$9.6 million in FY2016/17.

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Commercial and industrial

Our gross profit from the commercial and industrial projects under private sector remained at S\$0.9 million for FY2016/17 and FY2017/18, respectively, but the corresponding gross profit margin has further increased to 31.0% for FY2017/18 from 15.6% for FY2016/17. It was mainly attributable to the increase in number of commercial and industrial projects with smaller contract sum awarded during FY2017/18. The contract sum of those projects which contributed revenue in FY2017/18 was generally smaller than those projects which contributed revenue in FY2016/17. We typically set our tender price for a project of a smaller contract sum based on a relatively higher expected margin. Therefore, those smaller contract sum projects have relatively higher gross profit margin than that of larger contract sum projects. In addition, when the Myanmar Project which had a low gross profit margin was completed in August 2016, such project had no further dilutive impact to our gross profit and gross profit margin for FY2017/18.

Other income

Our other income remained at approximately S\$0.3 million for FY2017/18 and FY2016/17.

Other gains or losses

Our other gains decreased from approximately S\$0.3 million for FY2016/17 to approximately S\$0.2 million for FY2017/18 mainly due to an exchange loss which was recorded for FY2017/18 as compared to our exchange gain for FY2016/17 as a result of the fluctuation of exchange rate of SGD and US\$, which was partly offset by increase in gain on disposal of our owned property during the year.

Allowance for impairment loss on trade receivables

Our allowance for impairment on trade receivables of approximately nil and S\$54,000 was made for FY2016/17 and FY2017/18 respectively, because further estimated irrecoverable trade debts was determined in FY2017/18.

Administrative expenses

Our administrative expenses increased slightly from approximately S\$1.4 million for FY2016/17 to S\$1.7 million for FY2017/18. The increase of approximately S\$0.3 million or 18.1% was mainly attributable to the rise of salaries, bonus and allowances to directors and general administrative staff.

Finance costs

Our finance costs remained at low level and has no material fluctuation during FY2016/17 and FY2017/18. Our finance costs for FY2017/18 are solely incurred for interests on obligations under finance lease.

Listing expenses

Listing expenses of approximately S\$0.9 million was incurred for FY2017/18 only, which is non-recurring in nature.

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Income tax expense

We incurred income tax expenses of approximately S\$0.6 million and S\$0.8 million for FY2016/17 and FY2017/18, respectively, at effective tax rates of 14.4% and 17.8%. The effective tax rates are close to the applicable tax rate of CIT, taking into account the CIT rebate and tax concession for these two financial years and the non-deductible listing expenses incurred for FY2017/18.

Profit and other comprehensive income for the year

As a result of the foregoing factors, our profit and total profit comprehensive income decreased from approximately S\$3.8 million for FY2016/17 to S\$3.5 million FY2017/18, and net profit margin decreased from 12.4% to 10.4% for the respective years accordingly. The drop in net profit was mainly due to the non-recurring listing expenses of S\$0.9 million.

NON-IFRS MEASURE

To supplement our combined statements of profit or loss and other comprehensive income which are presented in accordance with IFRS, we also use adjusted profit for the year/period and adjusted net profit margin for the year/period as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measures facilitate comparison of operating performance from year/period to year/period by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance.

We believe that this measure provides useful information to investors and others in understanding and evaluating our combined statements of profit or loss and other comprehensive income in the same manner as they help our management. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our combined statements of profit or loss and other comprehensive income or financial position as reported under IFRS.

The following table reconciles our net profit to adjusted profit:

	FY2015/16	FY2016/17	FY2017/18	Seven months ended 31 January	
	S\$'000	S\$'000	S\$'000	2018	2019
				S\$'000	S\$'000
				<i>(unaudited)</i>	
Reconciliation of net profit to adjusted profit:					
Profit and other comprehensive income for the year/period	3,060	3,826	3,501	1,805	1,924
Add:					
Listing expenses	–	–	948	–	1,713
Adjusted profit for the year/period ^(Note 1)	3,060	3,826	4,449	1,805	3,637

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	FY2015/16 S\$'000	FY2016/17 S\$'000	FY2017/18 S\$'000	Seven months ended 31 January	
				2018 S\$'000 <i>(unaudited)</i>	2019 S\$'000
Net profit margin ^(Note 2)	7.9%	12.4%	10.4%	10.5%	6.8%
Adjusted net profit margin ^(Note 3)	7.9%	12.4%	13.2%	10.5%	12.8%

Notes:

- Adjusted profit for the respective year or period is calculated as the profit and other comprehensive income for the respective year or period added by the listing expenses.
- Net profit margin is calculated as profit and other comprehensive income for the respective year or period divided by revenue of the respective reporting year or period.
- Adjusted net profit margin is calculated as adjusted profit for the respective year or period divided by revenue of the respective reporting year or period.

Seven months ended 31 January 2019 compared with seven months ended 31 January 2018

Revenue

Our total revenue increased by approximately S\$11.1 million or 64.4%, from approximately S\$17.2 million for the seven months ended 31 January 2018 to approximately S\$28.3 million for the seven months ended 31 January 2019. It was primarily because the revenue contributed from public residential projects increased significantly by approximately S\$8.1 million or 49.3% during the period.

	Seven months ended 31 January 2018		Seven months ended 31 January 2019		Change %
	Revenue S\$'000 <i>(unaudited)</i>	% of total revenue %	Revenue S\$'000	% of total revenue %	
Residential buildings					
Public sector	16,382	95.1	24,458	86.3	49.3
Private sector	22	0.1	1,155	4.1	5,150.0
	16,404	95.2	25,613	90.4	56.1
Commercial and industrial buildings	832	4.8	2,723	9.6	227.3
	<u>17,236</u>	<u>100.0</u>	<u>28,336</u>	<u>100.0</u>	<u>64.4</u>

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Public residential

The majority of the ongoing public residential projects during the seven months ended 31 January 2019 were carried forward from FY2017/18. The revenue derived from public residential projects increased by approximately S\$8.1 million or 49.3%, mainly because of a larger amount of work done in the seven months ended 31 January 2019 in respect of those same projects undertaken in the seven months ended 31 January 2018. The larger amount of work done was due to certain sizeable projects for new development of public residential buildings were awarded in FY2016/17, including those projects located at Bukit Batok awarded by Qingjian Group, Toa Payoh awarded by Customer Group B and Bedok awarded by Welltech Construction Pte Ltd, have just completed the project preparation process and thus the work done is relatively smaller during the seven months ended 31 January 2018. In comparison, during the seven months ended 31 January 2019, these projects have fully entered into project implementation and thus the amount of work done was higher when compared to the seven months ended 31 January 2018. As a result, our revenue recognised for these projects amounted to S\$8.3 million for the seven months ended 31 January 2019 but only S\$1.7 million for the seven months ended 31 January 2018.

Commercial and industrial

Revenue derived from the projects for commercial and industrial buildings increased by approximately S\$1.9 million. During FY2017/18 and thereafter, we maintained our effort to provide electrical engineering services for those medium size commercial and industrial projects. In particular, four new projects had no material work done on or before January 2018, and were still in the stage of implementation in the seven months ended 31 January 2019. These four new projects contributed revenue of approximately S\$2.3 million for the seven months ended 31 January 2019 but nil for the seven months ended 31 January 2018, the number of projects undertaken for commercial and industrial buildings increased from 6 for the seven months ended 31 January 2018 to 8 for the seven months ended 31 January 2019.

Cost of services

Our cost of services increased by approximately S\$8.6 million or 61.4% from approximately S\$14.0 million for the seven months ended 31 January 2018 to approximately S\$22.6 million for the seven months ended 31 January 2019. Such increase was mainly attributable to the growth of revenue by 64.4%. The percentage contribution from the three major components of our cost of services (namely subcontracting charges, direct materials and staff costs and benefits) has no material change, while their amounts increased by approximately 97.3%, 40.7%, 26.2%, respectively, for the seven months ended 31 January 2019. The increment of subcontracting charges increased larger than the other two major components for the seven months ended 31 January 2019, mainly because certain new projects commenced in late 2018 were subcontracted to our subcontractors after considering our available labour resources and specialised works involved.

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Gross profit and gross profit margin

Our gross profit increased by approximately S\$2.5 million or 77.5%, from approximately S\$3.3 million for the seven months ended 31 January 2018 to approximately S\$5.8 million for the seven months ended 31 January 2019, which was in line with the revenue growth of 64.4% for the seven months ended 31 January 2019. It was mainly due to the increase in the amount of works done in the projects for residential buildings under public sector. Our overall gross profit margin slightly improved to 20.4% for the seven months ended 31 January 2019, as compared to approximately 18.9% for the seven months ended 31 January 2018 and remained stable as compared to 19.3% for FY2017/18.

Public residential

Our gross profit from the public residential projects increased by S\$2.0 million or 64.0%, from approximately S\$3.0 million for the seven months ended 31 January 2018 to S\$5.0 million for the seven months ended 31 January 2019, which was in line with our revenue growth of 49.3% from these projects. This was mainly due to the increase in the amount of work done in the seven months ended 31 January 2019 for these projects. Our gross profit margin from public residential projects increased to 20.3% for the seven months ended 31 January 2019 from 18.4% for the seven months ended 31 January 2018. It was mainly due to the increase in the revenue from certain public residential projects with higher gross profit margin to approximately S\$7.4 million in the seven months ended 31 January 2019 as compared to that of approximately S\$2.5 million in the seven months ended 31 January 2018. The higher gross profit margin for these projects was primarily because we have performed majority of works with our own workers, thereby reducing the subcontracting charges incurred therefrom. Given that a profit margin is generally factored in the subcontracting charges charged by our subcontractors, our profit margin for these projects was higher.

Commercial and industrial

Our gross profit from the commercial and industrial projects increased from approximately S\$0.2 million for the seven months ended 31 January 2018 to approximately S\$0.7 million for the seven months ended 31 January 2019. It was due to the number of medium size commercial and industrial projects undertaken by our Group increased from 6 projects for the seven months ended 31 January 2018 to 8 projects for the seven months ended 31 January 2019. Besides, the corresponding gross profit margin remained at similar level, representing approximately 27.9% for the seven months ended 31 January 2018 and 27.3% for the seven months ended 31 January 2019.

Other income

Our other income decreased to approximately S\$104,000 for the seven months ended 31 January 2019 from approximately S\$123,000 for the seven months ended 31 January 2018 primarily due to decrease in bank interest income as a result of the drop in our bank deposits, but partially offset by sponsorship income.

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Other gains or losses

We recorded other losses of approximately S\$0.3 million for the seven months ended 31 January 2018 and of approximately S\$38,000 for the seven months ended 31 January 2019, mainly because we incurred net exchange loss of approximately S\$0.3 million and S\$38,000 for the respective periods as a result of the fluctuation of exchange rate of SGD and US\$.

(Allowance for) reversal of impairment loss on trade receivables

We made an allowance for impairment loss on trade receivables of approximately S\$3,000 for the seven months ended 31 January 2018 but reversed an allowance for impairment loss on trade receivables of approximately S\$31,000 for the seven months ended 31 January 2019.

Administrative expenses

Our administrative expenses increased from approximately S\$0.9 million for the seven months ended 31 January 2018 to S\$1.4 million for the seven months ended 31 January 2019. Such increase was mainly attributable to an increase in salaries paid to general administrative staff by approximately S\$0.3 million due to the employment of additional staff during the seven months ended 31 January 2019 to strengthen the general management team.

Finance costs

Our finance costs maintained at low level for the seven months ended 31 January 2018 and was nil for the seven months ended 31 January 2019, because all borrowings and obligations under finance leases have been fully repaid during FY2017/18.

Listing expenses

We incurred non-recurring listing expenses since the second half of FY2017/18, with approximately S\$1.7 million charged to profit or loss for the seven months ended 31 January 2019, and nil for the seven months ended 31 January 2018.

Income tax expense

We incurred income tax expenses of approximately S\$0.4 million and S\$0.8 million for the seven months ended 31 January 2018 and 2019 respectively, at effective tax rates of 19.1% and 29.1%. The effective tax rates for the seven months ended 31 January 2019 would be adjusted to 17.9% without taking into account the non-recurring listing expenses of approximately S\$1.7 million and remained at similar level as compared to that of the seven months ended 31 January 2018.

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Profit and total comprehensive income for the period

As a result of the foregoing factors, our profit and other comprehensive income slightly increased from approximately S\$1.8 million for the seven months ended 31 January 2018 to S\$1.9 million for the seven months ended 31 January 2019, mainly due to the listing expenses which is non-recurring in nature incurred since 2018 but partially offset by increase in our revenue.

ANALYSIS OF CERTAIN ITEMS ON THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

As at 30 June 2016, 2017, 2018 and 31 January 2019, the carrying amount of property, plant and equipment amounted to approximately S\$1.7 million, S\$2.3 million, S\$1.2 million and S\$1.1 million, respectively. The following table sets forth the carrying amount by assets types at the respective dates:

	As at 30 June			As at
	2016	2017	2018	31 January
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Leasehold buildings	836	820	–	–
Plant and machineries	239	504	368	331
Computer and office equipment	69	24	36	66
Motor vehicles	566	977	800	648
Furniture and fittings	25	5	4	28
	<u>1,735</u>	<u>2,330</u>	<u>1,208</u>	<u>1,073</u>

The increase in property, plant and equipment of approximately S\$0.6 million for FY2016/17 was mainly attributable to the purchase of motor vehicles and plant and machineries of approximately S\$1.1 million in aggregate to plan for the growth of our business and replacement of aged motor vehicles, which was partially offset by the depreciation charge of approximately S\$0.4 million. However, the carrying amount of property, plant and equipment decreased by approximately S\$1.1 million for FY2017/18, mainly due to (i) the disposal of a self-owned property in Singapore for storage, industrial training and ancillary office use with net book value of S\$0.8 million in June 2018; and (ii) the depreciation charges of S\$0.4 million. The carrying amount of property, plant and equipment slightly reduced for the seven months ended 31 January 2019, mainly because of the depreciation charge incurred for the period.

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Investment property

Our investment property represented a property located in Singapore, which was previously classified as property, plant and equipment and re-classified as investment property during FY2015/16 since the property was leased to an independent third party in the same year. As at 30 June 2016, 2017, 2018 and 31 January 2019, the carrying amount of the investment property was approximately S\$0.9 million, S\$0.9 million, S\$0.9 million and S\$0.9 million, respectively. During the Track Record Period, the carrying amount decreased by deduction of the depreciation charges.

Contract assets and liabilities

Our Group provides electrical engineering services pursuant to our service contracts with customers. Such contracts are entered into before our services begin. Under the terms of the contracts, our Group is contractually required to perform services at our customers' specified sites that enhances an asset that our customer controls. Our revenue is recognised over time based on input method. Our Directors consider this input method would depict our performance towards complete satisfaction of the performance obligation. On the other hand, our Group generally submits a progress payment application to our customers on a monthly basis with reference to the amount of work completed. Upon receiving our payment application, our customer or its authorised person will examine and certify our work done by endorsing on our payment application or issuing a payment certificate to us. In general, our customers will complete the certification process within five months upon receiving our payment application. Depending on the internal approval process of our customers, the scale of the projects and the stages of implementation, the certification process may take up to six to seven months to complete for certain projects. According to the F&S Report, it is a common industry practice that the certification and billing process for work in progress may take between three weeks to six months. However, the process may take as long as 9 months because: (i) the consultants appointed by the main contractors request to perform additional procedures for verifying the functionality of certain electrical engineering works performed by the subcontractors; (ii) the consultants require longer period to certify the site preparation works carried out by the subcontractors and to approve the materials procured from the suppliers during the preliminary stage of the projects; and (iii) the certification process takes longer to complete due to limitation in the manpower of the relevant quantity surveying staff authorised by the main contractors. We then issue the invoice to the customers based on the certified payment application or payment certificate. We generally grant our customers a credit term ranging from 30 to 35 days.

Contract assets represent our Group's rights to consideration from customers for the provision of electrical engineering services to customers that is not yet due for billing as at the end of the reporting period. The contract assets arises when: (i) our Group completed the relevant services under such contracts and pending to formal certification by the customers; and (ii) the customers withhold certain amounts payable to our Group as retention money to secure the due performance of the contracts for a period of generally 12 months (i.e. defect liability period) after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified as trade receivables at the point when it becomes due for billing and is invoiced to the customer.

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Unbilled revenue represented the revenue for those completed or in-progress projects that had been recognised but not yet billed to the customers as at the end of reporting period.

Retention receivables represent certain percentage of the total contract sum held by our customers. Depending on the contract terms, our customers may hold up a certain percentage of each payment (including progress 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 the expiry of the defect liability period, generally of 12 months following the completion date of the project. Thus, the amount of retention receivables as at the end of the reporting period depends on the completion of the project and the defect liability period.

Contract liabilities represents our Group's obligation to transfer services to customers for which our Group has received the consideration in advance (or an amount of consideration is due) from the customers according to progress billing arrangement stated in the contracts.

The following table sets forth the contract assets and liabilities as at each reporting date:

	As at 30 June			As at
	2016	2017	2018	31 January
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	2019
				<i>S\$'000</i>
Contract assets				
Unbilled revenue	3,614	4,380	8,802	21,002
Retention receivables	1,267	3,347	2,638	3,784
	<u>4,881</u>	<u>7,727</u>	<u>11,440</u>	<u>24,786</u>
Contract liabilities	<u>4,975</u>	<u>3,666</u>	<u>42</u>	<u>6</u>
	<u>(94)</u>	<u>4,061</u>	<u>11,398</u>	<u>24,780</u>

Our contract assets and liabilities are normally affected by (i) the number, value and stage of projects on hand; (ii) the amount of works completed by our Group at the time close to the end of each reporting period, by reference to the actual costs incurred to date and the total budgeted costs for the projects; (iii) the timing to certify the application of payment progress for billings, which may vary from period to period; (iv) amount of works certified by our customers; and (v) depending on the contract terms, the amount of the retention money held by our customers yet to be released.

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The increasing trend of contract assets during the Track Record Period was mainly attributable to (i) the increase in number of sizeable projects undertaken by our Group; and (ii) the increase in the amount of works handled by our Group for the projects close to the end of June 2017 and 2018 and September 2018 but not yet billed. Our contract assets increased from approximately S\$4.9 million as at 30 June 2016 to S\$7.7 million as at 30 June 2017 because the number of our on-going sizeable projects with contract sum above S\$5.0 million increased from 7 as at 30 June 2016 to 8 as at 30 June 2017. In addition, the majority of the projects with contract assets were awarded before the Track Record Period, and were completed or close to completion as at 30 June 2016. Therefore, the amounts of work done not yet billed were not material at the end of June 2016. However, new sizeable projects were awarded in late FY2015/16 and during FY2016/17 (such as the three projects located at Punggol North, Toa Payoh and Bukit Batok, Singapore listed below with contract sum above S\$9.0 million). Normally, these sizeable projects involved larger residential area with more building units, main contractors may take more time to perform the site preparatory works. During the preliminary period, we will often be requested by the main contractors to perform some temporary works such as setting up shelter and providing electricity for the whole project site. Hence, our project preparation duration for these sizeable projects will be longer than others. As our first progress billing will be issued after the preliminary works are performed, the costs for the preliminary works for these projects have not been billed yet by the end of June 2017, resulting in a higher amount of work done not yet billed at that time. Our contract assets increased from approximately S\$7.7 million as at 30 June 2017 to S\$11.4 million as at 30 June 2018 because the number of on-going sizeable projects with contract sum above S\$5.0 million increased from 8 as at 30 June 2017 to 10 as at 30 June 2018. Furthermore, substantial costs were incurred for the three sizeable projects during FY2017/18. As substantial work under these projects has been performed at the implementation stage while the main contractors required additional time to certify progress billing for the work done by the end of June 2018, the amounts of work done not yet billed for the three sizeable projects increased by approximately S\$2.8 million.

Our contract assets further increased from approximately S\$11.4 million as at 30 June 2018 to S\$24.8 million as at 31 January 2019, mainly due to (i) a larger amount of work done for the three sizeable projects at the implementation stage during the period, and hence more costs were incurred proportionally. The main contractors maintained similar interval time to certify progress billing for the work done by the end of January 2019 as compared to the end of June 2018, resulting in the increase in work done not yet billed for these three sizeable projects and corresponding retention money held up for progress payment by approximately S\$3.4 million and S\$1.0 million, respectively; and (ii) substantial costs were incurred for newly awarded sizeable projects in second half of FY2017/18 (including the projects located at Bishan awarded by Welltech Construction Pte Ltd, Kranji awarded by a construction contractor, Clementi awarded by Chiu Teng Construction Co Pte Ltd, and Bukit Batok awarded by a construction contractor), which were at preliminary stage during the seven months ended 31 January 2019, and thus their costs for preliminary works of approximately S\$4.9 million have not been billed by the end of January 2019.

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As at 30 June 2016, 2017, 2018 and 31 January 2019, our retention receivables (before netting off respective contract liabilities) amounted to approximately S\$3.8 million, S\$4.2 million, S\$2.7 million and S\$3.8 million, respectively, which will be released partially upon the completion of the project, and the remaining balance will be released fully upon the expiry of the defect liability period for the relevant projects. As at each of the reporting period, the retention money held for on-going projects will be net off against the corresponding contract liabilities (if any) for same projects. Retention receivables increased by approximately S\$0.4 million in FY2016/17 to S\$4.2 million as at 30 June 2017, mainly due to the increase in retention money for certain sizeable projects for public residential buildings and commercial and industrial buildings such as the Myanmar Project which were completed during FY2016/17 and entered the defect liability period. Retention receivables dropped by approximately S\$1.5 million in FY2017/18 to S\$2.7 million as at 30 June 2018, mainly due to the settlement of retention money of approximately S\$1.1 million from Qingjian Group for the Myanmar Project upon the expiry of the defect liability period during FY2017/18. Our retention receivables increased to approximately S\$3.8 million, by approximately S\$1.1 million in which retention money of approximately S\$1.0 million was held up for the progress payment for the three sizeable projects as mentioned above. Our Directors expect the outstanding retention receivables as at 31 January 2019 will be received within our normal operating cycle, in which approximately S\$1.6 million are expected to be settled within the next twelve months. Given the remaining projects are either still in progress or under the defect liability period, our Directors are of the view that our retention receivables have no material recoverability issues.

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The following table sets out the details of our projects with material contract assets balance as at 31 January 2019:

Customer	Private/ public sector	Type of building development	Location of project	The contract sum ^(Note 1) S\$'000	Date of the commencement and contract completion of our works	Contract assets as at 31 January 2019 S\$'000	Subsequent billing after 31 January 2019 and up to the Latest Practicable Date S\$'000	Settlement for the subsequent billing after 31 January 2019 and up to the Latest Practicable Date S\$'000
Ken-Pal (S) Pte Ltd	Public	Residential	Punggol North, Singapore	10,750	Commencement: March 2016; Expected completion: December 2019	2,488	2,303	1,189
Qingjian Group	Public	Residential	Bukit Batok, Singapore	10,500	Commencement: September 2016; Expected completion: January 2020	2,462	2,462	1,408
Customer Group B	Public	Residential	Toa Payoh, Singapore	9,400	Commencement: October 2016; Expected completion: August 2020	2,433	1,659	1,659
Chiu Teng Construction Co Pte Ltd	Public	Residential	Clementi, Singapore	7,527	Commencement: April 2018; Expected completion: September 2021	2,373	2,360	1,610
A construction contractor	Private	Industrial	Kranji, Singapore	9,500	Commencement: December 2017; Expected completion: April 2020	1,389	338	260

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Customer	Private/ public sector	Type of building development	Location of project	The contract sum ^(Note 1) S\$'000	Date of commencement and completion of our works	Contract assets as at 31 January 2019 S\$'000	Subsequent billing after 31 January 2019 and up to the Latest Practicable Date S\$'000	Settlement for the subsequent billing after 31 January 2019 and up to the Latest Practicable Date S\$'000
Welltech Construction Pte Ltd	Private	Residential	Bishan, Singapore	12,800	Commencement: February 2018; Expected completion: December 2021	1,051	58	58
A construction contractor	Public	Residential	Clementi, Singapore	2,776	Commencement: December 2015; Expected completion: February 2020	917	685	561
Welltech Construction Pte Ltd	Public	Residential	Bedok, Singapore	3,456	Commencement: November 2016; Expected completion: October 2019	866	866	789
A construction contractor	Public	Residential	Bukit Batok, Singapore	5,589	Commencement: May 2018; Expected completion: April 2021	863	-	-
A construction contractor	Public	Residential	Bukit Batok, Singapore	1,758	Commencement: July 2017; Expected completion: June 2019	788	653	653
A construction contractor	Public	Residential	Bukit Panjang, Singapore	3,550	Commencement: June 2016; Expected completion: October 2019	527	-	-

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Customer	Private/ public sector	Type of building development	Location of project	The contract sum ^(Note 1) S\$'000	Date of commencement and completion of our works	Contract assets as at 31 January 2019 S\$'000	Subsequent billing after 31 January 2019 and up to the Latest Practicable Date S\$'000	Settlement for the subsequent billing after 31 January 2019 and up to the Latest Practicable Date S\$'000
Customer Group B	Public	Residential	Sengkang, Singapore	6,000	Commencement: December 2018; Expected completion: August 2021	470	470	470
Chiu Teng Construction Co Pte Ltd	Public	Residential	Toa Payoh, Singapore	1,850	Commencement: April 2016; Completion: February 2019	448	398	398
A construction contractor	Public	Residential	Tampines, Singapore	1,850	Commencement: January 2017; Completion: February 2019	421	87	73
Customer H	Public	Residential	Potong Pasir, Singapore	5,580	Commencement: December 2015; Completion: November 2018	388	88	88

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Customer	Private/ public sector	Type of building development	Location of project	The contract sum ^(Note 1) S\$'000	Date of the commencement and completion of our works	Contract assets as at 31 January 2019 S\$'000	Subsequent billing after 31 January 2019 and up to the Latest Practicable Date S\$'000	Settlement for the subsequent billing after 31 January 2019 and up to the Latest Practicable Date S\$'000
A construction contractor	Public	Residential	Bedok, Singapore	923	Commencement: October 2018; Expected completion: February 2020	368	270	58
Customer E	Public	Residential	Tampines, Singapore	1,688	Commencement: November 2018; Expected completion: October 2019	352	-	-
A local statutory body in Singapore	Public	Residential	Yishun, Singapore	3,122	Commencement: October 2014; Expected completion: August 2019	332	-	-
	Others ^(Note 2)					18,936 2,066	12,697 566	9,274 348
						21,002	13,263	9,622
						3,784	185	-
						24,786	13,448	9,622

Notes:

- The contract sum does not take into account variation orders.
- Others represented our other projects with unbilled revenue amount less than S\$300,000 as at 31 January 2019.

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In respect of our unbilled revenue in contract assets as at 31 January 2019 of approximately S\$21.0 million, (i) approximately S\$13.3 million (equivalent to 63.2% of the unbilled revenue balance) were subsequently billed up to the Latest Practicable Date, and (ii) approximately S\$9.6 million (equivalent to 72.5% of the amount subsequently billed) were subsequently settled up to the Latest Practicable Date.

As 63.2% of our unbilled revenue balance as at 31 January 2019 were subsequently billed in around 4 months up to the Latest Practicable Date, our Directors consider that our subsequent billing status is in line with the general timeframe required by our customers for certification taking into consideration (i) our customers may take up to six to seven months to complete the certification process in some projects, as explained in the paragraph headed “Analysis of certain items on the combined statements of financial position – Contract assets and liabilities” above in this section and such amount of time for certification process was in line with the industry practice according to the F&S Report; and (ii) the certification process for some of our projects was prolonged during the first quarter of the year due to the effect of Chinese New Year holiday.

Our Directors confirm that our Group has no material dispute with the customers on the remaining unbilled revenue balance up to the Latest Practicable Date.

Up to the Latest Practicable Date, balance of retention receivables of approximately S\$185,000 as at 31 January 2019 has been billed.

Trade receivables

The following table sets out the trade receivables as at the dates indicated:

	As at 30 June			As at
	2016	2017	2018	31 January
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	2019
				<i>S\$'000</i>
Trade receivables	1,015	2,485	3,415	1,600
Less: Impairment allowance for debts	(24)	(24)	(54)	(23)
	<u>991</u>	<u>2,461</u>	<u>3,361</u>	<u>1,577</u>

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The following tables set out the aging analysis and trade receivables turnover days as of the dates indicated:

	As at 30 June			As at 31 January
	2016	2017	2018	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Within 30 days	633	1,506	2,607	1,067
31 – 60 days	323	472	725	260
61 – 90 days	1	172	8	223
91 – 120 days	1	149	–	–
Over 120 days	33	162	21	27
	<u>991</u>	<u>2,461</u>	<u>3,361</u>	<u>1,577</u>
				Seven months ended 31 January 2019
	FY2015/16	FY2016/17	FY2017/18	
Average trade receivables turnover days ^(Note)	<u>5</u>	<u>20</u>	<u>31</u>	<u>19</u>

Note: Average trade receivables turnover days are calculated by dividing the average of opening and ending balance of trade receivables for the relevant year or period by revenue and multiplying by the number of days in the relevant year or period.

As our projects operate on a non-recurring and project-by-project basis, our revenue recognised during the Track Record Period may fluctuate subject to the size and the progress of our works at a given time, thereby affecting our trade receivables balance as at the end of reporting period and the trade receivables turnover days during the Track Record Period.

Our trade receivables increased by 148.3% from approximately S\$1.0 million as at 30 June 2016 to approximately S\$2.5 million as at 30 June 2017, mainly due to increase in the amount of work performed for our certain sizeable projects which were due for billing at the time close to the end of June 2017. These projects were awarded to us close to the end of FY2015/16 or during FY2016/17. Substantial part of the preliminary works had been performed for such projects which entered the project implementation stage at the time close to the end of June 2017, and the progress payment for the work completed previously was certified by our customers for billing. Further, our trade receivables increased to approximately S\$3.4 million as at 30 June 2018 by S\$0.9 million or 36.6%, which mainly due to the growth of our revenue for FY2017/18. Among our trade receivables as at 30 June 2018, an amount of S\$0.7 million in relation to our claim for release of the retention money for a commercial project completed in FY2016/17 was billed in June 2018 upon the expiry of the defect liability period. Our trade receivables reduced to approximately S\$1.6 million as at 31 January 2019, when compared to approximately S\$3.4 million as at 30 June 2018.

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The average trade receivables turnover days for FY2015/16 and FY2016/17 are relatively low, which are approximately 5 days and 20 days, respectively, as the work done for certain sizeable projects has not yet billed as our progress payment applications were still being examined by our customers as at 30 June 2015 and 2016. The average trade receivables turnover days for FY2017/18 and the seven months ended 31 January 2019 were 31 days and 19 days respectively, which are within our general credit term of 30 to 35 days. Our Group billed the progress payment regularly for our work completed during the project implementation stage and most of our customers settled their certified progress payment on a timely basis. As such, approximately 63.9%, 61.2%, 77.6% and 67.7% of the total balance of our trade receivables net of impairment allowance for debts are aged within 30 days.

Our Group usually provides customers with a credit term of 30 to 35 days. The following table sets out the aging analysis of trade receivables net of impairment allowance for debts, which are past due but not impaired as at the dates indicated:

	As at 30 June		As at 31 January	
	2016	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Within 30 days	323	471	725	260
31 – 60 days	1	172	8	223
61 – 90 days	1	146	–	–
91 – 120 days	1	141	21	–
Over 120 days	33	24	–	27
	359	954	754	510

Prior to 1 July 2018, in determining the recoverability of trade receivables, our Group considers if there is any change in the credit quality of the trade receivables from the initial recognition date to the end of the reporting period. By reference to individual customer's credit quality, impairment allowance for debts has been recognised against trade receivables based on estimated irrecoverable amounts of approximately S\$24,000, nil and S\$54,000 for FY2015/16, FY2016/17 and FY2017/18, respectively. Except for the aforesaid, considering the high credibility of our customers, good track record with our Group and their settlement practice, we believe the trade receivables at the end of each reporting period are of good credit quality and that no further impairment allowance is necessary in respect of the remaining balances that are past due but not impaired. Further, we consider there has not been significant change in credit quality of these trade receivables that are not past due and not impaired.

Upon application of IFRS 9 on 1 July 2018, the Group applied simplified approach to provide impairment loss measured as expected credit losses prescribed by IFRS 9. To measure the expected credit loss (“ECL”), trade receivables assessed individually for all customers. The ECL of trade receivables as at 1 July 2018 (upon the application of IFRS 9) has no material impact on measurement of the trade receivables nor has any material additional impairment

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been recognised upon application as at same date. As part of the Group's credit risk management, the Group assess the impairment for its customers by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. As at 31 January 2019, the Group recognised approximately S\$23,000 impairment allowance based on individual assessment for all customers, resulting impairment allowance for debts of approximately S\$31,000 was reversed during the seven months ended 31 January 2019.

As at the Latest Practicable Date, approximately S\$1.6 million or 100.0% of the balance of trade receivables as at 31 January 2019 has been settled.

Other receivables, deposits and prepayment

The following table sets out other receivables, deposits and prepayment as at the dates indicated:

	As at 30 June		As at 31 January	
	2016	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Deposits	12	15	60	70
Prepayments	33	23	17	24
Deferred issued costs	–	–	274	778
Loan to an independent third party	–	225	–	–
Other receivables from subcontractors for back charges	48	307	–	–
Other receivable from re-sale of excess materials	–	–	300	–
Interest receivables	54	127	–	–
Others	25	107	61	49
	<u>172</u>	<u>804</u>	<u>712</u>	<u>921</u>

Deposits and prepayments mainly comprised rental deposits paid for the dormitory space provided by our customers for our foreign labour, tender deposits, prepaid insurance payment and prepaid software maintenance fee.

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In certain circumstances and depending on the contract terms with our subcontractors, we may purchase the necessary materials such as cement and electrical cables on behalf of our subcontractors at their costs. Other receivables from subcontractors for back-charges mainly represented the payment made for such materials procured on behalf of the subcontractors, which shall be charged back and deducted from the progress payment to the subcontractors.

The loan to an independent third party was unsecured, interest bearing at 3.5% per annum and repayable on demand, which has been fully settled during FY2017/18.

As at 30 June 2018 and 31 January 2019, the deferred issued costs of approximately S\$0.3 million and S\$0.8 million respectively, represented the prepaid listing expenses, which are non-recurring in nature.

As at 30 June 2018, the other receivable from re-sale of excess materials was approximately S\$0.3 million and subsequently settled during the seven months ended 31 January 2019.

Trade and other payables

Our payables in trade nature comprised trade payables, trade accruals and retention payable, principally related to (i) the purchase of direct materials for works from materials suppliers, (ii) site works performed by our subcontractors, and (iii) professional fee for certification of our electrical engineering works by professional engineers and licenced electrical workers. The following table sets out the breakdown of trade and other payables as at each reporting date:

	As at 30 June			As at
	2016	2017	2018	31 January
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Trade payables	1,263	1,421	1,272	1,505
Trade accruals	6,184	7,829	9,058	16,305
Retention payables	636	726	1,058	1,168
	8,083	9,976	11,388	18,978
Dividend payable	–	1,000	–	–
Accrued share issue costs	–	–	–	184
Accrued listing expenses	–	–	457	582
Goods and Services Tax (“GST”) payables	338	142	41	118
Payroll and CPF payables	4,131	3,790	714	970
Rental deposit received	5	5	9	8
Accrued other operating expenses	298	272	194	208
	<u>12,855</u>	<u>15,185</u>	<u>12,803</u>	<u>21,048</u>

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The table below sets out the aging analysis of our trade payables as at the respective end of reporting periods.

	As at 30 June			As at
	2016	2017	2018	31 January
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	2019
				<i>S\$'000</i>
Within 30 days	717	824	619	958
31 – 60 days	402	425	437	273
61 – 90 days	4	34	8	33
91 – 120 days	24	20	6	–
Over 120 days	116	118	202	241
	<u>1,263</u>	<u>1,421</u>	<u>1,272</u>	<u>1,505</u>
				Seven months
				ended
				31 January
	FY2015/16	FY2016/17	FY2017/18	2019
Average trade payables turnover days ^(Note)	<u>22</u>	<u>25</u>	<u>22</u>	<u>16</u>

Note: Average trade payables turnover days are calculated by dividing the average of opening and ending balance of trade payables (excluding trade accruals and retention payables) for the relevant year or period by the aggregate of direct materials and subcontracting charges, and multiplying by the number of days in the relevant year or period.

During the Track Record Period, our trade payables balance as well as our average trade payables turnover days remained stable. As our Group settled the bills to our materials suppliers and subcontractors on a timely basis, the average trade payables turnover days ranged from 16 to 25 days, which is within the general credit term of 30 days granted by our suppliers and subcontractors.

As at the Latest Practicable Date, approximately S\$1.4 million or 93.0% of the balance of trade payables as at 31 January 2019 has been settled.

Our trade accruals mainly comprised direct materials and subcontracting works which had been recognised as our costs of services but for which we had not yet received invoices from our suppliers or subcontractors as at the end of the respective year. Trade accruals increased to approximately S\$7.8 million as at 30 June 2017 from S\$6.2 million as at 30 June 2016, primarily due to the outstanding amount of approximately S\$1.3 million that has not been billed to us by our several materials suppliers and subcontractors for three projects completed before 2017 as they required additional time to prepare their final account to us. Further, our trade accruals increased to approximately S\$9.1 million as at 30 June 2018 mainly due to the

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amounts of work completed of approximately S\$2.6 million for our six sizeable on-going projects that have not been billed at the time close to the end of June 2018 by our several subcontractors, because we require sufficient time to certify their work done, and was partially offset by the aforementioned outstanding trade accruals as at 30 June 2017 which was subsequently settled during FY2017/18. Our trade accruals increased to approximately S\$16.3 million as at 31 January 2019, by approximately S\$7.2 million or 80.0% as compared to the balance as at 30 June 2018. It was mainly because substantial costs were continuously incurred to cope with a larger amount of work done for the sizeable ongoing projects for the seven months ended 31 January 2019, and we maintained the same interval time to certify the work done performed by the subcontractors during the period as compared to the end of June 2018.

Other payables

Other payables mainly comprised (i) dividend payable, (ii) accrued share issue costs and listing expenses, (iii) GST payables, (iv) payroll and CPF payables, and (v) rental deposit received.

During the Track Record Period, Khoon Engineering, a subsidiary of our Group, has declared and paid the dividend of S\$3.0 million each year for the Track Record Period. As part of the dividend declared in FY2016/17 (i.e. S\$1.0 million) was paid in FY2017/18, a dividend payable of S\$1.0 million was recorded as at 30 June 2017.

As at 30 June 2018 and 31 January 2019, our Group accrued share issue costs and listing expenses in aggregate of approximately S\$0.5 million and S\$0.8 million respectively, which is non-recurring in nature.

GST payables represented net amount of output GST from our customers and input GST to our materials suppliers and subcontractors to be paid to Inland Revenue Authority of Singapore. Our Group files GST return quarterly and settles the GST payable on a timely basis, therefore the balance mainly represented net GST for the three months.

Payroll and CPF payables mainly comprised accrued directors' fee and discretionary bonus for two executive Directors and accrued salaries and wages to employees including foreign labour. As at 30 June 2016, the payroll and CPF payables mainly included unpaid directors' fee and discretionary bonus of approximately S\$1.3 million and S\$2.7 million, respectively payable to two executive Directors, namely Mr. JK Ang and Mr. KK Ang, for the three years ended 30 June 2016. The balance as at 30 June 2017 dropped to approximately S\$3.8 million mainly due to the settlement of the total directors' fee of approximately S\$1.0 million for the years ended 30 June 2014 and 2015, and partially offset by accrued directors' fee for the two executive Directors of S\$0.5 million for FY2016/17. The balance further decreased to approximately S\$0.7 million as at 30 June 2018, mainly due to the settlement of the total directors' fee of approximately S\$1.0 million for FY2015/16 and FY2016/17 and the discretionary bonus of S\$2.7 million, which was partially offset by accrued directors' fee for the two executive Directors of S\$0.5 million for FY2017/18. The balance slightly increased to approximately S\$1.0 million as at 31 January 2019, as the accrued directors' fee for FY2017/18 has not yet been settled and the increase in accrued staff costs and salaries to general administrative staff.

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Amounts due from/(to) shareholders and related parties

Due from/(to) shareholders

The following table sets out our amounts due from/(to) shareholders as at the dates indicated:

Name of shareholder	As at 30 June			As at
	2016	2017	2018	31 January
	S\$'000	S\$'000	S\$'000	2019
				S\$'000
Mr. KK Ang	587	669	692	–
Mr. JK Ang	(642)	(1,060)	628	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The amounts due from/(to) shareholders are non-trade in nature, unsecured, non-interest bearing and repayable on demand or no fixed term of repayment. The amounts due from shareholders as at 31 January 2019 have been fully settled as at the Latest Practicable Date.

Due to related parties

Our amounts due to related parties were approximately S\$2.1 million, S\$1.7 million, nil and nil as at 30 June 2016, 2017, 2018 and 31 January 2019 respectively, involving three related companies in which our executive Directors, Mr. JK Ang, Mr. YK Ang and/or Mr. KK Ang, have control or beneficial interest. The amounts due to related parties arose from trade activities, which were unsecured, non-interest bearing and with credit term of 30 to 60 days. The amounts due to related parties have been fully settled during FY2017/18.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

The following table sets out the selected cash flow data from our Group's combined statements of cash flows for the periods indicated.

	FY2015/16	FY2016/17	FY2017/18	Seven months ended	
				31 January	
	S\$'000	S\$'000	S\$'000	2018	2019
				S\$'000	S\$'000
				<i>(unaudited)</i>	
Operating cash flows before movements in working capital	3,727	4,663	4,394	2,414	2,935
Net cash from (used in) operating activities	12,453	(1,386)	(7,001)	1,594	(403)
Net cash (used in) from investing activities	(767)	(2,649)	9,648	2,059	1,213
Net cash (used in) from financing activities	<u>(2,429)</u>	<u>(1,745)</u>	<u>(5,501)</u>	<u>2</u>	<u>(594)</u>
Net increase (decrease) in cash and cash equivalents	9,257	(5,780)	(2,854)	3,655	216
Cash and cash equivalents at beginning of the year	<u>5,375</u>	<u>14,632</u>	<u>8,852</u>	<u>8,852</u>	<u>5,998</u>
Cash and cash equivalents at end of the year	<u><u>14,632</u></u>	<u><u>8,852</u></u>	<u><u>5,998</u></u>	<u><u>12,507</u></u>	<u><u>6,214</u></u>

Our working capital level and requirements are subject largely to stages of works of each project of our Group is undertaking. While significant working capital is usually required in the early stage of a project to purchase raw materials, cash and bank balances significant increases when major progress payments are received from customers. During the Track Record Period, our Group financed our operations and growth mainly through a combination of cash from operations, bank borrowings, finance leases and advance from shareholders and related parties, and we applied our cash mainly to finance our operations and to repay our borrowings and advances. The liquidity position is monitored by our executive Directors and our Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term and to mitigate the effects of fluctuation in cash flows. We monitor our liquidity requirements primarily by reviewing the maturities of our assets and liabilities with an objective to ensure that we have sufficient funds to meet our obligations as they become due.

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Operating activities

Our Group derived our cash inflow from operating activities primarily from income of provision of electrical engineering services received from customers, while our cash outflow from operations principally reflects payments to materials suppliers, subcontractors and payroll to our employees.

Net cash generated from operating activities for FY2015/16 amounted to approximately S\$12.5 million. Our net cash inflow from operating activities after adjusting for non-cash items (mainly including depreciation and gain on disposal of property, plant and equipment) but before changes in working capital was approximately S\$3.7 million. The difference of approximately S\$8.7 million was mainly attributable to the combined effect of (i) the increase in trade and other payables of S\$4.5 million including accrued discretionary bonus for two executive Directors; (ii) the increase in amounts due to related parties of S\$2.1 million; (iii) the decrease in other receivables, deposits and prepayments of approximately S\$2.4 million; which was partly offset by (iv) the increase in trade receivables of approximately S\$1.0 million.

Net cash used in operating activities for FY2016/17 amounted to approximately S\$1.4 million. Our net cash inflow from operating activities after adjusting for non-cash items (mainly including depreciation and bank interest income) but before changes in working capital was approximately S\$4.7 million. The difference of approximately S\$6.0 million was mainly attributable to the combined effect of (i) the increase in contract assets of approximately S\$2.8 million; (ii) the increase in trade receivables of approximately S\$1.5 million due to the increase in work done for certain sizeable projects which were billed at the time close to the end of June 2017; (iii) the decrease in contract liabilities of S\$1.3 million; and (iv) the increase in other receivables, deposits and prepayments of approximately S\$0.6 million; which was partially offset by (v) the increase in trade and other payables of S\$1.3 million mainly due to settlement of directors' fee of approximately S\$1.0 million.

Net cash used in operating activities for FY2017/18 amounted to approximately S\$7.0 million. Our net cash inflow from operating activities after adjusting for non-cash items (mainly including depreciation, gain on disposal of property, plant and equipment and bank interest income) but before changes in working capital was approximately S\$4.4 million. The difference of approximately S\$11.4 million was mainly attributable to the combined effect of (i) the decrease in contract liabilities of S\$3.6 million; (ii) the increase in contract assets of approximately S\$3.7 million; (iii) the decrease in trade and other payables of S\$2.3 million mainly due to settlement of accrued discretionary bonus during the year; (iv) the decrease in amounts due to related parties of approximately S\$0.7 million after the cash settlement; and (v) the increase in trade receivables of approximately S\$1.0 million mainly because a retention money of S\$0.7 million was billed in June 2018 upon the expiry of the defect liability period.

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Net cash used in operating activities for the seven months ended 31 January 2019 amounted to approximately S\$0.4 million. Our net cash inflow from operating activities after adjusting for non-cash items (mainly including depreciation, reversal of impairment allowance for debts and bank interest income) but before changes in working capital was approximately S\$2.9 million. The difference of approximately S\$3.3 million was mainly attributable to the increase in contract assets of approximately S\$13.3 million but partly offset by the increase in trade and other payables of approximately S\$8.8 million and decrease in trade receivables of approximately S\$1.8 million accordingly.

We adopt the following measures in order to maintain our cashflow position from operations:

- After our customers acknowledge our monthly payment applications, our finance and accounting staff will closely communicate with the customers on the status of the certification process. Our executive Directors will ensure that any customers' feedbacks on our payment applications are promptly addressed.
- Material overdue payments are closely monitored and evaluated on a case-by-case basis in order to deduce the appropriate follow-up actions, including active communications and conducting follow up calls with the customers.

Investing activities

Our cash outflow for investing activities was primarily bank deposits with original maturity of more than three months, advance to shareholders, and purchase of property, plant and equipment. Our cash inflow from investing activities primarily consisted of withdrawal of bank deposits with original maturity of more than three months, proceeds from shareholders to repay their advance, interest received, and proceeds from disposal of property, plant and equipment.

During FY2015/16, our net cash used in investing activities amounted to approximately S\$0.8 million, which was mainly attributable to (i) we placed bank deposits of approximately S\$7.1 million with original maturity of more than three months in order to earn higher bank interest income; (ii) acquisition of property, plant and equipment of approximately S\$0.4 million; which was offset by (iii) repayment of advance from shareholders of approximately S\$6.5 million; and (iv) proceeds received from disposal of property, plant and equipment of approximately S\$0.1 million.

During FY2016/17, our net cash used in investing activities amounted to approximately S\$2.6 million, which was mainly because we placed bank deposits of approximately S\$2.1 million with original maturity of more than three months in order to earn higher bank interest income and acquisition of property, plant and equipment of approximately S\$0.8 million, which was partially offset by receiving bank interest income of approximately S\$0.2 million.

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During FY2017/18, our net cash generated from investing activities amounted to approximately S\$9.6 million, which was mainly attributable to net withdrawal of bank deposits placed with original maturity more than three months of approximately S\$9.2 million in order to finance our normal operations, and the proceeds received from disposal of property, plant and equipment of approximately S\$1.1 million.

Our net cash generated from investing activities amounted to approximately S\$1.2 million for the seven months ended 31 January 2019, mainly attributable to the repayment of approximately S\$1.3 million received for the amount due from shareholders.

Financing activities

Our cash inflow for financing activities primarily consists of advances from shareholders. Our cash outflow for financing activities primarily consists of dividends to shareholders, repayment of obligation under finance leases and bank borrowings, and repayment of advance from shareholders.

During FY2015/16, our net cash used in financing activities amounted to approximately S\$2.4 million which was attributable to dividends paid to the shareholders of S\$3.0 million, and was partly offset by advance received from a shareholder of approximately S\$0.6 million.

During FY2016/17, our net cash used in financing activities amounted to approximately S\$1.7 million which was attributable to dividends paid to the shareholders of S\$2.0 million out of a declared distribution of profits of S\$3.0 million during the year and repayment of obligations under finance leases of approximately S\$0.1 million, which was offset by advance received from a shareholder of approximately S\$0.4 million.

During FY2017/18, our net cash used in financing activities amounted to approximately S\$5.5 million which was attributable to (i) dividends paid to the shareholders of S\$4.0 million consisting a declared distribution of profits of S\$3.0 million for the year and the remaining unpaid dividend of \$1.0 million for FY2016/17, (ii) repayment of advance received from a shareholder of approximately S\$1.1 million, and (iii) repayment of obligations under finance leases of approximately S\$0.4 million.

During the seven months ended 31 January 2019, our net cash used in financing activities amounted to approximately S\$0.6 million which was attributable to share issue costs paid.

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NET CURRENT ASSETS

Our Group recorded net current assets of approximately S\$6.9 million, S\$7.3 million, S\$8.6 million, S\$10.7 million and S\$12.4 million, respectively, as at 30 June 2016, 2017, 2018, 31 January 2019 and 30 April 2019. The following table sets forth the breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 30 June			As at 31 January	As at 30 April
	2016	2017	2018	2019	2019
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
					<i>(unaudited)</i>
Current assets					
Trade receivables	991	2,461	3,361	1,577	2,359
Other receivables, deposits and prepayment	172	804	712	921	1,168
Contract assets	4,881	7,727	11,440	24,786	29,794
Amounts due from shareholders	587	669	1,320	–	–
Bank deposits	7,070	9,152	–	–	–
Bank balance and cash	14,632	8,852	5,998	6,213	4,846
	<u>28,333</u>	<u>29,665</u>	<u>22,831</u>	<u>33,497</u>	<u>38,167</u>
Current liabilities					
Trade and other payables	12,855	15,185	12,803	21,048	24,393
Contract liabilities	4,975	3,666	42	6	51
Amount due to a shareholder	642	1,060	–	–	–
Amounts due to related parties	2,104	1,685	–	–	–
Obligations under finance leases	70	109	–	–	–
Bank borrowings	12	–	–	–	–
Income tax payable	796	698	1,377	1,738	1,342
	<u>21,454</u>	<u>22,403</u>	<u>14,222</u>	<u>22,792</u>	<u>25,786</u>
Net current assets	<u><u>6,879</u></u>	<u><u>7,262</u></u>	<u><u>8,609</u></u>	<u><u>10,705</u></u>	<u><u>12,381</u></u>

As at 30 April 2019, we had net current assets of approximately S\$12.4 million. The key components of our current assets as at 30 April 2019 included contract assets of approximately S\$29.8 million, bank balances and cash of approximately S\$4.8 million and trade receivables of approximately S\$2.4 million. The key component of our current liabilities is trade and other payables of approximately S\$24.4 million.

Our net current assets increased by approximately S\$1.7 million or 15.7% to approximately S\$12.4 million as at 30 April 2019 from S\$10.7 million as at 31 January 2019, which was mainly driven by the profits generated during the period.

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As at 31 January 2019, we had net current assets of approximately S\$10.7 million. The key components of our current assets as at 31 January 2019 included contract assets of approximately S\$24.8 million, bank balances and cash of approximately S\$6.2 million and trade receivables of approximately S\$1.6 million. The key component of our current liabilities is trade and other payables of approximately S\$21.0 million.

Our net current assets increased by approximately S\$2.1 million or 24.3% from approximately S\$8.6 million as at 30 June 2018 to approximately S\$10.7 million as at 31 January 2019, which was primarily driven by the profits generated for the seven months ended 31 January 2019, as contract assets increased by approximately S\$13.3 million, but partially offset by trade and other payables increased by approximately S\$8.2 million and trade receivables decreased by approximately S\$1.8 million.

As at 30 June 2018, we had net current assets of approximately S\$8.6 million. The key components of our current assets as at 30 June 2018 included contract assets of approximately S\$11.4 million, bank balances and cash of approximately S\$6.0 million, trade receivables of approximately S\$3.4 million, and amounts due from shareholders of approximately S\$1.3 million. The key component of our current liabilities is trade and other payables of approximately S\$12.8 million.

Our net current assets increased by approximately S\$1.3 million or approximately 18.5% from approximately S\$7.3 million as at 30 June 2017 to approximately S\$8.6 million as at 30 June 2018, which was primarily driven by (i) increase in contract assets of approximately S\$3.7 million; (ii) decrease in contract liabilities of approximately S\$3.6 million; (iii) reduction in our trade and other payables of S\$2.4 million by cash settlement; (iv) settlement of amounts due to a shareholder and related parties of approximately S\$1.1 million and S\$1.7 million respectively; and (v) the bank deposits and bank and cash balances were utilised by S\$12.0 million.

As at 30 June 2017, we had net current assets of approximately S\$7.3 million. The key components of our current assets as at 30 June 2017 included bank deposits and balances and cash in aggregate of approximately S\$18.0 million, contract assets of approximately S\$7.7 million, trade receivables of approximately S\$2.5 million and other receivables, deposits and prepayments of approximately S\$0.8 million. The key components of our current liabilities included trade and other payables of approximately S\$15.2 million, contract liabilities of approximately S\$3.7 million and amounts due to a shareholder and related parties of S\$2.7 million.

Our net current assets increased by approximately S\$0.4 million or approximately 5.6% from approximately S\$6.9 million as at 30 June 2016 to approximately S\$7.3 million as at 30 June 2017, which was primarily driven by (i) the increase in contract assets of approximately S\$2.8 million; (ii) the decrease in contract liabilities of approximately S\$1.3 million, which was partially offset by; (iii) the reduction in net working capital of trade and other receivables and trade and other payables of approximately S\$0.2 million; and (iv) the decrease in bank deposits and bank and cash balances of approximately S\$3.7 million.

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SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including our internal resources and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for its present requirements, that is, for at least the next 12 months commencing from the date of this prospectus.

In assessing the sufficiency of our working capital for its present requirements, our Directors have considered the following factors: (i) our net current assets increased from S\$6.9 million as at 30 June 2016 to S\$7.3 million as at 30 June 2017, and further increased to S\$8.6 million and S\$10.7 million as at 30 June 2018 and 31 January 2019 respectively. As at 30 April 2019, our Group was in net current asset position of S\$12.4 million and our bank balance and cash was maintained at S\$4.8 million; (ii) our Group did not have any bank borrowing as at the Latest Practicable Date; and (iii) our gearing ratio had become nil as at 30 June 2018 and afterwards, because all our obligation under finance leases were fully repaid during FY2017/18.

Our Directors confirm that we did not have any material defaults in payment of trade and non-trade payables and bank borrowings, or breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

We expect to finance our operations through a combination of operating cash inflows to our Group and proceeds from the Share Offer.

INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets out our total indebtedness as at 30 June 2016, 2017, 2018, 31 January 2019 and 30 April 2019:

	As at 30 June			As at	As at
	2016	2017	2018	31 January	30 April
	S\$'000	S\$'000	S\$'000	2019	2019
				S\$'000	S\$'000
					<i>(unaudited)</i>
Bank borrowings	12	–	–	–	–
Obligations under finance leases	222	354	–	–	–
Amount due to a shareholder	642	1,060	–	–	–
	<u>876</u>	<u>1,414</u>	<u>–</u>	<u>–</u>	<u>–</u>

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Bank borrowings

As at 30 June 2016, our bank borrowing of approximately S\$12,000 represented bank loans repayable within one year, which was secured by our Group's self-owned property and joint guarantee by two executive Directors, Mr. JK Ang and Mr. KK Ang. During FY2016/17, the bank borrowings were fully settled and no new loans were obtained afterwards. Accordingly, the pledged property and the personal guarantees have been released.

As at 30 April 2019, being the latest practicable date for the purpose of indebtedness statement and the Latest Practicable Date, we did not obtain any banking facilities from banks.

Obligations under finance leases

During the Track Record Period, we leased certain of our motor vehicles under finance leases. The average lease term for the leases is five years. During FY2017/18, all obligation under finance leases have been fully settled. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.98% to 4.45% per annum, 1.33% to 5.61% per annum and 1.14% to 5.50% per annum for each of FY2015/16, FY2016/17 and FY2017/18, respectively.

All the obligations under finance leases were secured by our motor vehicles under finance leases during the Track Record Period, and were released upon the settlement made in FY2017/18.

Contingent liabilities

(a) Performance guarantees

As at 30 June 2016, 2017, 2018 and 31 January 2019, performance bonds of approximately S\$0.6 million, S\$0.6 million, S\$0.6 million and S\$0.6 million, respectively, were given by a bank and an insurance company in favour of our Group's customers as security for the due performance and observance of our Group's obligations under the contracts entered into between our Group and the customers. If our Group fails to provide satisfactory performance to the customers to whom performance bonds have been given, such customers may demand the bank and insurance company to pay to them the sum or sum stipulated in such demand. Our Group will become liable to compensate such bank and insurance company accordingly. The performance guarantees will be released upon completion of the contract. The performance guarantees were granted under (i) the deposit of our Group amounting to approximately S\$18,000 as at 30 June 2018 and 31 January 2019; and (ii) personal guarantee by the directors of Khoon Engineering, a subsidiary of our Group as at 30 June 2016, 2017, 2018 and 31 January 2019.

As at 30 April 2019, being the latest practicable date for the purpose of indebtedness statement, the amount of such performance guarantees was approximately S\$0.6 million. The personal guarantees secured for the performance guarantees will be released upon Listing and will be replaced by corporate guarantees and/or other collaterals from our Group.

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(b) The Myanmar Project

During the Track Record Period, our Group was engaged by a Singapore incorporated customer for the provision of electrical engineering solutions in relation to various types of electrical systems in a commercial complex comprising shopping mall and office building in the Myanmar Project. The Myanmar Project commenced in March 2015 and was completed in August 2016.

In relation to the tax matters for the Myanmar Project, our Directors estimated by reference to an assessment from an international accounting firm engaged by our Group, that the potential corporate income tax liability including penalty in Myanmar amount to a total of approximately S\$88,000. But no provision was made in the financial statements of our Group having considered that (i) we have not yet received any response from Myanmar tax authority despite our efforts in seeking their guidance as there is no written guidance applicable to our case; (ii) the international accounting firm has confirmed that there is no precedent case available for our Group in relation to the procedure for a non-resident company to register and file corporate income tax in Myanmar applicable to our Group in relation to the Myanmar Project; and (iii) the estimated amount of our potential tax exposure is immaterial and our Controlling Shareholders have undertaken to fully indemnify our tax liability in respect of the Myanmar Project pursuant to the Deed of Indemnity.

As at the Latest Practicable Date, we were not involved in any material legal proceedings, nor were we aware of any pending or potential material legal proceedings involving our Group. If our Group is involved in any material legal proceedings in the future, and based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated, we would then record a contingent liability.

As at 30 April 2019, save as disclosed above, and apart from normal trade payables and intra-group liabilities, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

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KEY FINANCIAL RATIOS

The following tables set forth the summary of our key financial ratios as of the dates or for the periods indicated:

	FY2015/16	FY2016/17	FY2017/18	Seven months ended 31 January 2019
Gross profit margin (%)	12.5	17.0	19.3	20.4
Net profit margin (%)	7.9	12.4	10.4	6.8
Return on equity (%)	32.7	37.5	32.7	15.2
Return on total assets (%)	9.9	11.6	14.0	5.4
Interest coverage (times)	400.9	299.1	110.3	N/A

	As at 30 June			As at 31 January 2019
	2016	2017	2018	
Current ratio	1.3	1.3	1.6	1.5
Quick ratio	1.3	1.3	1.6	1.5
Gearing ratio (%)	2.5	3.5	N/A	N/A
Net debt to equity ratio (%)	N/A	N/A	N/A	N/A

Notes:

- (1) Gross profit margin is calculated as gross profit for the respective year or period divided by revenue of the respective reporting year or period.
- (2) Net profit margin is calculated as net profit for the respective year or period divided by revenue of the respective reporting year or period.
- (3) Return on equity is calculated by dividing net profit attributable to equity shareholders for the respective year or period by total equity attributable to equity shareholders as of the end of the respective year or period.
- (4) Return on total assets is calculated by dividing net profit attributable to equity shareholders for the respective year or period by total assets as of the end of the respective year or period.
- (5) Interest coverage is calculated based on operating profit for the respective year or period divided by finance costs for the respective year or period.
- (6) Current ratio is calculated based on the total current assets for the respective year or period divided by total current liabilities as of the end of the respective year or period.
- (7) Quick ratio is calculated based on the current assets less inventories for the respective year or period divided by current liabilities as of the end of the respective year or period.
- (8) Gearing ratio was calculated based on interest-bearing liabilities (including bank borrowings and obligations under finance leases) as at the respective dates divided by total equity as at the respective dates and multiplied by 100%.
- (9) Net debt to equity ratio was calculated based on net debts (being interest-bearing liabilities net of cash and cash equivalents) as at the respective dates divided by total equity as at the respective dates.

Details of gross profit margin and net profit margin, are set out in the paragraph headed “Review of Historical Results of Operation” in this section.

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Return on equity

Our return on equity increased from approximately 32.7% for FY2015/16 to 37.5% for FY2016/17, but slightly dropped to 32.7% for FY2017/18. There was no material fluctuation on return on equity during the Track Record Period because there was no material fluctuation of the net profit attributable to equity shareholders while our total equity remained at similar level due to the dividend paid out of the profit generated for the years. Our return on equity decreased to approximately 15.2% for the seven months ended 31 January 2019 from 32.7% for FY2017/18 primarily because only seven months results was accounted for. If our listing expenses of approximately S\$0.9 million and S\$1.7 million had been excluded for full year FY2017/18 and the seven months ended 31 January 2019, our return on equity would have been 41.6% and 28.8%, respectively.

Return on total assets

Our return on total assets increased during the Track Record Period, from approximately 9.9% for FY2015/16, 11.6% for FY2016/17 to 14.0% for FY2017/18, which was mainly due to no material fluctuation of the net profit attributable to equity shareholders but our total assets maintained or decreased during the Track Record Period. Such increasing trend was mainly because (i) our net profit grew gradually during the Track Record Period; and (ii) the total assets increased slightly by approximately 6.2% for FY2016/17 but decreased sharply by approximately 24.2% for FY2017/18 primarily because approximately S\$12.0 million bank balances and cash was utilised to settle the trade and other payables, amount due to a shareholder and to finance our on-going projects. Our return on total assets decreased to approximately 5.4% for the seven months ended 31 January 2019 from 14.0% for FY2017/18, primarily because only seven months results was accounted for. If our listing expenses of approximately S\$0.9 million and S\$1.7 million had been excluded for full year FY2017/18 and the seven months ended 31 January 2019, our return on total assets would have been 17.8% and 10.3%, respectively.

Interest coverage

Interest coverage maintained at high level as the portion of interest expenses are immaterial during the Track Record Period. However, the interest coverage was not applicable for the seven months ended 31 January 2019 as no finance costs were incurred for the period as all borrowings were fully settled in FY2017/18.

Current ratio and quick ratio

Our current ratio and quick ratio maintained at approximately 1.3 as at 30 June 2016 and 2017, and slightly increased to 1.6 as at 30 June 2018. It was resulted from the improvement of net current assets by approximately 18.5% and both ratios remained at 1.5 as at 31 January 2019.

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Gearing ratio

Our gearing ratio increased from approximately 2.5% as at 30 June 2016 to approximately 3.5% as at 30 June 2017, which was mainly attributable to the acquisition of motor vehicles financed by obligation under finance leases during the Track Record Period. However, the gearing ratio became nil as at 30 June 2018 and 31 January 2019, respectively, because all obligation under finance leases were fully repaid during FY2017/18.

Net debt to equity ratio

This ratio was not applicable as there was net cash as at 30 June 2016, 2017, 2018 and 31 January 2019 respectively.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules.

CAPITAL EXPENDITURES, CONTRACTUAL ARRANGEMENTS AND COMMITMENTS

Capital expenditure and commitment

Our Group's capital expenditures have principally consisted of expenditures on acquisitions of property, plant and equipment in our operations. For FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, our Group incurred capital expenditures of approximately S\$0.5 million, S\$1.1 million, S\$95,000 and S\$0.1 million, respectively. The majority of our capital expenditures came from the acquisition of motor vehicles primarily used for transportation use and acquisition of plant and machinery used for installation works. Our capital expenditure was funded by internal resources and finance lease arrangement during the Track Record Period. Subsequent to 31 January 2019 and up to the Latest Practicable Date, we did not make any material capital expenditures.

During the Track Record Period, we had no capital commitment that were not provided for in our combined financial statements.

We estimate that upon Listing, our planned capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds from the Share Offer, cash generated from our operating activities, and the proceeds from the disposal of the Former Property. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

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Operating lease commitment

As lessor

Our investment property is held to earn rental income during the Track Record Period, while the lease has tenures of two to three years. The lease payments are fixed over the lease term and no contingent rent included. At the end of each reporting periods, the total of future minimum lease receipts under non-cancellable operating leases are as follows:

	As at 30 June			As at
	2016	2017	2018	31 January
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	2019 <i>S\$'000</i>
Within one year	30	33	34	34
After one year but within two years	9	34	34	24
After two years but within five years	–	44	10	–
	39	111	78	58
	39	111	78	58

As lessee

During the Track Record Period, we leased staff quarter with lease term of two years, and office with lease term ranging from six months to three years. The lease payments are fixed over the lease term and no contingent rent provision is included in the contracts. As at the end of each reporting period, the total future minimum rental payable under non-cancellable leases are as follows:

	As at 30 June			As at
	2016	2017	2018	31 January
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	2019 <i>S\$'000</i>
Within one year	–	–	91	215
After one year but within two years	–	–	53	102
After two years but within five years	–	–	–	53
	–	–	144	370
	–	–	144	370

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CAPITAL MANAGEMENT

Our Group manages its capital to ensure that our Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Our Group's overall strategy remains unchanged throughout the Track Record Period.

Our Directors review the capital structure actively and regularly. As part of the review, they will consider the cost of capital and risks associated with each class of capital in the context of capital structure, and takes appropriate actions to adjust our Group's capital structure. During the Track Record Period, the capital structure of our Group consists of debts, which includes bank borrowings and obligations under finance leases, and equity attributable to owners of our Group, comprising issued share capital and reserves. Based on recommendations of our Directors, our Company may balance its overall capital structure through the payment of dividends, share buyback, issuing new shares and raising new debts.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, except for the performance guarantees and operating leases disclosed above, our Group had no material off-balance sheet guarantees, commitment or arrangements.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 30 to the historical financial information of the Accountant's Report as set out in Appendix I to this prospectus, our Directors confirm that these transactions were determined after arm's length negotiations between the related parties with reference to the prevailing market conditions.

Our executive Directors confirmed that our procurement of subcontracting services from the related parties was conducted on arm's length basis and on normal commercial terms and would not distort our results during the Track Record Period, as supported by the fact that:

- (i) in accordance with our usual practice, we generally obtained two to three quotations for each major type of procurement from different subcontractors for comparison, and the prices and other commercial terms offered by the related parties were in line with the prices and other commercial terms offered by other independent subcontractors during the Track Record Period. In particular, the terms of transactions offered by the related parties are similar to those offered by other independent subcontractors as supported by the fact that: (a) we were generally required to make progress payments to both our related and independent subcontractors; (b) the pricing offered by our related parties may be higher or lower than those offered by other independent subcontractors for similar services and work scopes, and such difference in the pricing generally ranged from approximately 3% to 9%; (c) we were generally granted a credit term of 30 days by both our related and independent subcontractors; and (d) we generally held up to 10% of each progress payment to our related and independent subcontractors as retention money;

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- (ii) the other shareholder and director of Million Miles and JT Construct (before the resignation of directorship and disposal of shareholdings by Mr. YK Ang) was an independent third party during the Track Record Period;
- (iii) the other shareholder and director of WMK Solutions Pte. Ltd. (before the resignation of directorship and disposal of shareholdings by Mr. KK Ang) was an independent third party during the Track Record Period; and (iv) during the Track Record Period, the related parties were making a gross profit.

Our executive Directors confirmed that our purchases of materials (which mainly comprised electrical cables) from the related parties were conducted on arm's length basis and on normal commercial terms and would not distort our results during the Track Record Period, as supported by the fact that:

- (i) in accordance with our usual practice, we generally obtained two to three quotations for each major type of purchase from different materials suppliers for comparison, and the prices and other commercial terms offered by the aforesaid companies were in line with the prices and other commercial terms offered by other independent materials suppliers during the Track Record Period. In particular, the terms of transactions offered by the related parties are similar to those offered by other independent material suppliers as supported by the fact that: (a) the difference in pricing offered by our related and independent material suppliers for similar kinds of material was generally within 5%; and (b) the credit term granted by our related material suppliers is generally within the range of credit term granted by our independent material suppliers which ranges from 7 to 60 days;
- (ii) the prices of electrical cables offered by the related parties were comparable to the prevailing market prices provided by F&S in the paragraph headed "Industry Overview – Cost structure analysis";
- (iii) the aggregate amount of direct material expense incurred from such related party transactions accounted for only approximately 0.2%, nil and 0.1% of our cost of services for each of FY2015/16, FY2016/17 and FY2017/18, respectively;
- (iv) the other shareholder and director of Million Miles (before the resignation of directorship and disposal of shareholdings by Mr. YK Ang) was an independent third party during the Track Record Period; and
- (v) the other shareholder and director of Commonwealth Solutions Pte. Ltd. (before the resignation of directorship and disposal of shareholdings by Mr. KK Ang) was an independent third party during the Track Record Period.

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Our executive Directors confirmed that our procurement of certification services from the related parties were conducted on arm's length basis and on normal commercial terms and would not distort our results during the Track Record Period, as supported by the fact that:

- (i) in accordance with our usual practice, we generally obtained two to three quotations for each major type of services required from different third party professionals (such as professional engineers and licenced electrical workers) for comparison;
- (ii) the prices and other commercial terms offered by the related parties were in line with the prices and other commercial terms offered by other independent third party professionals during the Track Record Period. In particular, the difference in pricing offered by our related and independent qualified licensed electrical workers for certification services was generally within 5%; and
- (iii) the other shareholder and director of Million Miles (before the resignation of directorship and disposal of shareholdings by Mr. YK Ang) was an independent third party during the Track Record Period.

Our sundry services transactions with the related parties consisted of both sundry income and sundry expenses. Sundry income represents the handling fee mark-ups we charged to the related party on top of our payments made for material purchases on their behalf, which is in line with our practice with our subcontractors which are independent third parties. Sundry expenses represent certain miscellaneous transactions which are ancillary to the subcontracting services provided by our related parties, such as miscellaneous site expenses. The aforesaid transactions were in line with our terms of engagements with our other subcontractors, and given the insignificant amount involved, they would not distort our results during the Track Record Period.

With respect to the related party transactions as set out in note 30 to the historical financial information of the Accountants' Report as set out in Appendix I to this prospectus, the table below sets forth the net financial effect of fees charged by independent material suppliers/subcontractors as compared to those charged by our related parties for similar materials/services during the Track Record Period:

	FY2015/16	FY2016/17	FY2017/18	Seven months ended 31 January 2019
	S\$	S\$	S\$	S\$
Million Miles ^(Note 1)	(400)	2,900	5,900	(200)
JT Construct ^(Note 2)	72,800	33,600	89,200	65,100
WMK Solutions Pte. Ltd. ^(Note 3)	–	300	5,500	–
Comwealth Solutions Pte. Ltd. ^(Note 4)	(2,800)	–	–	–
ANG JK Engineering ^(Note 5)	17,200	13,600	22,600	–
Total	86,800	50,400	123,200	64,900

FINANCIAL INFORMATION

Based on the table above, the amount of fees charged by independent material suppliers/subcontractors in excess of those charged by our related parties represents only 0.2% to 0.5% of our cost of services in each financial year during the Track Record Period. In view of the insignificant difference in the net amount of fees charged by independent material suppliers/subcontractors and our related parties, our executive Directors consider that such related parties transactions did not distort our financial results during the Track Record Period.

Notes:

1. In April 2018, Mr. YK Ang resigned from his directorship and sold his shareholdings in Million Miles to an independent third party. The net financial effect covered the transactions with our Group during the period (i) when it was classified as our related party; and (ii) following the disposal of its shareholdings to independent third party.
2. In March 2018, Mr. YK Ang resigned from his directorship and sold his shareholdings in JT Construct to an independent third party. The net financial effect covered the transactions with our Group during the period (i) when it was classified as our related party; and (ii) following the disposal of its shareholdings to independent third party.
3. In April 2018, Mr. KK Ang resigned from his directorship and sold his shareholdings in WMK Solutions Pte. Ltd. to an independent third party. The net financial effect covered the transactions with our Group during the period (i) when it was classified as our related party; and (ii) following the disposal of its shareholdings to independent third party.
4. In May 2018, Mr. KK Ang resigned from his directorship and sold his shareholdings in Commonwealth Solutions Pte. Ltd. to an independent third party. The net financial effect covered the transactions with our Group during the period (i) when it was classified as our related party; and (ii) following the disposal of its shareholdings to independent third party.
5. ANG JK Engineering was dissolved in May 2018.

DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation. Prior to the Reorganisation, Khoon Engineering, a subsidiary of our Group, has declared and paid the interim dividends of an aggregate amount of S\$3.0 million, S\$3.0 million, S\$3.0 million and nil for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 respectively, to its then shareholders.

We currently do not have a specific dividend policy. After completion of the Listing, our Shareholders will be entitled to receive dividends declared by us. The proposal of payment and the amount of our dividends for the future years will be made at the discretion of our Board subject to the Cayman Islands law and our Articles, and will be depended on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Any declaration and distribution of final dividend shall also be subject to the approval of our Shareholders in a shareholders' meeting. We cannot assure you that we will declare or pay such or any amount of dividends.

FINANCIAL INSTRUMENT

Our Group have not entered into any financial instruments for hedging purposes during the Track Record Period and as at the Latest Practicable Date.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

Our Company was incorporated on 24 July 2018 and is an investment holding company. As at 31 January 2019 and the Latest Practicable Date, our Company did not have any distributable reserves available for distribution to our Shareholders.

QUANTITATIVE AND QUALITATIVE INFORMATION OF MARKET RISKS

Our Group's major financial instrument and our activities exposed us to a variety of financial risks, including currency risk, interest rate risk, credit risk and liquidity risk. Our overall risk management programme focuses on the unpredictability of financial markets and our management manages and monitors these exposure to ensure appropriate measures are implemented on a timely and effective manner. For further details, please refer to note 33 to the Accountants' Report as set out in Appendix I to this prospectus.

LISTING EXPENSES

Our Group expects that the total Listing expenses, which is non-recurring in nature, will amount to approximately HK\$30.0 million (based on the mid-point of the indicative range of the Offer Price). HK\$7.2 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$22.8 million shall be charged to profit or loss, in which approximately S\$0.9 million (equivalent to HK\$5.2 million) and S\$1.7 million (equivalent to HK\$9.8 million) has already been charged to our combined statements of profit or loss and other comprehensive income of our Group for FY2017/18 and the seven months ended 31 January 2019, respectively, and approximately HK\$1.6 million and HK\$6.2 million will be charged to profit or loss for the five months ending 30 June 2019 and FY2019/20, respectively. The Listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed "Listing Expenses" in this section of this prospectus, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 January 2019 and there has been no event since 31 January 2019 which would materially affect the information shown in the Accountant's Report as set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there are no circumstances which, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR LISTING

Our Directors believe that the Listing will benefit our Group for the reasons set forth below:

1. To strengthen our service capacity following the upgrade in our ME05 registration from “L5” to “L6” grade

The registration of Khoon Engineering under the workhead of ME05 was successfully upgraded from “L5” grade to “L6” grade in June 2018, which enabled us to tender for electrical engineering projects of unlimited values directly from the Singapore Government. Our Directors consider that the upgrade in our ME05 registration has (i) increased our exposure to business opportunities in relation to sizeable public building development projects; (ii) strengthened our customers’ confidence in our performance; and (iii) solidify our market presence and industry recognition. Therefore, it is expected that we will receive more tender invitations to participate in additional and sizeable public development projects.

During the Track Record Period, we normally incurred net cash outflows at the early stage of carrying out a project to cover a variety of up-front costs and expenses including subcontracting charges, costs of materials and other costs associated with site preparation. In light of the anticipated increase in scale and number of projects to be undertaken by our Group, our Directors consider that our capital requirement for financing our project up-front costs and expenses will increase in the foreseeable future.

Further, our Directors consider that our service capacity and future business growth are hindered by our existing available human resources, as evidenced by the fact that we had declined 62, 51, 44 and 52 tender invitations in FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019, respectively. Therefore, there is a genuine need for us to strengthen our manpower to (i) increase our service capacity; (ii) capture the potential business opportunities associated with the upgrade in our ME05 registration; and (iii) reduce our needs for subcontracting services and lower our costs incurred therefrom.

During the Track Record Period, we generally required our subcontractors to provide the necessary machinery and equipment to be used in their works at their own costs. In light of (i) the anticipated increase in scale and number of projects to be undertaken by our Group as aforementioned; (ii) our objective to lower our subcontracting charges; and (iii) the needs to equip our newly recruited site workers with the necessary machinery and equipment, our Directors consider that it is in our commercial interests to acquire additional machinery and equipment so as to increase our overall efficiency in project implementation and to improve our capability of catering to different project needs and requirements.

Based on the aforesaid, our Directors consider that it is in our Group’s commercial interest to apply the capital raised through the Listing to finance (i) the increase in project up-front costs requirement; (ii) recruitment and retention of the additional staff; and (iii) the acquisition of additional machinery and equipment.

FUTURE PLANS AND USE OF PROCEEDS

2. Strategic acquisition of a Singapore-based ACMV contractor

We intend to acquire a Singapore-based ACMV contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least “L4” grade to attain synergistic benefits and to facilitate our application for registration under the workhead of ME15 (integrated building services) with “L6” grade. Our Directors consider that the acquisition of a Singapore-based ACMV contractor by using the capital raised through the Listing will enable our Group to (i) capture the increasing market demand for ACMV services in Singapore as provided for in the F&S Report; (ii) obtain the qualifications in directly tendering for ACMV projects from the Singapore Government under the workhead of ME01; (iii) strengthen and demonstrate our in-house capability in undertaking ACMV works; (iv) leverage on the enlarged customer base for promoting our services; (v) increase our flexibility in resources allocation for performing ACMV works; and (vi) facilitating our application for the ME15 registration with “L6” grade which will enable us to directly tender for integrated building services projects of unlimited values from the Singapore Government.

3. To capture the growing market demand for M&E services in Singapore

According to the F&S Report, the Singapore M&E services market, being driven by favourable government support and expected positive economic outlook, is forecasted to increase in the next five years at a CAGR of 6.5%, reaching S\$1,890.1 million by 2022. In light of the favourable market trend and our present scale of operation, our Directors consider that it is the appropriate timing for us to expand our scale of operation and to implement our business plans set out in the paragraph headed “Business – Business strategies” in this prospectus. Our Directors believe that the Listing will enable us to obtain sufficient funding to implement our business plans, which will strengthen our market presence in the M&E industry and provide us with additional opportunities of being involved in additional and more sizeable M&E projects in Singapore.

4. ME15 Registration will strengthen our competitiveness and awareness in the M&E services industry in Singapore

According to the BCA Directory, there were in total 114 contractors registered under the workhead of ME15 as at the Latest Practicable Date. Out of the 114 contractors, 67 were registered with “L6” grade. In light of the limited number of contractors capable of providing integrated building services under the workhead of ME15, our Directors consider that our proposed application for the ME15 Registration with “L6” grade after the acquisition of a Singapore-based ACMV contractor will strengthen our customers’ confidence in us and improve our overall competitiveness and awareness in the M&E services industry in Singapore. The funding obtained from the Listing will enable us to better equip ourselves with additional workforce to undertake integrated building services projects in the future.

FUTURE PLANS AND USE OF PROCEEDS

5. Strengthen our corporate profile

Our Directors believe that the Listing will increase the profile of our Group and enable our Group to be considered more favourably by our customers, suppliers and bankers, given that a listed company is subject to ongoing regulatory compliance for announcements, financial disclosure and corporate governance.

In particular, our top customers during the Track Record Period comprised building constructors which are subsidiaries of companies listed on different stock markets worldwide. Please refer to the paragraph headed “Business – Customers – Top customers” in this prospectus. Our Directors consider that the Listing will establish our access to international financial market and strengthen our customers’ confidence in our Group’s services, financial strengths and credibility, which may further enhance our business relationship with them.

In addition, as at the Latest Practicable Date, our Directors were aware that three active players in the M&E service market in Singapore had already been listed on the Hong Kong stock market. Our Directors believe it is in our interest to join the rank of these M&E service providers to strengthen our corporate profile in the industry by getting listed on the Hong Kong stock market.

6. Facilitate our recruitment and retention of talents

Our Directors believe that being listed on the Hong Kong stock market will facilitate us in attracting talents to join our Group. Access to a larger pool of talents will improve our service quality and facilitate our recruitment of additional manpower under our expansion plans. In addition, the status of being a listed company will also facilitate our in-house talent management, through staff retention and development, whereby our existing staff may be motivated to further develop their career with us in view of the perceived status associated with working for a company which is listed on the Hong Kong stock market.

Apart from the aforesaid, we intend to implement our business strategies and future plans as detailed in this section and the paragraph headed “Business – Business strategies” in this prospectus, which require funding and are intended to be financed by the proceeds from the Share Offer.

Benefits of choosing the Hong Kong stock market as the listing venue

Our Directors had considered and evaluated different listing 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, level of internationalism, sound legal system and regulatory framework, mature financial system, reputation in the global financial market, established international institutional investor base, volume and liquidity of funds and capital available for investment in the equity market in Hong Kong.

FUTURE PLANS AND USE OF PROCEEDS

(i) *Market liquidity*

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 listing. For instance, a secondary fund raising exercise such as a secondary placement of shares would generally be easier and more attractive to investors if there is a more liquid market, because a more liquid market generally means that there are more ready and willing buyers (who may invest in the shares under the fund raising exercise) and sellers (who may realise their investment subsequently) in the market.

According to the data compiled by the World Bank, in 2018, the turnover ratio of stocks traded in the Hong Kong stock market was 59.4% 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\$88.2 billion (S\$15.4 billion) and HK\$107.4 billion (S\$18.7 billion) during each of the years ended 31 December 2017 and 2018, 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\$7.5 billion (S\$1.3 billion) for each of the years ended 30 June 2017 and 2018, respectively.

According to the data retrieved from Bloomberg, the Stock Exchange and the Singapore Exchange Limited, for the trading period during the three years ended 31 December 2018, the turnover ratio of construction and related businesses stocks traded in the Hong Kong stock market and Singapore stock market were approximately 54.6% and 34.1%, respectively. The average daily turnover of stocks of companies listed on the Stock Exchange and the Singapore Stock Exchange which fall within the construction and related business was approximately S\$3.1 million (HK\$17.6 million) and S\$160,000 (HK\$918,000), respectively, and for these companies which have annual revenue of less than S\$40 million (approximately HK\$230 million), the average daily turnover was approximately S\$784,000 (HK\$4.5 million) and S\$41,000 (HK\$235,000), respectively. The revenue benchmark of S\$40 million (approximately HK\$230 million) was determined based on our Group's annual revenue during the three years ended 30 June 2018.

Based on the higher average daily turnover and higher turnover ratio of stocks in Hong Kong compared to Singapore, and the higher average daily turnover and higher turnover ratio of stocks of construction-related companies listed on the Stock Exchange with comparable scale of operations, 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.

FUTURE PLANS AND USE OF PROCEEDS

(ii) Number of new listings and total market capitalisation

With reference to public available information, the table below highlights the differences between the Hong Kong and Singapore stock markets in terms of (i) number of listings, (ii) total funds raised and (iii) total market capitalisation:

	Hong Kong		Singapore	
	Year ended 31 December		Year ended 30 June	
	2017	2018	2017	2018
Number of new listings	174	218	23	22
Total funds raised from new listings	HK\$128.5 billion	HK\$286.5 billion	S\$1.3 billion (equivalent to approximately HK\$7.5 billion)	S\$6.2 billion (equivalent to approximately HK\$35.6 billion)

	Hong Kong		Singapore	
	As at 31 December		As at 31 December	
	2017	2018	2017	2018
Total market capitalisation	HK\$34.0 trillion	HK\$29.9 trillion	S\$1.1 trillion (equivalent to approximately HK\$6.3 trillion)	S\$937 billion (equivalent to approximately HK\$5.4 trillion)

The above comparison reinforces our Directors' views that the Stock Exchange is a premier exchange that offers a trusted platform for companies to get listed. In light of the increasing number of Singapore-based companies getting listed in Hong Kong, our Directors believe that the Stock Exchange welcomes business enterprises of different industries and regions to conduct fund raising activities in Hong Kong.

(iii) Secondary fund raising

For the year ended 31 December 2017 and the year ended 30 June 2018, the equity funds raised in the secondary market in Hong Kong and Singapore amounted to HK\$255.2 billion and S\$6.4 billion (equivalent to approximately HK\$36.7 billion), respectively. In light of the difference in the amount of equity funds raised in the secondary market in the two exchanges, our Directors believe that the Stock Exchange provides a larger and more liquid secondary fund raising platform for Hong Kong listed companies.

FUTURE PLANS AND USE OF PROCEEDS

(iv) Diversity of investors

In considering the different listing venues, our Directors have taken into consideration the access of the Stock Exchange to two PRC exchanges, namely the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The schemes of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect were launched in November 2014 and December 2016, respectively. The two schemes represent cross-boundary investment channels which enable investors of the respective markets to trade shares listed on each other's market with their local brokers and clearing houses. As of 31 October 2017, Stock Connect Southbound trading turnover totalled HK\$3.327 trillion, bringing a net capital inflow of HK\$637.5 billion into the Hong Kong market. Mainland investors held nearly HK\$808.8 billion worth of shares in Hong Kong through Stock Connect, more than double the amount from the end of 2016. In the first ten months of 2017, PRC investors trading through Stock Connect contributed 7.2% of the Hong Kong market's average daily equity turnover, compared with an average of 4% in 2016 and 2.4% in 2015. Considering the growing diversity of investors in the Hong Kong stock market and the continuing development of our Group after the Listing, our Directors are confident that the Listing in Hong Kong will give us more potential exposure to investment community in the PRC, which may open up a new channel of financing and enable us to diversify our Shareholder base more effectively.

Further, our Directors consider that the Listing would provide our Group the opportunity to enhance its profile internationally, increase our presence among international corporations (especially those based in the PRC) who are our potential customers and plan to expand their business in Singapore, and attract investors from the established international and PRC-related institutional investor base in Hong Kong, thereby expanding our sources of funding.

Funding needs for implementing our business strategies

As at 30 April 2019, our bank balances and cash, which represents our immediately available working capital, amounted to approximately S\$4.8 million, as set out in the section headed "Financial information – Net current assets" in this prospectus. Our Directors consider that the amount of our bank balances and cash fluctuates from time to time, depending on the timing of (i) payment from our customers; and (ii) payment to our subcontractors and suppliers of materials. Therefore, the amount of our bank balances and cash as at a particular date may not fully reflect our general liquidity position.

Of the S\$4.8 million available as at 30 April 2019, our Group had reserved a sum of S\$1.3 million for settlement of our income tax payable. Having considered the aforesaid and without taking into account other transactions that took place after 30 April 2019, our current available cash resource is approximately S\$3.5 million.

FUTURE PLANS AND USE OF PROCEEDS

Based on the current scale of our operations and the costs incurred by us during the Track Record Period, our Directors estimate that currently we have to incur an average monthly expense of approximately S\$2.5 million, primarily comprising subcontracting charges, cost of materials, staff costs and administrative expenses, for our daily operations. In particular, as at 30 April 2019, we have current liabilities of approximately S\$24.4 million (excluding our income tax payable), which mostly consists of trade and other payables. There can be no assurance that we will receive payments from our customers before we are required to settle our suppliers' invoices and other current liabilities, which may result in possible cash flow mismatch.

Based on the above analysis, and without taking into account other transactions that took place after 30 April 2019, our current cash resources available of approximately S\$3.5 million is sufficient to meet our average monthly expenses only for less than two months. Therefore, our Directors consider that we will need to raise additional funding through the Share Offer to facilitate the implementation of our future plans, while maintaining sufficient working capital for our business operations.

Cash flows position in relation to our operating activities

For FY2016/17 and FY2017/18, we recorded net cash used in operating activities of approximately S\$1.4 million and S\$7.0 million, respectively. Having considered the net cash flows position for our operating activities during the Track Record Period, our Directors consider that it would not be financially prudent for us to carry out further business expansion by solely relying on our own internal resources. Further, it will be difficult for us to formulate a comprehensive schedule for our expansion plans if we solely rely on the net cash generated from our operating activities for financing our business strategies, since our plan will be subject to uncertainties in relation to the timing of generating sufficient net cash from our operation for our expansion plans. Further, we may be required to modify our expansion plans from time to time depending on the amount of net cash generated from our operations. As a result, we would have less control over the timing of implementing our business strategies, and may fail to fully capture the forecasted increase in demand for M&E services in Singapore as stated in the F&S Report.

Use of proceeds from the Share Offer

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

It is the current intention of our Directors to apply the net proceeds from the Share Offer to be received by our Company (estimated to be approximately HK\$107.5 million based on an Offer Price of HK\$0.55 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.5 to HK\$0.6 per Offer Share) for the implementation of the business strategies as aforementioned.

FUTURE PLANS AND USE OF PROCEEDS

When considering the options for funding our expansion plans, our Directors have taken into account the following factors and came to the conclusion that it is in the interests of our Group and our Shareholders as a whole to proceed with equity financing in the form of Listing than through a combination of our internal resources and bank borrowings:

- (i) assuming all our current available cash resources of approximately S\$3.4 million (as discussed above) are applied towards funding our expansion plans, we will still face a shortfall of approximately S\$14.3 million. As such, our Directors have contemplated to apply for a banking facility in the amount of S\$10.0 million (the “**Potential Banking Facility**”). Based on our preliminary discussion with a licenced bank in Singapore, the Potential Banking Facility will comprise a business revolving loan required to be secured by assets in the amount of S\$12 million;
- (ii) assuming we were able to obtain the Potential Banking Facility, our Group’s financial performance may be negatively affected if we solely use the Potential Banking Facility together with our current available resources for funding our business expansion. The proceeds drawn from the banking facilities are subject to repayment obligations for the principal amount and associated interest expenses. According to public available information, 3-month SIBOR (Singapore Interbank Offered Rates) had increased substantially from an average of 0.82% in July 2015 to an average of 1.5% in June 2018. There is no assurance on the future movement of the overall lending rate in Singapore. Uncertain interest rate movement in the future may also expose our Group to increasing borrowing costs which may adversely affect our financial performance and liquidity. By comparison, the proceeds from the Listing will become our equity without any additional financial repayment obligations (i.e. principal amount and associated interest expenses) towards our Shareholders under normal circumstances;
- (iii) if we decide to fully utilise our available cash resources to finance the expansion plan, we would be exposed to significant liquidity risk in the event of any significant increase in the lending rate and other unforeseen circumstances such as material delay in our projects;
- (iv) based on our equity attributable to shareholders as at 31 January 2019, it is estimated that our gearing ratio will increase from nil to approximately 79.3% if we fully utilise the Potential Banking Facility of approximately S\$10.0 million. The substantial increase in our indebtedness level and gearing ratio may adversely affect our financial credibility and financial condition and limit our future ability to obtain further financing from financial institutions to support our daily operations and business expansion;
- (v) as at 31 January 2019, the carrying amount of our property, plant and equipment and investment property was approximately S\$2.0 million. Therefore, our Group does not have sufficient available assets to secure the Potential Banking Facility. While our Group may use our trade and other receivables as securities for obtaining other form of financing from bank, the financing option available are generally short-terms loans which would not be feasible to support our business expansion plan;

FUTURE PLANS AND USE OF PROCEEDS

- (vi) it is part of our business strategies to apply approximately S\$8.0 million of our net proceeds from the Share Offer to acquire a Singapore-based ACMV contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least “L4” grade (the “**Acquisition**”). Based on the information provided by the four Potential Target Companies identified by the Business Advisory Consultant, the amount of assets held by each of the four Potential Target Companies which could be used as loan security are far below the amount requested by the bank;

- (vii) depending on further negotiation with the bank, the Potential Banking Facility may be subject to restrictions on the usage of the funds drawn down. For instance, the bank may require that the cash drawn from a revolving loan be used solely for financing those activities within our ordinary course of business (e.g. settlement of trade and other payables etc.). There is no guarantee that the terms of the Potential Banking Facility will permit us to apply the loan drawn for acquiring another M&E service company;

- (viii) in the event that we are unable to generate sufficient cash inflow from our operating activities during the repayment period, we may encounter risk of default which would entitle the bank to demand immediate repayment of all the outstanding loan amount and other enforcement actions against us (e.g. seizure of bank accounts and other available assets); and

- (ix) if we raise additional funds by debt financing, we may be subject to various covenants under the relevant debt instruments which may restrict our ability to pay dividends or obtain additional financing.

NO LISTING APPLICATION MADE IN SINGAPORE

Our Directors confirmed that we have not applied for listing 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 listing application if we were to apply for listing in Singapore.

FUTURE PLANS

Please refer to the section headed “Business – Business strategies” in this prospectus for our Group’s business objectives and strategies.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

The net proceeds to be received by us from the Share Offer based on the Offer Price of HK\$0.55 per Share, being the mid-point of the indicative Offer Price range of HK\$0.50 per Offer Share to HK\$0.60 per Offer Share, after deducting related expenses of approximately HK\$30.0 million in connection with the Share Offer assuming that the Over-allotment Option is not exercised at all, are estimated to be approximately HK\$107.5 million. Our Directors presently intend that the net proceeds will be applied as follows:

- (i) approximately HK\$45.9 million (equivalent to approximately S\$8.0 million), representing approximately 42.7% of the estimated net proceeds, for the acquisition of a Singapore-based ACMV contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least “L4” grade to (i) capture the increasing market demand for ACMV services in Singapore; (ii) obtain the qualifications in directly tendering for ACMV projects from the Singapore Government under the workhead of ME01; (iii) strengthen and demonstrate our in-house capability in undertaking ACMV works; (iv) leverage on the enlarged customer base for promoting our services; (v) increase our flexibility in resources allocation for performing ACMV works; and (vi) facilitating our application for the ME15 registration with “L6” grade;
- (ii) approximately HK\$16.5 million (equivalent to approximately S\$2.9 million), representing approximately 15.3% of the estimated net proceeds, for strengthening our manpower by recruiting additional staff, including 3 project managers, 5 project supervisors, 4 quantity surveyors, 2 draftsmen, 55 site workers and 2 drivers to capture the business opportunities associated with (i) the increasing market demand for electrical engineering services; (ii) the recent upgrade of our ME05 registration to “L6” grade; and (iii) the increasing demand for ELV works due to growing importance of smart building features;
- (iii) approximately HK\$11.7 million (equivalent to approximately S\$2.0 million), representing approximately 10.9% of the estimated net proceeds, for the acquisition of a property with gross floor area of approximately 6,000 sq.ft. for our various operational needs;
- (iv) approximately HK\$10.8 million (equivalent to approximately S\$1.9 million), representing approximately 10.0% of the estimated net proceeds, for financing our upfront costs and working capital requirements at the early stage of carrying out our electrical engineering projects in order to strengthen our financial position to undertake additional and sizeable projects;
- (v) approximately HK\$9.0 million (equivalent to approximately S\$1.6 million), representing approximately 8.4% of the estimated net proceeds, for financing the acquisition of additional machinery and equipment, namely (i) 3 hydraulic excavators for performing installation works; and (ii) 24 mobile elevating work platforms for performing site works at height;

FUTURE PLANS AND USE OF PROCEEDS

- (vi) approximately HK\$5.8 million (equivalent to approximately S\$1.0 million), representing approximately 5.4% of the estimated net proceeds, for purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading our enterprise resource planning system;
- (vii) approximately HK\$1.8 million (equivalent to approximately S\$0.3 million), representing approximately 1.7% of the estimated net proceeds, for financing the acquisition of three additional lorries to accommodate the increase in our transportation needs associated with the planned expansion of our manpower and the expected increase in number of projects we expect to undertake; and
- (viii) approximately HK\$6.0 million (equivalent to approximately S\$1.0 million), representing approximately 5.6% of the estimated net proceeds reserved 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.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds from the sales of these additional Offer Shares of approximately HK\$20.6 million, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming an Offer Price of HK\$0.55 per Share, being the mid-point of the proposed Offer Price range of HK\$0.50 to HK\$0.60. In the event that the Offer Price is set at the low-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive additional net proceeds of approximately HK\$18.8 million. In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive additional net proceeds of approximately HK\$22.5 million. The allocation of the additional net proceeds will be used in the same proportions as set out above.

Assuming the Over-allotment Option is not exercised at all, and in the event that the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received from the Share Offer will increase or decrease by approximately HK\$12.5 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as described above.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with, among others, Mr. Cheng Chi Heng (鄭志恆) (the “**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Placing Shares (rounded down to the nearest whole board lot of 8,000 Shares) (the “**Investor Shares**”) that may be purchased with HK\$20,000,000 (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$0.50, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Placing Shares to be subscribed by the Cornerstone Investor would be 40,000,000, representing approximately (i) 16.0% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 13.9% of the Offer Shares, assuming that the Over-allotment Option is exercised in full; (iii) 4.0% of the Shares in issue upon completion of the Share Offer, assuming that the Over-allotment Option is not exercised; and (iv) 3.9% of the Shares in issue upon completion of the Share Offer, assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$0.55, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Placing Shares to be subscribed by the Cornerstone Investor would be 36,360,000, representing approximately (i) 14.5 of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 12.6% of the Offer Shares, assuming that the Over-allotment Option is exercised in full; (iii) 3.6% of the Shares in issue upon completion of the Share Offer, assuming that the Over-allotment Option is not exercised; and (iv) 3.5% of the Shares in issue upon completion of the Share Offer, assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$0.60, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Placing Shares to be subscribed by the Cornerstone Investor would be 33,328,000, representing approximately (i) 13.3 of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 11.6% of the Offer Shares, assuming that the Over-allotment Option is exercised in full; (iii) 3.3% of the Shares in issue upon completion of the Share Offer, assuming that the Over-allotment Option is not exercised; and (iv) 3.2% of the Shares in issue upon completion of the Share Offer, assuming that the Over-allotment Option is fully exercised.

The Cornerstone Placing will form part of the Placing and the Cornerstone Investor will not subscribe for any Offer Share under the Share Offer other than pursuant to the Cornerstone Investment Agreement. The Placing Shares to be subscribed for by the Cornerstone Investor will rank pari passu in all respect with the other fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. Immediately following the completion of the Share Offer, the Cornerstone Investor will not have any board representation in our Company, nor will the Cornerstone Investor become a substantial shareholder of our Company. The Placing Shares to be subscribed by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the Public Offer and the Placing as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

CORNERSTONE INVESTOR

To the best knowledge of our Directors, the Cornerstone Investor is an independent third party, and he is not our connected person or an existing shareholder of our Group or their respective close associates (as defined under the Listing Rules). In addition, the Cornerstone Investor is independent of the Company, its connected persons and their respective associates, and makes independent investment decisions. No special rights have been granted to the Cornerstone Investor as part of the Placing.

Details of allocations to the Cornerstone Investor will be disclosed in the announcement of allotment results of our Company to be published on or about Thursday, 4 July 2019.

CORNERSTONE INVESTOR

The Cornerstone Investor is an executive director of Chow Tai Fook Jewellery Group Limited (stock code: 1929) and an executive director of New World Development Company Limited (stock code: 0017), both of which are companies listed on the Stock Exchange. He holds a Bachelor of Arts degree in Economics from The Western University (formerly known as The University of Western Ontario). He is a member of the executive committee of the Diamond Federation of Hong Kong, China Limited.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the satisfaction of the following conditions precedent:

- (a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid underwriting agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters of the Share Offer);
- (c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Investor Shares as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Share Offer or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

CORNERSTONE INVESTOR

RESTRICTION ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed, covenanted with and undertaken to our Company, the Joint Bookrunners and the Sole Sponsor that without the prior written consent of each of our Company, the Joint Bookrunners and the Sole Sponsor, the Cornerstone Investor will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), dispose of, in any way, any Shares subscribed by it pursuant to the Cornerstone Investment Agreement (the “**Relevant Shares**”) or any interest in any company or entity holding any Relevant Shares.

Our Company and the Joint Bookrunners have acknowledged that, after the expiry of the Lock-up Period, the Cornerstone Investor shall, subject to requirements under applicable laws, be free to dispose of any Relevant Shares, provided that the Cornerstone Investor shall notify our Company and the Joint Bookrunners in writing prior to the disposal in compliance with the SFO and all other applicable laws.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Kingsway Financial Services Group Limited
Head & Shoulders Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to procure subscribers for the Public Offer Shares now being offered, or failing which, the Public Offer Underwriters shall subscribe for the Public Offer Shares on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Joint Bookrunners shall have the absolute right by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time that did not exist prior to the date of the Public Offer Underwriting Agreement:

1. There shall develop, occur, exist or come into effect:
 - (i) any matter or event resulting in any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the “**Warranties**”) becoming untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Joint Bookrunners, to be material in the context of the Public Offer; or

UNDERWRITING

- (ii) any statement contained in this prospectus has become untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Joint Bookrunners, to be material in the context of the Public Offer; or
 - (iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Joint Bookrunners to be material in the context of the Public Offer; or
 - (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Joint Bookrunners, a material omission in the context of the Public Offer; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of our executive Directors and our Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
 - (vi) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Joint Bookrunners, is material;
2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Singapore, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or
 - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, Singapore, the BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

UNDERWRITING

- (iii) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or
- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
- (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, Singapore, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group's business; or
- (vi) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
- (vii) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or
- (viii) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which, in the reasonable opinion of the Joint Bookrunners acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. shall be taken as an event resulting in a change in currency conditions; and
- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

UNDERWRITING

Undertakings

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to the Share Offer and the Capitalisation Issue, he or it shall not and shall procure that the relevant registered holder(s) shall not:

- (i) in the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities in respect of which he or it is shown by this prospectus to be the beneficial owners; and
- (ii) in the period of six months commencing on the date on which the period mentioned in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests, or encumbrances, he or it would cease to be a controlling shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any securities or interest in the securities of our Company beneficially owned by him or it in favour of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Joint Bookrunners in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (ii) when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold or transferred or disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement.

UNDERWRITING

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Joint Bookrunners, the Sponsor, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer, the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, our Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Joint Bookrunners, such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules:

- (i) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company; or
- (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so,

during the six months immediately following the Listing Date (the “**First Six-month Period**”).

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to each of the Joint Bookrunners, our Company and the Public Offer Underwriters that during the First Six-month Period, it or he shall not, and shall procure that the relevant registered holder(s) and its or his associates and companies controlled by it or he and any nominee or trustee holding in trust for it or he shall not, without the prior written consent of the Joint Bookrunners unless in compliance with the requirements of the Listing Rules:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it or he is shown in this prospectus to be directly or indirectly interested (the “**Relevant Securities**”); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or

UNDERWRITING

- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Each of our Controlling Shareholders has jointly and severally undertaken to the Joint Bookrunners, our Company and the Public Offer Underwriters that it or he shall not, and shall procure that the relevant registered holder(s) and its or his associates or companies controlled by it or him and any nominee or trustee holding in trust for it or him shall not, without the prior written consent of the Stock Exchange in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it or him or any of its or his associates or companies controlled by it or him or any nominee or trustee holding in trust for it or him if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has further undertaken to each of our Company, the Joint Bookrunners and the Public Offer Underwriters that within the first twelve months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any securities or interests in the securities of our Company beneficially owned by him or it directly or indirectly, immediately inform our Company and the Joint Bookrunners in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (ii) when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement.

UNDERWRITING

The Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

Our Company will grant to the Joint Bookrunners (for and on behalf of the Placing Underwriters) the Over-allotment Option, exercisable by the Joint Bookrunners at any time from the date of the Price Determination Date until 30 days after the last date for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares representing 15% of the number of Offer Shares initially offered under the Share Offer, at the same price per Share under the Placing to cover, among other things, over-allocations (if any) in the Placing, and/or the obligations of the Joint Bookrunners (for and on behalf of the Placing Underwriters) to return Shares which it may have borrowed under the Stock Borrowing Agreement.

Commissions and expenses

The Underwriters will receive an underwriting commission at the rate of 0.5% of the aggregate Offer Price payable for the Offer Shares (including shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$30.0 million in aggregate (based on an Offer Price of HK\$0.55 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.50 per Offer Share and HK\$0.60 per Offer Share and the assumption that the Over-allotment Option is not exercised) and are payable by our Company with reference to the number of Offer Shares under the Share Offer respectively.

UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sponsor will receive a sponsorship fee to the Share Offer. The Underwriters will receive an underwriting commission. Particulars of the underwriting commission are set forth under the paragraph headed "Commission and expenses" above.

We have appointed Kingsway Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

UNDERWRITING

Save for their obligations under the Underwriting Agreements, and as disclosed above, none of the Sponsor or the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

INDEPENDENCE OF THE SPONSOR

Kingsway Capital Limited, being the Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer consists of (subject to reallocation and the Over-allotment Option):

- the Public Offer of 25,000,000 Shares (subject to reallocation as mentioned below) as described under the section headed “Structure and Conditions of the Share Offer – The Public Offer” in this prospectus; and
- the Placing of 225,000,000 Shares (subject to reallocation as mentioned below) as described under the section headed “Structure and conditions of the Share Offer – The Placing” in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer – Pricing and Allocation” in this prospectus.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$0.60 per Offer Share and is expected to be not less than HK\$0.50 per Offer Share, unless otherwise announced. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.60 per Public Offer Share plus 1.0% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$4,848.37 for one board lot of 8,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.60 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Tuesday, 25 June 2019.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Tuesday, 25 June 2019 and in any event, no later than Tuesday, 25 June 2019 .

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Tuesday, 25 June 2019, the Share Offer will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

The Joint Bookrunners (on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause them to be published on the website of our Company and the website of the Stock Exchange notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Bookrunners (on behalf of the other Underwriters), will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set forth in this prospectus, and any other financial information which may change as a result of any such reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, where appropriate, extend the period under which the Public Offer was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications.

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Bookrunners (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Bookrunners.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocations of Offer Shares under the Public Offer are expected to be announced on Thursday, 4 July 2019 on the website of our Company and the website of the Stock Exchange.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners (for themselves and on behalf of the Underwriters).

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Thursday, 4 July 2019 on the Stock Exchange's website and on our Company's website.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, will be made available through a variety of channels as described in the section headed “How to Apply for Public Offer Shares – 10. Publication of results” in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause the notice of the lapse of the Public Offer to be published on the Stock Exchange’s website and on our Company’s website on the next day following such lapse.

Share certificates for the Offer Shares are expected to be issued on Thursday, 4 July 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 5 July 2019, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – The Public Offer – Grounds for Termination” in this prospectus has not been exercised.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 25,000,000 Public Offer Shares at the Offer Price, representing 10% of the 250,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer, (assuming that the Over-allotment Option is not exercised). The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in the section headed “Structure and Conditions of the Share Offer – Conditions of the Public Offer” above.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size, with any odd board lots being allotted to Pool A). Pool A will comprise 12,504,000 Public Offer Shares and Pool B will comprise 12,496,000 Public Offer Shares initially, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 12,496,000 Public Offer Shares (being approximately 50% of the initial number of Public Offer Shares).

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer;
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 50,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 75,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;
 - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 75,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 100,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 100,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 125,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances where (a) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed by less than 15 times under paragraph (a)(ii) above; or (b) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.50 per Offer Share) stated in this prospectus.

In addition, the Joint Bookrunners may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 50,000,000 Offer Shares); and the final Offer Price shall be fixed at the low end of the indicated Offer Price range stated in this prospectus (i.e. HK\$0.50 per Offer Share). In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. In addition, the Joint Bookrunners may in their sole and absolute discretion reallocate Offer Shares of the Placing to the Public Offer to satisfy valid applications under the Public Offer.

Applications

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or if such applicant has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered for subscription under the Placing will be 225,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Placing Shares with institutional, professional and other investors expected to have a sizeable demand for the Placing Shares in Hong Kong. Allocation of Placing Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed

"Pricing and allocation" above.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the Joint Bookrunners (for and on behalf of the Placing Underwriters) the Over-allotment Option, exercisable by the Joint Bookrunners at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to 37,500,000 Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, at the Offer Price.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STOCK BORROWING AGREEMENT

The Stabilising Manager, or any person acting for it may choose to borrow 37,500,000 Shares from Lead Development under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Lead Development will only be effected by the Stabilising Manager for settlement of over-allocations in the Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Lead Development under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon the exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Lead Development or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Lead Development by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STABILISATION AND OVER-ALLOTMENT

In connection with the Share Offer, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 37,500,000 Shares, which is 15% of the number of Offer Shares initially available under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last business day falling within 30 days after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period. Such stabilisation action, if commenced, may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In connection with the Share Offer, the Stabilising Manager may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, the Stabilising Manager may borrow up to 37,500,000 Shares from Lead Development, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 5 July 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 5 July 2019. The Shares will be traded in board lots of 8,000 Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, the Sponsor and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR OFFER SHARES

Which application channel to use

For Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 20 June 2019 to 12:00 noon on Tuesday, 25 June 2019 from:

- (i) the following addresses of the Underwriters:
- **Kingsway Financial Services Group Limited** at 7/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong
 - **Head & Shoulders Securities Limited** at Room 2511, 25/F, Cosco Tower, 183 Queen's Road Central, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch Name	Address
Hong Kong Island	Queen's Road Central Branch	Basement, Ground Floor and First Floor of 122 QRC, Nos. 122-126 Queen's Road Central, Hong Kong
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui, Kowloon
New Territories	Sha Tsui Road Branch	Shop 4, G/F Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan, New Territories

- (iii) the following office of the Sponsor:

Kingsway Capital Limited at 7/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 20 June 2019 until 12:00 noon on Tuesday, 25 June 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – Khoon Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Thursday, 20 June 2019 – 9:00 a.m. to 5:00 p.m.
- Friday, 21 June 2019 – 9:00 a.m. to 5:00 p.m.
- Saturday, 22 June 2019 – 9:00 a.m. to 1:00 p.m.
- Monday, 24 June 2019 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 25 June 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 25 June 2019, the last application day or such later time as described in "9. Effect of bad weather on the opening of the application lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) **undertake** to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) **agree** that none of our Company, the Sponsor, the Joint Bookrunners, the Public Offer Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not participated in the Placing nor applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- (viii) **agree** to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Public Offer Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sponsor, the Joint Bookrunners and the Public Offer Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or as a result of any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant and undertake** that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorise** our Company to place your name(s) or the name of HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) **declare and represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may see the **YELLOW** Application Form for details.

HOW TO APPLY FOR PUBLIC OFFER SHARES

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Joint Bookrunners and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- **agree** to accept the Public Offer Shares applied for or any lesser number allocated;
- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Offering;
- (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- **confirm** that you understand that our Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of our Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- **agree** to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 8,000 Public Offer Shares. Instructions for more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, 20 June 2019 – 9:00 a.m. to 8:30 p.m.
- Friday, 21 June 2019 – 8:00 a.m. to 8:30 p.m.
- Saturday, 22 June 2019 – 8:00 a.m. to 1:00 p.m.
- Monday, 24 June 2019 – 8:00 a.m. to 8:30 p.m.
- Tuesday, 25 June 2019 – 8:00 a.m. to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 20 June 2019 until 12:00 noon on Tuesday, 25 June 2019. The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 25 June 2019, the last application day or such later time as described in “9. Effect of bad weather on the opening of the application lists” in this section.

Note:

- (1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon, Tuesday, 25 June 2019.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR PUBLIC OFFER SHARES

8. HOW MUCH ARE THE OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 8,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer – Pricing and allocation” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 25 June 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 25 June 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 4 July 2019 on our Company’s website at **khongroup.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offering will be available at the dates and times and in the manner specified below:

- in the announcement to be posted on our Company's website at **khoongroup.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m., Thursday, 4 July 2019;
- from the designated results of allocations website at **www.ewhiteform.com.hk/results** with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Thursday, 4 July 2019 to 12:00 midnight on Wednesday, 10 July 2019;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Thursday, 4 July 2019 to Wednesday, 10 July 2019 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 4 July 2019 to Monday, 8 July 2019 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 12,496,000 Public Offer Shares offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and Conditions of the Share Offer – Conditions of the Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 4 July 2019.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity

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card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 4 July 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m., Friday, 5 July 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 4 July 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 4 July 2019, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 4 July 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 4 July 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 4 July 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via electronic application instructions to HKSCC

Allocation of Offer Shares

For the purposes of allocating Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

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Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 4 July 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of results" above on Thursday, 4 July 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 4 July 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 4 July 2019. Immediately following the credit of the Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 4 July 2019.

HOW TO APPLY FOR PUBLIC OFFER SHARES

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-53 received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KHOON GROUP LIMITED AND KINGSWAY CAPITAL LIMITED****Introduction**

We report on the historical financial information of Khoon Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-53, which comprises the combined statements of financial position of the Group as at 30 June 2016, 2017, 2018 and 31 January 2019, the statement of financial position of the Company as at 31 January 2019, 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 of the Group for each of the three years ended 30 June 2018 and for the seven months ended 31 January 2019 (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-53 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 20 June 2019 (the "Prospectus") in connection with the initial listing of 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 the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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 combined financial position as at 30 June 2016, 2017, 2018 and 31 January 2019, of the Company's financial position as at 31 January 2019 and of the Group's combined financial performance and combined 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.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the seven months ended 31 January 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2400 "Engagements to Review Historical Financial Statements" issued by International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ("ISA") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

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***

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about dividends declared and paid by the Company's subsidiary in respect of the Track Record Period and states that no dividend have been paid by the Company since its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 June 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information of The Group**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of Top Stride Investment Limited ("Top Stride") and its subsidiary for the Track Record Period and the management accounts of the Company from date of incorporation to the period ended 31 January 2019 (collectively referred to as "Underlying Financial Statements"). The Underlying Financial Statements have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB"). The consolidated financial statements of Top Stride and its subsidiary were audited by Deloitte & Touche LLP Singapore, a firm of Public Accountants and Certified Accountants registered in Singapore, in accordance with ISA issued by IAASB.

The Historical Financial Information is presented in Singapore dollars ("S\$") except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 30 June		Seven months ended		
		2016	2017	2018	31 January 2018	2019
		S\$	S\$	S\$	S\$	S\$
					<i>(unaudited)</i>	
Revenue	6	38,572,717	30,794,733	33,731,651	17,236,465	28,335,802
Cost of services		<u>(33,762,108)</u>	<u>(25,553,383)</u>	<u>(27,231,070)</u>	<u>(13,983,248)</u>	<u>(22,563,344)</u>
Gross profit		4,810,609	5,241,350	6,500,581	3,253,217	5,772,458
Other income	7	218,784	345,875	251,536	122,999	104,007
Other gains and losses	8	(106,292)	300,754	204,686	(250,306)	(37,694)
(Allowance for) reversal of impairment loss on trade receivables		(24,452)	–	(54,251)	(2,961)	30,802
Administrative expenses		<u>(1,291,260)</u>	<u>(1,400,800)</u>	<u>(1,654,441)</u>	<u>(883,481)</u>	<u>(1,441,182)</u>
Finance costs	9	(8,866)	(14,807)	(38,824)	(9,215)	–
Listing expenses		<u>–</u>	<u>–</u>	<u>(948,051)</u>	<u>–</u>	<u>(1,713,322)</u>
Profit before taxation	10	3,598,523	4,472,372	4,261,236	2,230,253	2,715,069
Income tax expense	11	<u>(538,708)</u>	<u>(646,014)</u>	<u>(760,327)</u>	<u>(425,687)</u>	<u>(790,852)</u>
Profit and other comprehensive income for the year/period		<u>3,059,815</u>	<u>3,826,358</u>	<u>3,500,909</u>	<u>1,804,566</u>	<u>1,924,217</u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group			The Company	
		As at 30 June 2016 S\$	As at 30 June 2017 S\$	2018 S\$	As at 31 January 2019 S\$	As at 31 January 2019 S\$
Non-current assets						
Property, plant and equipment	15	1,734,848	2,330,195	1,208,225	1,073,399	–
Investment property	16	920,000	903,978	887,956	878,610	–
		<u>2,654,848</u>	<u>3,234,173</u>	<u>2,096,181</u>	<u>1,952,009</u>	<u>–</u>
Current assets						
Trade receivables	17	991,073	2,460,667	3,360,752	1,576,536	–
Other receivables, deposits and prepayments	18	171,512	803,761	712,273	920,634	783,729
Contract assets	19	4,880,614	7,727,102	11,440,486	24,786,021	–
Amount due from a controlling shareholder	20(d)	–	–	–	–	–*
Amounts due from shareholders	20(a)	587,481	669,132	1,319,742	–	–
Bank deposits	21	7,069,989	9,152,244	–	–	–
Bank balances and cash	22	14,632,430	8,851,641	5,997,729	6,213,691	–
		<u>28,333,099</u>	<u>29,664,547</u>	<u>22,830,982</u>	<u>33,496,882</u>	<u>783,729</u>
Current liabilities						
Trade and other payables	23	12,854,719	15,185,458	12,802,753	21,048,374	765,774
Contract liabilities	19	4,975,253	3,666,517	42,365	5,978	–
Amount due to a shareholder	20(b)	641,554	1,059,709	–	–	–
Amounts due to related parties	20(c)	2,103,506	1,684,623	–	–	–
Amount due to Khoon Engineering	20(d)	–	–	–	–	1,731,277
Obligations under finance leases	24	70,501	108,676	–	–	–
Bank borrowings	25	12,020	–	–	–	–
Income tax payable		796,373	697,763	1,377,374	1,737,566	–
		<u>21,453,926</u>	<u>22,402,746</u>	<u>14,222,492</u>	<u>22,791,918</u>	<u>2,497,051</u>
Net current assets (liabilities)		<u>6,879,173</u>	<u>7,261,801</u>	<u>8,608,490</u>	<u>10,704,964</u>	<u>(1,713,322)</u>
Total assets less current liabilities		<u>9,534,021</u>	<u>10,495,974</u>	<u>10,704,671</u>	<u>12,656,973</u>	<u>(1,713,322)</u>
Non-current liabilities						
Obligations under finance leases	24	151,201	245,447	–	–	–
Deferred tax liabilities	26	11,342	52,691	5,923	34,008	–
		<u>162,543</u>	<u>298,138</u>	<u>5,923</u>	<u>34,008</u>	<u>–</u>
Net assets (liabilities)		<u>9,371,478</u>	<u>10,197,836</u>	<u>10,698,748</u>	<u>12,622,965</u>	<u>(1,713,322)</u>
Capital and reserves						
Share capital	27	1,500,000	1,500,000	1,500,003	12,153,648	–*
Reserves	27	7,871,478	8,697,836	9,198,745	469,317	(1,713,322)
Total equity (deficit)		<u>9,371,478</u>	<u>10,197,836</u>	<u>10,698,748</u>	<u>12,622,965</u>	<u>(1,713,322)</u>

* The balance is less than S\$1.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital S\$	Other reserve S\$	Accumulated profits S\$	Total S\$
At 1 July 2015	1,500,000	–	7,811,663	9,311,663
Profit and other comprehensive income for the year	–	–	3,059,815	3,059,815
Dividend (<i>Note 13</i>)	–	–	(3,000,000)	(3,000,000)
At 30 June 2016	1,500,000	–	7,871,478	9,371,478
Profit and other comprehensive income for the year	–	–	3,826,358	3,826,358
Dividend (<i>Note 13</i>)	–	–	(3,000,000)	(3,000,000)
At 30 June 2017	1,500,000	–	8,697,836	10,197,836
Profit and other comprehensive income for the year	–	–	3,500,909	3,500,909
Issuance of share capital of Top Stride	3	–	–	3
Dividend (<i>Note 13</i>)	–	–	(3,000,000)	(3,000,000)
At 30 June 2018	1,500,003	–	9,198,745	10,698,748
Profit and other comprehensive income for the period	–	–	1,924,217	1,924,217
Issuance of share capital of the Company	–*	–*	–	–
Arising from reorganisation (<i>Note a</i>)	10,653,645	(10,653,645)	–	–
At 31 January 2019	<u>12,153,648</u>	<u>(10,653,645)</u>	<u>11,122,962</u>	<u>12,622,965</u>
At 1 July 2017	<u>1,500,000</u>	–	<u>8,697,836</u>	<u>10,197,836</u>
Profit and other comprehensive income for the period	–	–	<u>1,804,566</u>	<u>1,804,566</u>
At 31 January 2018 (unaudited)	<u>1,500,000</u>	–	<u>10,502,402</u>	<u>12,002,402</u>

Note a: In streamlining the group structure, Mr. Ang Jui Khoon (“Mr. JK Ang”) and Mr. Ang Kok Kwang (“Mr. KK Ang”) transferred their entire equity interest in Khoon Engineering Contractor Pte Ltd. (“Khoon Engineering”) to Top Stride in consideration for Top Stride allotting and issuing 13,091 ordinary shares and 1,909 ordinary shares to Mr. JK Ang and Mr. KK Ang, respectively. Details of which are set out in Note 2.

* The balance is less than S\$1.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 30 June			Seven months ended 31 January	
	2016 S\$	2017 S\$	2018 S\$	2018 S\$ <i>(unaudited)</i>	2019 S\$
OPERATING ACTIVITIES					
Profit before taxation	3,598,523	4,472,372	4,261,236	2,230,253	2,715,069
Adjustments for:					
Impairment allowance for (reversal of) debts	24,452	–	54,251	2,961	(30,802)
Depreciation of investment property	13,509	16,022	16,022	9,346	9,346
Depreciation of property, plant and equipment	285,243	387,760	414,411	238,523	265,739
Write off of property, plant and equipment	–	17,246	–	–	–
Gain on disposal of property, plant and equipment	(126,000)	(17,091)	(254,092)	–	–
Finance costs	8,866	14,807	38,824	9,215	–
Bank interest income	(78,043)	(228,592)	(136,209)	(76,072)	(24,159)
Operating cash flows before movements in working capital	3,726,550	4,662,524	4,394,443	2,414,226	2,935,193
(Increase) decrease in trade receivables	(963,502)	(1,469,594)	(954,336)	97,369	1,815,018
Decrease (increase) in other receivables, deposits and prepayments	2,422,881	(632,249)	91,488	460,650	(208,361)
Decrease (increase) in contract assets	627,646	(2,846,488)	(3,713,384)	(1,876,751)	(13,345,535)
Increase (decrease) in trade and other payables	4,529,608	1,330,739	(2,327,081)	2,079,172	8,840,052
Increase (decrease) in amounts due to related parties	2,103,506	(418,883)	(740,247)	173,442	–
Increase (decrease) in contract liabilities	442,432	(1,308,736)	(3,624,152)	(1,658,747)	(36,387)
Cash generated from (used in) operations	12,889,121	(682,687)	(6,873,269)	1,689,361	(20)
Tax refund	–	2,442	–	–	–
Income tax paid	(435,739)	(705,717)	(127,484)	(95,164)	(402,575)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	12,453,382	(1,385,962)	(7,000,753)	1,594,197	(402,595)
INVESTING ACTIVITIES					
Repayment from (advance to) shareholders	6,491,842	(81,651)	(650,607)	(15,056)	1,319,739
Placement of bank deposits with original maturity of more than three months	(7,069,989)	(2,082,255)	(5,368,500)	–	–
Withdrawal of bank deposits with original maturity of more than three months	–	–	14,520,744	2,000,000	–
Bank interest received	78,043	228,592	136,209	76,072	24,159
Purchase of property, plant and equipment	(393,215)	(837,854)	(46,347)	(1,860)	(130,913)
Proceeds from disposal of property, plant and equipment	126,000	123,792	1,056,998	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(767,319)	(2,649,376)	9,648,497	2,059,156	1,212,985
FINANCING ACTIVITIES					
Advance from (repayment to) a shareholder	641,554	418,155	(1,059,709)	74,421	–
Repayment of obligations under finance leases	(47,414)	(136,779)	(403,123)	(62,732)	–
Repayment of bank borrowings	(14,031)	(12,020)	–	–	–
Interest paid	(8,866)	(14,807)	(38,824)	(9,215)	–
Issue of share capital	–	–	–	–	3
Issue costs paid	–	–	–	–	(594,431)
Dividends paid	(3,000,000)	(2,000,000)	(4,000,000)	–	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(2,428,757)	(1,745,451)	(5,501,656)	2,474	(594,428)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,257,306	(5,780,789)	(2,853,912)	3,655,827	215,962
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	5,375,124	14,632,430	8,851,641	8,851,641	5,997,729
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD					
Represented by bank balances and cash	<u>14,632,430</u>	<u>8,851,641</u>	<u>5,997,729</u>	<u>12,507,468</u>	<u>6,213,691</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 24 July 2018. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business is at Block 5000, Ang Mo Kio Avenue 5, #04-01 Techplace II, Singapore 569870.

The Company is an investment holding company and the principal activities of the operating subsidiary, which are disclosed in the Note 34, is the provision of electrical engineering services.

The Historical Financial Information are expressed in S\$, which is also the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB.

In preparing for the initial listing 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. JK Ang and Mr. KK Ang, which Mr. JK Ang and Mr. KK Ang are father and son, (collectively referred to as the "Controlling Shareholders", who owned 87.3% and 12.7% equity interest in Khoon Engineering, respectively) have been managing and controlling Khoon Engineering on a collectively basis on all decisions, including but not limited to, financial, management and operational matters, of Khoon Engineering.

The Reorganisation comprised the following steps:

Step 1:***Incorporation of Lead Development Investment Limited ("Lead Development") and Top Stride***

On 4 July 2018, Lead Development (a company not forming part of the Group) was incorporated in the British Virgin Island ("BVI") with liability limited by shares and is authorised to issue a maximum of 50,000 shares of a single class with no par value. On 4 July 2018, 13,091 ordinary shares and 1,909 ordinary shares of Lead Development were issued and allotted to each of Mr. JK Ang and Mr. KK Ang respectively, for cash consideration, pursuant to the memorandum and articles of association of Lead Development.

On 28 June 2018, Top Stride was incorporated in the BVI with liability limited by shares and is authorised to issue a maximum of 50,000 shares of a single class with no par value. On 28 June 2018, 13,091 ordinary shares and 1,909 ordinary shares of Top Stride were issued and allotted to each of Mr. JK Ang and Mr. KK Ang respectively with total consideration of United States dollar ("US\$") 2 (equivalent to S\$3) pursuant to the memorandum and articles of association of Top Stride.

Step 2:***Incorporation of the Company***

On 24 July 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of Hong Kong Dollar ("HK\$") 100,000 divided into 10,000,000 shares with par value of HK\$0.01 each.

On 24 July 2018, one nil-paid subscriber share was allotted and issued to the initial subscriber and was transferred to Lead Development on the same day after which the Company became wholly-owned by Lead Development.

Step 3:***Acquisition of Khoon Engineering by Top Stride***

On 31 August 2018, Mr. JK Ang and Mr. KK Ang, as vendors, and Top Stride, as purchaser, entered into a sale and purchase agreement, pursuant to which Top Stride acquired 1,309,090 shares and 190,910 shares of Khoon, representing all of its issued shares in aggregate, from Mr. JK Ang and Mr. KK Ang, at the consideration of S\$10,606,810 and S\$1,546,835, respectively. In settlement of the aforesaid consideration, Top Stride issued and allotted 13,091 ordinary shares and 1,909 ordinary shares, credited as fully paid, to Mr. JK Ang and Mr. KK Ang, respectively.

Upon completion of the above acquisition on 31 August 2018, Khoon Engineering became a wholly-owned subsidiary of Top Stride.

Step 4:***Acquisition of Top Stride by the Company***

On 12 March 2019, Mr. JK Ang and Mr. KK Ang, as vendors, and the Company, as purchaser, entered into a sale and purchase agreement, pursuant to which the Company acquired 26,182 shares and 3,818 shares of Top Stride, representing all of its issued shares in aggregate, from Mr. JK Ang and Mr. KK Ang, respectively, at the consideration of S\$11,273,877 and S\$1,644,017 respectively. In settlement of the aforesaid consideration, the Company issued and allotted 29,999 shares, credited as fully paid, to Lead Development, and crediting as fully paid at par one nil-paid share held by Lead Development, at the instructions of Mr. JK Ang and Mr. KK Ang. Following the aforesaid acquisition, Khoon Engineering became indirectly wholly owned by the Company.

As a result of the Reorganisation as completed on 12 March 2019, the Company became the holding company of the Group with its business being conducted through the operating subsidiary in Singapore, i.e. Khoon Engineering.

The Group resulting from the Reorganisation, which involves interspersing the company and other investment holdings companies between the controlling shareholders and Khoon Engineering, have always been under the collectively control of the Controlling Shareholders throughout the Track Record Period or since their respective dates of incorporation where there is a shorter period, and before and after the Group Reorganisation.

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 group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period.

The combined statements of financial position of the Group as at 30 June 2016, 2017, 2018 and 31 January 2019 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if 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. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs that are effective for the financial year beginning on 1 July 2018 and throughout the Track Record Period, except that the Group adopted IFRS 9 *Financial Instruments* since 1 July 2018 and International Accounting Standard (“IAS”) 39 *Financial Instruments: Recognition and Measurement* during the years ended 30 June 2016, 2017 and 2018. The application of IFRS 9 on 1 July 2018 has no material impact on the combined financial position of the Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected credit loss approach as at same date.

Upon application of IFRS 15, the Group recognise 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 customers. For further details, please refer to Notes 4 and 6.

At the date of issuance of this report, the Group has not applied the following new and amendments to IFRSs, IASs, amendments to IFRSs/IASs and the new interpretations that have been issued but not yet effective:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of a Business ⁴
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1 and IAS 8	Definition of Material ⁵
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

Except as described below, the management of the Group considers that the application of the other new and amendments to IFRSs, IASs and new interpretations is unlikely to have a material impact on the Group’s financial position and performance as well as disclosure in foreseeable future.

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 other operating lease payments as operating cash flows. Upon application of 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 by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold building where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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 31 January 2019, the Group has non-cancellable operating lease commitments of S\$370,086 as disclosed in Note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of S\$57,539 and refundable rental deposits received of S\$8,550 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right of use of the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

The management of the Group does not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the result and the net assets of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost at the end of each reporting period, as explained in the accounting policies set out below.

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 this 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, 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*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 are set out below.

Basis of combination

The Historical Financial Information incorporate the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved when the 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 Track Record Period 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses 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, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group’s right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IAS 39/IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Specifically, revenue is recognised in profit or loss as follows:

Revenue from provision of electrical engineering services

The Group provides services on the electrical engineering works under long-term contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers’ specified sites that the Group’s performance creates or enhances an asset that the customer controls as the Group performs. Revenue from provision of services on electrical engineering works is therefore recognised over time using input method, i.e. based on the actual electrical engineering costs incurred by the Group to date compare with the total budgeted cost for the project to estimate the revenue recognised during the period. The management of the Group considers that input method would faithfully depict the Group’s performance towards complete satisfaction of these performance obligation under IFRS 15.

Investment properties

Investment properties are properties held to earn rentals.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives, using the straight-line method. The estimated useful lives 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 investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including leasehold building held for use in the production or supply of goods or services, or for administrative purposes, are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment loss, if any.

Depreciation is recognised so as to write off the cost of assets 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 transferred to investment property upon change of its usage i.e. cessation of owner-occupation.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 the 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of tangible assets are estimated individually, 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 (or a cash generating unit) 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 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/periods. A reversal of an impairment loss is recognised immediately in profit or loss.

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

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 a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 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/period. Taxable profit differs from profit before taxation as reported in the combined statements of profit or loss and other comprehensive income because of income or expenses that are taxable or deductible in other years and 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 Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of 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 assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be apply in the period when 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 the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the 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.

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, where appropriate.

Financial instruments

Initial recognition under IAS 39 and IFRS 9

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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 financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Under IAS 39

Financial assets classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 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 debt instrument, 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 and 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 shareholders, bank deposits 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 income is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting would be immaterial.

Impairment loss of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, are assessed for impairment on individual basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the receivables past the credit period of 30-35 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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.

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 to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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.

*Under IFRS 9**Classification of financial assets*

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15. All recognised financial assets that are within the scope of IFRS 9 are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”).

All recognised financial assets of the Group (including trade receivables, other receivables, amounts due from shareholders, bank deposits and bank balances and cash) and of the Company (including amount due from a controlling shareholder) are subsequently measured at amortised cost.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss using the effective interest method and is included in the “other income” line item.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, amounts due from shareholders, bank deposits and bank balances) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets and trade-related amounts due from related parties. The ECL on trade receivables, contract assets and trade-related amounts due from related parties are assessed individually.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history), ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group also considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial assets.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of IFRS 9. No additional impairment allowance has been recognised at the initial application.

(iii) Credit-impaired financial assets

Financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over one year, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

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 party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments*Classification as debt or equity*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instruments is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities subsequently measured at amortised cost

All financial liabilities including trade and other payables, amount due to a shareholder, amounts due to related parties, amount due to Khoon Engineering and bank borrowings are subsequently measured at amortised cost using the 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 payments through the expected life of the financial liability, or where appropriate, a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognised 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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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 that 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. When 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 (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group are 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 on-going 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.

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.

Estimated impairment of trade receivables, other receivables from sub-contractors for backcharges and contract assets

Before adoption of IFRS 9, management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables, other receivables from sub-contractors for backcharges and contract assets are impaired. If there is objective evidence that an impairment loss on trade receivables and other receivables from sub-contractors for backcharges 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 where the actual collection of receivables upon billing to customers are less than expected, an impairment loss may arise.

As at 30 June 2016, 2017 and 2018, the carrying amounts of trade receivables are S\$991,073, S\$2,460,667 and S\$3,360,752 (net of impairment allowance for debts of S\$24,452, S\$24,452 and S\$54,251), respectively (Note 17).

As at 30 June 2016, 2017 and 2018, the carrying amounts of the other receivables from sub-contractors for backcharges are S\$48,493, S\$307,196 and nil, respectively (Note 18). No impairment allowance for debts has been provided at each year during the Track Record Period.

As at 30 June 2016, 2017 and 2018, the carrying amounts of contract assets are S\$4,880,614, S\$7,727,102 and S\$11,440,486, respectively (Note 19).

Starting from 1 July 2018, the Group recognises lifetime ECL for trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 January 2019, the carrying amounts of trade receivables and contract assets of the Group are S\$1,576,536 (net of impairment allowance for debts of S\$23,449) (Note 17) and S\$24,786,021 (Note 19), respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from provision of electrical engineering services being recognised over time mainly comprise of (i) assisting to obtain statutory approvals, (ii) customisation and/or installation of electrical systems and (iii) testing and commissioning (recognised over time) by the Group to external customers and also represents the revenue from contracts with customers.

Information is reported to the directors of the Company, who are also the directors of the operating subsidiary, 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 the Group's accounting policies described in Note 4. 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 and 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:

Revenue from external customers

	Year ended 30 June			Seven months ended 31 January	
	2016 S\$	2017 S\$	2018 S\$	2018 S\$	2019 S\$
				<i>(unaudited)</i>	
Contract revenue from provision of electrical engineering services, recognised over time	<u>38,572,717</u>	<u>30,794,733</u>	<u>33,731,651</u>	<u>17,236,465</u>	<u>28,335,802</u>

All the Group's services are rendered directly with the customers. Contracts with the Group's customers are agreed in fixed-price with terms from 1 month to 67 months.

Included in the Group's revenue for the years ended 30 June 2016, 2017, 2018 and the seven months ended 31 January 2018 and 2019 is contract revenue of S\$25,991,167, S\$21,653,172, S\$30,686,184, S\$16,382,291 (unaudited) and S\$24,457,572, respectively, derived from provision of electrical engineering services to the customers in public sector. Other revenue is derived from provision of electrical engineering services to the customers in private sector.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	As at 30 June			As at 31 January	
	2016 S\$	2017 S\$	2018 S\$	2018 S\$	2019 S\$
				<i>(unaudited)</i>	
Provision of electrical engineering services					
– Within one year	33,163,997	32,633,981	37,122,429	35,434,441	40,381,173
– More than one year but not more than two years	16,908,573	20,172,245	22,886,824	19,330,196	16,051,788
– More than two years but not more than five years	<u>9,860,388</u>	<u>8,656,633</u>	<u>7,587,707</u>	<u>2,737,397</u>	<u>2,991,368</u>
	<u>59,932,958</u>	<u>61,462,859</u>	<u>67,596,960</u>	<u>57,502,034</u>	<u>59,424,329</u>

Based on the information available to the Group at the end of each reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as at 30 June 2016, 2017, 2018 and 31 January 2019 will be recognised as revenue during the years ended/ending 30 June 2017 to 30 June 2021.

Information about major customers

The revenue from customers individually contributing over 10% of the total revenue of the Group during each of the Track Record Period are as follows:

	Year ended 30 June		Seven months ended 31 January		
	2016 S\$	2017 S\$	2018 S\$	2018 S\$	2019 S\$
				<i>(unaudited)</i>	
Customer A ^{1**}	12,390,611	3,761,321	N/A*	N/A*	3,218,730
Customer B ^{1***}	4,282,724	N/A*	N/A*	N/A*	N/A*
Customer A ^{2**}	N/A*	3,412,115	–	–	–
Customer F	N/A*	3,335,319	N/A*	N/A*	N/A*
Customer G	N/A*	3,164,359	N/A*	1,828,916	N/A*
Customer I	N/A*	N/A*	3,791,739	N/A*	4,119,814
Customer K	N/A*	N/A*	N/A*	–	3,907,367
Customer B ^{2***}	–	N/A*	N/A*	N/A*	3,684,853

* Revenue did not contribute over 10% of the total revenue of the Group for the respective reporting period.

** The corresponding customers are fellow subsidiaries controlled by a same party not connected to the Group.

*** The corresponding customers are fellow subsidiaries controlled by a same party not connected to the Group.

Geographical information

The Group principally operates in Singapore, which is also the place of domicile. For the years ended 30 June 2016, 2017, 2018 and the seven months ended 31 January 2018 and 2019, approximate 77%, 93%, 100%, 100% (unaudited) and 100% to total revenue are derived from Singapore and the remaining revenue are derived from Myanmar based on the location of services rendered. The Group's non-current assets are all located in Singapore.

7. OTHER INCOME

	Year ended 30 June		Seven months ended 31 January		
	2016 S\$	2017 S\$	2018 S\$	2018 S\$	2019 S\$
				<i>(unaudited)</i>	
Bank interest income	78,043	228,592	136,209	76,072	24,159
Government grants (<i>Note 1</i>)	103,311	61,595	63,442	26,504	16,938
Rental income	22,500	30,000	33,150	18,900	19,950
Interest income from a loan to an independent third party	–	7,875	–	–	–
Sponsorship income (<i>Note 2</i>)	–	–	–	–	29,000
Sundry income	14,930	17,813	18,735	1,523	13,960
	<u>218,784</u>	<u>345,875</u>	<u>251,536</u>	<u>122,999</u>	<u>104,007</u>

Note 1: Government grants mainly include the Wage Credit Scheme, the Temporary Employment Credit Scheme, the Special Employment Credit Scheme, the Building Information Management Scheme and Workforce Training and Upgrading Scheme 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\$67,398, S\$24,766, S\$31,946, nil (unaudited) and nil, representing grants received under the Wage Credit Scheme for the years ended 30 June 2016, 2017, 2018 and the seven months ended 31 January 2018 and 2019, 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 fiscal year 2016, 2017 and 2018, respectively.

During the years ended 30 June 2016, 2017, 2018 and the seven months ended 31 January 2018 and 2019, the Group received S\$9,158, S\$10,817, S\$5,467, S\$3,155 (unaudited) and nil grants under the Temporary Employment Credit Scheme, respectively. Under this scheme, the government provides assistance to alleviate business costs due to increases in contribution rates of employee's national saving schemes.

During the years ended 30 June 2016, 2017, 2018 and the seven months ended 31 January 2018 and 2019, the Group received S\$26,755, S\$21,043, S\$9,143, S\$4,613 (unaudited) and S\$4,213 grants under the Special Employment Credit Scheme, respectively. Under the scheme, the government aims to encourage or facilitate Singapore-registered business to hire Singaporean workers more than 50 years old and persons with disabilities.

During the year ended 30 June 2018 and the seven months ended 31 January 2018 and 2019, the Group received S\$11,758, S\$11,758 (unaudited) and nil grants under the Building Information Management Scheme. Under the Building Information Management Scheme, the government provides subsidy to business on the acquisition of hardware or software to build up, collaboration capacity and improve productivity in managing building projects.

During the seven months ended 31 January 2019, the Group received S\$7,636 grants under the Workforce Training and Upgrading Scheme. Under this scheme, the government aims subsidy of the costs of selected skills assessment and training courses for upgrading the skills of workforce in the construction industry.

Note 2: During the seven months ended 31 January 2019, the group received S\$29,000 sponsorship income from various suppliers for participation of enterprise ceremony.

8. OTHER GAINS AND LOSSES

	Year ended 30 June		Seven months ended		
	2016	2017	2018	2018	2019
	S\$	S\$	S\$	S\$	S\$
				<i>(unaudited)</i>	
Exchange (loss) gain	(278,401)	210,866	(49,406)	(250,306)	(37,694)
Gain on disposal of property, plant and equipment	126,000	17,091	254,092	–	–
Handling charges to sub-contractors	46,109	90,043	–	–	–
Written off of property, plant and equipment	–	(17,246)	–	–	–
	<u>(106,292)</u>	<u>300,754</u>	<u>204,686</u>	<u>(250,306)</u>	<u>(37,694)</u>

9. FINANCE COSTS

	Year ended 30 June		Seven months ended 31 January		
	2016 S\$	2017 S\$	2018 S\$	2018 S\$	2019 S\$
				<i>(unaudited)</i>	
Interests on:					
Obligations under finance leases	8,310	14,671	38,824	9,215	–
Bank borrowings	556	136	–	–	–
	<u>8,866</u>	<u>14,807</u>	<u>38,824</u>	<u>9,215</u>	<u>–</u>

10. PROFIT BEFORE TAXATION

Profit before taxation for the year/period has been arrived at after charging (crediting):

	Year ended 30 June		Seven months ended 31 January		
	2016 S\$	2017 S\$	2018 S\$	2018 S\$	2019 S\$
				<i>(unaudited)</i>	
Auditor's remuneration*	–	–	–	–	–
Depreciation of property, plant and equipment	285,243	387,760	414,411	238,523	265,739
Depreciation of investment property	13,509	16,022	16,022	9,346	9,346
Directors' remuneration (Note 12)	2,090,381	746,576	791,228	465,309	911,293
Other staff costs:					
– Salaries, wages and bonuses	3,777,436	3,493,911	3,786,240	2,171,142	2,610,436
– Contributions to CPF	124,650	148,878	148,115	90,234	115,690
Total staff costs	<u>5,992,467</u>	<u>4,389,365</u>	<u>4,725,583</u>	<u>2,726,685</u>	<u>3,637,419</u>
Cost of materials recognised included in cost of services	10,721,738	7,048,267	7,917,401	4,861,015	6,839,033
Subcontracting fees recognised included in cost of services	<u>15,633,128</u>	<u>12,873,420</u>	<u>14,155,281</u>	<u>6,282,250</u>	<u>12,393,823</u>
Gross rental income from the investment property recognised as other income	22,500	30,000	33,150	18,900	19,950
Less: Direct operating expenses incurred for investment property that generated rental income	<u>(3,360)</u>	<u>(2,656)</u>	<u>(2,970)</u>	<u>–</u>	<u>–</u>
	<u>19,140</u>	<u>27,344</u>	<u>30,180</u>	<u>18,900</u>	<u>19,950</u>

* No remuneration has been incurred prior to the appointment of the Company's statutory auditor in 2018.

11. INCOME TAX EXPENSE

	Year ended 30 June			Seven months ended 31 January	
	2016 S\$	2017 S\$	2018 S\$	2018 S\$	2019 S\$
				<i>(unaudited)</i>	
Tax expense comprises:					
Current tax					
– Singapore Corporate Income Tax (“CIT”)	543,679	604,665	807,095	482,474	762,767
Deferred tax (<i>Note 26</i>)	(4,971)	41,349	(46,768)	(56,787)	28,085
	<u>538,708</u>	<u>646,014</u>	<u>760,327</u>	<u>425,687</u>	<u>790,852</u>

CIT is calculated at 17% of the estimated assessable profit and the Group 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 adjusted to 40%, capped at S\$15,000 for the Year of Assessment 2018 and CIT rebate of 20%, capped at S\$10,000 for Year of Assessment 2019, determined based on financial year end date of the group entities incorporated in Singapore. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 for the Years of Assessment 2016 to 2019 and S\$190,000 for the Year of Assessment 2020 of normal chargeable income.

The income tax expense 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			Seven months ended 31 January	
	2016 S\$	2017 S\$	2018 S\$	2018 S\$	2019 S\$
				<i>(unaudited)</i>	
Profit before taxation	<u>3,598,523</u>	<u>4,472,372</u>	<u>4,261,236</u>	<u>2,230,253</u>	<u>2,715,069</u>
Tax at applicable tax rate of 17%	611,749	760,303	724,410	379,143	461,562
Tax effect of expenses not deductible for tax purpose	125,928	86,793	239,508	67,501	339,455
Tax effect of income not taxable for tax purpose	(22,627)	(38,186)	(43,099)	–	–
Effect of tax concessions and partial tax exemption (<i>Note</i>)	<u>(176,342)</u>	<u>(162,896)</u>	<u>(160,492)</u>	<u>(20,957)</u>	<u>(10,165)</u>
Taxation for the year/period	<u>538,708</u>	<u>646,014</u>	<u>760,327</u>	<u>425,687</u>	<u>790,852</u>

Note: Included in the amounts are tax concessions pertain to incentive schemes given by the Singapore tax authority. One of the major tax concessions is the Productivity and Innovation Credit (“PIC”) scheme. Under the PIC scheme, the Group enjoys 400% tax deductions for qualifying expenditures incurred from the Years of Assessment of 2016 to 2018. The PIC Scheme is not applicable for the Year of Assessment 2019 and onwards.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

(a) Directors and chief executive's emoluments

Mr. JK Ang, Mr. KK Ang and Mr. Ang Yong Kwang ("Mr. YK Ang", son of Mr. JK Ang), were appointed as executive directors of the Company on 24 July 2018, 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 entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follows:

Year ended 30 June 2016

	Directors' fee S\$	Salaries and allowance S\$	Discretionary bonus S\$	Contributions to CPF S\$	Total S\$
Executive Directors:					
Mr. JK Ang	250,000	54,000	–	4,281	308,281
Mr. KK Ang	250,000	66,000	687,980	12,070	1,016,050
Mr. YK Ang	–	66,000	687,980	12,070	766,050
	<u>500,000</u>	<u>186,000</u>	<u>1,375,960</u>	<u>28,421</u>	<u>2,090,381</u>

Year ended 30 June 2017

	Directors' fee S\$	Salaries and allowance S\$	Discretionary bonus S\$	Contributions to CPF S\$	Total S\$
Executive Directors:					
Mr. JK Ang	250,000	54,000	–	4,056	308,056
Mr. KK Ang	250,000	75,000	6,000	13,260	344,260
Mr. YK Ang	–	75,000	6,000	13,260	94,260
	<u>500,000</u>	<u>204,000</u>	<u>12,000</u>	<u>30,576</u>	<u>746,576</u>

Year ended 30 June 2018

	Directors' fee S\$	Salaries and allowance S\$	Discretionary bonus S\$	Contributions to CPF S\$	Total S\$
Executive Directors:					
Mr. JK Ang	250,000	69,000	–	5,178	324,178
Mr. KK Ang	250,000	84,000	10,500	14,025	358,525
Mr. YK Ang	–	84,000	10,500	14,025	108,525
	<u>500,000</u>	<u>237,000</u>	<u>21,000</u>	<u>33,228</u>	<u>791,228</u>

Seven months ended 31 January 2018 (unaudited)

	Directors' fee S\$	Salaries and allowance S\$	Discretionary bonus S\$	Contributions to CPF S\$	Total S\$
Executive Directors:					
Mr. JK Ang	145,833	34,000	–	2,478	182,311
Mr. KK Ang	145,833	49,315	10,500	8,925	214,573
Mr. YK Ang	–	49,000	10,500	8,925	68,425
	<u>291,666</u>	<u>132,315</u>	<u>21,000</u>	<u>20,328</u>	<u>465,309</u>

Seven months ended 31 January 2019

	Directors' fee S\$	Salaries and allowance S\$	Discretionary bonus S\$	Contributions to CPF S\$	Total S\$
Executive Directors:					
Mr. JK Ang	40,000	196,000	42,000	6,300	284,300
Mr. KK Ang	40,000	194,544	96,830	13,770	345,144
Mr. YK Ang	–	130,214	139,905	11,730	281,849
	<u>80,000</u>	<u>520,758</u>	<u>278,735</u>	<u>31,800</u>	<u>911,293</u>

- (i) Mr. JK Ang acts as chief executive of the Company with effect from 24 July 2018 and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities.
- (ii) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (iii) Other than the amounts shown above, no other retirement benefits were paid to directors in respect of their respective services in connection with the management of the affairs of the Company or its subsidiaries undertaking.
- (iv) The emoluments of the executive directors shown above were for their services in connection with the management affairs of the Group.

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived or agreed to waive any remuneration during the Track Record Period.

(b) Employees' remuneration

During the Track Record Period, included in the remunerations of the five highest paid individuals are 3, 3, 3 (unaudited) and 3 executive directors, respectively, whose remunerations are disclosed above.

The remunerations in respect of the remaining two highest paid individuals during the Track Record Period are as follows:

	Year ended 30 June		Seven months ended 31 January		
	2016	2017	2018	2018	2019
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Salaries and allowance	115,650	146,400	148,200	86,100	114,100
Discretionary bonus	15,083	31,000	27,500	27,500	37,500
Contribution to CPF	22,227	28,118	27,830	18,123	20,655
	<u>152,960</u>	<u>205,518</u>	<u>203,530</u>	<u>131,723</u>	<u>172,255</u>

The emoluments of the five highest paid individuals (included directors) were within the following bands:

	Number of individuals			Seven months ended 31 January	
	2016	2017	2018	2018	2019
				(unaudited)	
Nil to HK\$1,000,000	2	3	3	3	2
HK\$1,000,001 to HK\$1,500,000	–	–	–	2	–
HK\$1,500,001 to HK\$2,000,000	1	2	2	–	2
HK\$2,000,001 to HK\$2,500,000	–	–	–	–	1
HK\$4,000,001 to HK\$4,500,000	1	–	–	–	–
HK\$5,500,001 to HK\$6,000,000	1	–	–	–	–

During the Track Record Period, no remuneration was paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of them waived any remuneration during the Track Record Period.

13. DIVIDENDS

During the year ended 30 June 2016

Khoon Engineering declared a dividend of S\$3,000,000 in respect of the financial year ended 30 June 2015. The dividend was paid out during the year ended 30 June 2016.

During the year ended 30 June 2017

Khoon Engineering declared a dividend of S\$3,000,000 in respect of the financial year ended 30 June 2016. S\$2,000,000 was paid out during the year ended 30 June 2017, the remaining amount of S\$1,000,000 was paid out during the year ended 30 June 2018.

During the year ended 30 June 2018

Khoon Engineering declared a dividend of S\$3,000,000 in respect of the financial year ended 30 June 2017. The dividend was paid out during the year ended 30 June 2018.

No dividend was paid and declared by the Company since its incorporation.

The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

14. 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building S\$	Plant and machineries S\$	Computer and office equipment S\$	Motor vehicles S\$	Furniture and fittings S\$	Total S\$
COST						
At 1 July 2015	2,018,511	200,069	76,690	1,062,202	124,323	3,481,795
Additions	–	125,990	85,925	286,888	5,412	504,215
Disposals	–	–	–	(218,888)	–	(218,888)
Transferred to investment property (<i>Note 16</i>)	(1,110,511)	–	–	–	–	(1,110,511)
At 30 June 2016	908,000	326,059	162,615	1,130,202	129,735	2,656,611
Additions	–	356,022	26,752	724,101	179	1,107,054
Disposals	–	–	(24,000)	(338,588)	–	(362,588)
Written off	–	–	–	(156,467)	–	(156,467)
At 30 June 2017	908,000	682,081	165,367	1,359,248	129,914	3,244,610
Additions	–	150	23,019	70,999	1,179	95,347
Disposals	(908,000)	–	–	(50,800)	(90,330)	(1,049,130)
At 30 June 2018	–	682,231	188,386	1,379,447	40,763	2,290,827
Additions	–	46,248	58,306	–	26,359	130,913
At 31 January 2019	–	728,479	246,692	1,379,447	67,122	2,421,740
ACCUMULATED DEPRECIATION						
At 1 July 2015	226,035	33,224	51,700	642,399	79,052	1,032,410
Provided for the year	22,431	54,334	41,701	141,143	25,634	285,243
Elimination on disposals	–	–	–	(218,888)	–	(218,888)
Transferred to investment property (<i>Note 16</i>)	(177,002)	–	–	–	–	(177,002)
At 30 June 2016	71,464	87,558	93,401	564,654	104,686	921,763
Provided for the year	16,815	90,022	69,062	191,359	20,502	387,760
Elimination on disposals	–	–	(21,600)	(234,287)	–	(255,887)
Written off	–	–	–	(139,221)	–	(139,221)
At 30 June 2017	88,279	177,580	140,863	382,505	125,188	914,415
Provided for the year	16,815	136,444	11,353	248,259	1,540	414,411
Elimination on disposals	(105,094)	–	–	(50,800)	(90,330)	(246,224)
At 30 June 2018	–	314,024	152,216	579,964	36,398	1,082,602
Provided for the period	–	83,225	28,903	151,031	2,580	265,739
At 31 January 2019	–	397,249	181,119	730,995	38,978	1,348,341
CARRYING VALUES						
At 30 June 2016	836,536	238,501	69,214	565,548	25,049	1,734,848
At 30 June 2017	819,721	504,501	24,504	976,743	4,726	2,330,195
At 30 June 2018	–	368,207	36,170	799,483	4,365	1,208,225
At 31 January 2019	–	331,230	65,573	648,452	28,144	1,073,399

The below items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives after taking into account of the residual values:

Plant and machineries	5 years
Computer and office equipment	1-5 years
Motor vehicles	5 years
Furniture and fittings	5 years

Leasehold building is depreciated on a straight-line basis over the remaining lease period of 54 years.

During the years ended 30 June 2016, 2017, 2018 and the seven months ended 31 January 2019, included in the additions of motor vehicles were S\$111,000, S\$269,200, S\$49,000 and nil, respectively that were acquired under hire purchase arrangements. These constituted as non-cash transactions during the year/period.

The carrying value of below items are assets held under finance leases:

	2016	As at 30 June 2017	2018	As at 31 January 2019
	S\$	S\$	S\$	S\$
Motor vehicles	455,041	774,923	–	–

As at 30 June 2016, the Group has pledged the leasehold building with a carrying amount of S\$836,536 to secure the Group's bank borrowings (Note 25). The pledge over the leasehold building was released upon settlement of relevant bank borrowings during the year ended 30 June 2017.

16. INVESTMENT PROPERTY

	2016	As at 30 June 2017	2018	As at 31 January 2019
	S\$	S\$	S\$	S\$
COST				
At the beginning of the year/period	–	933,509	933,509	933,509
Transferred from property, plant and equipment (<i>Note 15</i>)	933,509	–	–	–
At the end of the year/period	933,509	933,509	933,509	933,509
ACCUMULATED DEPRECIATION				
At the beginning of the year/period	–	13,509	29,531	45,553
Provided for the year/period	13,509	16,022	16,022	9,346
At the end of the year/period	13,509	29,531	45,553	54,899
CARRYING VALUES				
At the end of the year/period	920,000	903,978	887,956	878,610

The investment property are depreciated on a straight-line basis over the remaining lease period of 54 years.

During the year ended 30 June 2016, the Group transferred a leasehold building from property, plant and equipment to investment property with carrying amount of S\$933,509. These constituted as non-cash transaction during the year.

The fair values of the Group's investment property at 30 June 2016, 2017, 2018 and 31 January 2019 amounted to S\$920,000, S\$940,000, S\$1,030,000 and S\$1,020,000, respectively. The fair values as at respective dates were determined based on the management's estimation by reference to the valuation performed by Ascent Partners Valuation Service Limited ("Valuer"), an independent valuer not connected to the Group. The address of the Valuer is at Suite 2102, 21/F, Hong Kong Trade Centre, 161-167 Des Voeux Road Central, Hong Kong.

The fair value was determined using direct comparison approach assuming sale of properties by making reference to comparable sales transactions as available in the relevant market and adjusted to reflect the conditions and locations of the subject property. There has been no change to the valuation technique during the Track Record Period.

In estimating the fair value of the property, the highest and best use of the property is its current use.

17. TRADE RECEIVABLES

	2016	As at 30 June 2017	2018	As at 31 January 2019
	S\$	S\$	S\$	S\$
Trade receivables	1,015,525	2,485,119	3,415,003	1,599,985
Less: impairment allowance for debts	<u>(24,452)</u>	<u>(24,452)</u>	<u>(54,251)</u>	<u>(23,449)</u>
	<u>991,073</u>	<u>2,460,667</u>	<u>3,360,752</u>	<u>1,576,536</u>

The Group grants credit terms to customers typically 30-35 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 which approximated the revenue recognition date at the end of each reporting period, net of impairment allowance for debts:

	2016	As at 30 June 2017	2018	As at 31 January 2019
	S\$	S\$	S\$	S\$
Within 30 days	632,714	1,506,233	2,606,337	1,066,649
31 days – 60 days	323,086	471,352	725,086	260,142
61 days – 90 days	1,083	171,767	8,302	223,226
91 days – 120 days	843	149,281	–	–
Over 120 days	<u>33,347</u>	<u>162,034</u>	<u>21,027</u>	<u>26,519</u>
	<u>991,073</u>	<u>2,460,667</u>	<u>3,360,752</u>	<u>1,576,536</u>

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed when necessary. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

The Group does not charge interest or hold any collateral over these balances.

Prior to 1 July 2018, impairment allowance for 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 a trade receivable, the management of the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period and no impairment is considered necessary for those balances which are not past due at each reporting date.

Included in the Group's trade receivables are aggregate carrying amounts of approximately S\$358,359, S\$954,434 and S\$754,415 which are past due as at the years ended 30 June 2016, 2017 and 2018, 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.

The table below is an analysis of trade receivables which are past due but not impaired based on invoice date as at each reporting period, net of impairment allowance for debts:

	2016	As at 30 June 2017	2018
	S\$	S\$	S\$
Not past due and not impaired ⁽ⁱ⁾	632,714	1,506,233	2,606,337
Past due but not impaired ⁽ⁱⁱ⁾	358,359	954,434	754,415
	<u>991,073</u>	<u>2,460,667</u>	<u>3,360,752</u>

- (i) There has not been a significant change in credit quality of these trade receivables that are not past due and not impaired.
- (ii) Aging of receivables that are past due but not impaired. The following is an analysis of trade receivables by age, presented based on the due date at the end of each reporting period, net of impairment allowance for debts:

	2016	As at 30 June 2017	2018
	S\$	S\$	S\$
Within 30 days	323,086	471,352	725,086
31 days – 60 days	1,083	171,767	8,302
61 days – 90 days	843	146,202	–
91 days – 120 days	801	140,662	21,027
Over 120 days	32,546	24,451	–
	<u>358,359</u>	<u>954,434</u>	<u>754,415</u>

Upon application of IFRS 9 on 1 July 2018, the Group applied simplified approach to provide impairment loss measured as expected credit losses prescribed by IFRS 9. The impairment methodology is set out in Note 4.

To measure the ECL, trade receivables assessed individually for all customers. The ECL of trade receivables as at 1 July 2018 (upon the application of IFRS 9) has no material impact on measurement of the trade receivables nor has any material additional impairment been recognised upon application as at same date.

As part of the Group's credit risk management, the Group assess the impairment for its customers by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. At 31 January 2019, the Group recognised S\$23,449 impairment allowance based on individual assessment for all customers.

Since the application of IFRS 9 on 1 July 2018, there has been no change in the estimation techniques or significant assumptions made.

Movement in impairment allowance for debts:

	2016	As at 30 June 2017	2018	As at 31 January 2019*
	S\$	S\$	S\$	S\$
At beginning of the year/period	–	24,452	24,452	54,251
Written off during the year/period	–	–	(24,452)	–
Addition	24,452	–	54,251	–
Reversal	–	–	–	(30,802)
At end of the year/period	<u>24,452</u>	<u>24,452</u>	<u>54,251</u>	<u>23,449</u>

- * At 1 July 2018 and 31 January 2019, the management of the Group conducted ECL assessment on the trade receivables with over 90 days past due and concluded that default would be unlikely to occur after taking into account of default history and creditability of respective debtors. Details of impairment assessment for trade receivables are set out in Note 33(b).

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

	As at 30 June		As at 31 January	
	2016	2017	2018	2019
	S\$	S\$	S\$	S\$
Deposits	11,510	15,410	59,870	69,834
Prepayments	32,997	22,728	17,210	23,564
Deferred issue costs	–	–	274,005	778,105
Loan to an independent third party (Note i)	–	225,000	–	–
Other receivables from sub-contractors for backcharges (Note ii)	48,493	307,196	–	–
Other receivable from re-sale of excess materials	–	–	300,000	–
Interest receivables from bank deposits	53,512	126,780	–	–
Others	25,000	106,647	61,188	49,131
	<u>171,512</u>	<u>803,761</u>	<u>712,273</u>	<u>920,634</u>

Notes:

- (i) The balance is interest bearing with 3.5% per annum, unsecured and repayable on demand.
- (ii) The balance are unsecured, non-interest bearing, repayable on demand and all aged within a year.

The Company

As at 31 January 2019, the balance consists of prepayments and deferred issue costs amounted to S\$5,624 and S\$778,105, respectively.

19. CONTRACT ASSETS (LIABILITIES)

The following is the analysis of the contract assets and contract liabilities balances for financial reporting purpose:

	As at 30 June		As at 31 January	
	2016	2017	2018	2019
	S\$	S\$	S\$	S\$
Contract assets	4,880,614	7,727,102	11,440,486	24,786,021
Contract liabilities	4,975,253	3,666,517	42,365	5,978

Contract assets and contract liabilities arising from same contract are presented on net basis, if any.

Contract assets

Amounts represent the Group's rights to considerations from customers for the provision of electrical engineering services, which arise when: (i) the Group completed the relevant services under such contracts and pending to formal certification by the customers; and (ii) the customers withhold certain amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months (defect liability period) after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer.

The Group's contract assets are analysed as follows:

	As at 1 July 2015	2016	As at 30 June 2017	2018	As at 31 January 2019
	S\$	S\$	S\$	S\$	S\$
Retention receivables	1,992,852	3,760,646	4,156,189	2,670,830	3,784,044
Others*	3,539,859	3,613,978	4,380,440	8,802,007	21,001,977
	<u>5,532,711</u>	<u>7,374,624</u>	<u>8,536,629</u>	<u>11,472,837</u>	<u>24,786,021</u>

* It represented the revenue not yet been billed to the customers which the Group have completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by the customers.

Changes of contract assets during the Track Record Period were mainly due to: (1) the amount of retention receivables (generally at certain percentage of total contract sum) in accordance with the number of ongoing and completed contracts under the defect liability period during the Track Record Period; and (2) in the size and number of contract works that the relevant services were completed but yet certified by architects, surveyors or other representatives appointed by the customers at the end of each reporting period.

The Group's contract assets include retention receivables to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period. The balance are classified as current as they are expected to be received within the Group's normal operating cycle, of which S\$296,564, S\$2,400,696, S\$1,272,545 and S\$1,581,307 are expected to be settled within the next twelve months as at 30 June 2016, 2017, 2018 and 31 January 2019.

To measure the ECL, contract assets assessed individually for all customers. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets. Based on the individual assessment for all customers by the management of the Group, it is considered that the ECL for contract assets is insignificant as at 31 January 2019.

There were no impairment losses recognised on any contract asset in the Track Record Period.

Contract liabilities

The contract liabilities represents the Group's obligation to transfer services to customers for which the Group has received consideration in advance (or an amount of consideration is due) from the customers according to progressive billing arrangement stated in the contracts.

The Group's contract liabilities are analysed as follows:

	As at 1 July 2015	2016	As at 30 June 2017	2018	As at 31 January 2019
	S\$	S\$	S\$	S\$	S\$
Contract liabilities	<u>4,532,821</u>	<u>7,469,263</u>	<u>4,476,044</u>	<u>74,716</u>	<u>5,978</u>

**20. AMOUNT(S) DUE FROM/(TO) A SHAREHOLDER(S)/RELATED PARTIES/KHOON ENGINEERING/
A CONTROLLING SHAREHOLDER**

The Group

(a) Amounts due from shareholders

	As at	As at 30 June			As at	Maximum amounts outstanding during			seven
	1 July 2015	2016	2017	2018	31 January 2019	year ended 30 June 2016	2017	2018	months ended 31 January 2019
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Analysed as:									
Non-trade related									
Mr. KK Ang	327,339	587,481	669,132	692,190	–	870,713	669,132	692,188	692,190
Mr. JK Ang	6,751,984	–	–	627,552	–	6,751,984	–	1,119,397	627,552
	<u>7,079,323</u>	<u>587,481</u>	<u>669,132</u>	<u>1,319,742</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The balances are unsecured, non-interest bearing and repayable on demand. These amounts were subsequently settled after the Track Record Period.

(b) Amount due to a shareholder

	2016	As at 30 June 2017	2018	As at 31 January 2019
	S\$	S\$	S\$	S\$
Analysed as:				
Non-trade related				
Mr. JK Ang	641,554	1,059,709	–	–
	<u>641,554</u>	<u>1,059,709</u>	<u>–</u>	<u>–</u>

Note: The balances are unsecured, non-interest bearing and without a fixed repayment term.

(c) Amounts due to related parties

Trade related	Relationship	As at 30 June		2018	As at
		2016	2017		31 January 2019
		S\$	S\$	S\$	S\$
ANG JK Engineering*	Controlled by Mr. JK Ang and Mr. YK Ang	1,240,002	740,247	–	–
Commonwealth Solutions Pte. Ltd.**	35% interest owned by Mr. KK Ang	77,136	–	–	–
JT Construct Pte. Ltd.***	Controlled by Mr. YK Ang	786,368	944,376	–	–
		<u>2,103,506</u>	<u>1,684,623</u>	<u>–</u>	<u>–</u>

* The entity was dissolved in May 2018.

** The entire equity interest held by Mr. KK Ang was disposed to a third party in May 2018 and is no longer regarded as a related party to the Group since the disposal date.

*** The entire equity interest held by Mr. YK Ang was disposed to a third party in March 2018 and is no longer regarded as a related party to the Group since the disposal date. S\$944,376 was reclassified to trade and other payables upon the disposal that is regarded as non-cash transaction.

At 30 June 2016 and 2017, S\$2,001,930 and S\$1,518,183 are trade accruals, representing those purchases without invoices being received at the end of each reporting period.

The credit period granted by related parties is 30 to 60 days. The age of trade related amounts due to the related parties, other than trade accruals, presented based on the invoice date at the end of each reporting period is as follows:

	2016 S\$	As at 30 June 2017 S\$	2018 S\$	As at 31 January 2019 S\$
Within 30 days	101,576	84,600	–	–
31 to 90 days	–	81,840	–	–
	<u>101,576</u>	<u>166,440</u>	<u>–</u>	<u>–</u>

(d) *Amount due from a controlling shareholder/to Khoon Engineering*

The Company

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

21. BANK DEPOSITS

As at 30 June 2016 and 2017, the time deposits with maturity within one year, carry interest rates ranging from 1.69% – 1.95% and 1.55% – 1.78% per annum, respectively.

22. BANK BALANCES AND CASH

As at 30 June 2016, 2017, 2018 and 31 January 2019, the bank balances carry interest at prevailing market rates ranging from 0.14% to 0.81%, 0.64% to 0.68%, 0.59% to 0.68% and 0.40% to 0.42% per annum, respectively.

23. TRADE AND OTHER PAYABLES

The Group

	2016 S\$	As at 30 June 2017 S\$	2018 S\$	As at 31 January 2019 S\$
Trade payables	1,262,778	1,420,999	1,271,689	1,504,962
Trade accruals	6,184,323	7,828,903	9,058,676	16,305,183
Retention payables*	635,747	725,725	1,057,898	1,167,898
	<u>8,082,848</u>	<u>9,975,627</u>	<u>11,388,263</u>	<u>18,978,043</u>
Dividend payables	–	1,000,000	–	–
Accrued share issue costs	–	–	–	183,674
Accrued listing expenses	–	–	457,397	582,100
Goods and Services Tax (“GST”) payables	338,393	142,019	41,002	117,850
Payroll and CPF payables**	4,131,176	3,790,331	714,230	969,831
Rental deposit received	5,000	5,000	8,550	8,550
Accrued other operating expenses	297,302	272,481	193,311	208,326
	<u>12,854,719</u>	<u>15,185,458</u>	<u>12,802,753</u>	<u>21,048,374</u>

* The balance represents retention payables to sub-contractors which are interest-free and payable in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works.

** At 30 June 2016, 2017, 2018 and 31 January 2019, included in the balances are S\$3,959,494, S\$3,706,540, nil and nil payables to the directors.

The credit period on trade payables is typically 30 days from the invoice day or payable upon delivery. The age analysis of the Group's trade payables below is presented based on the invoice date at the end of each reporting period:

	2016	As at 30 June 2017	2018	As at 31 January 2019
	S\$	S\$	S\$	S\$
Within 30 days	716,814	824,295	618,751	957,926
31 – 60 days	401,806	425,514	437,078	273,404
61 – 90 days	3,699	33,670	7,518	32,656
91 – 120 days	24,480	19,578	5,754	–
Over 120 days	115,979	117,942	202,588	240,976
	<u>1,262,778</u>	<u>1,420,999</u>	<u>1,271,689</u>	<u>1,504,962</u>

The Company

The Company's trade and other payables as at 31 January 2019 consists of accrued listing expenses and accrued share issue costs amounted to S\$183,674 and S\$582,100, respectively.

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payables			As at 31 January 2019	Present value of minimum lease payables			As at 31 January 2019
	As at 30 June 2016	2017	2018		As at 30 June 2016	2017	2018	
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	
Amounts payable under finance leases:								
– Within one year	78,852	123,336	–	–	70,501	108,676	–	
– More than one year but not more than two years	78,852	106,797	–	–	73,793	97,471	–	
– More than two years but not more than five years	79,613	156,111	–	–	77,408	147,976	–	
	<u>237,317</u>	<u>386,244</u>	<u>–</u>	<u>–</u>	<u>221,702</u>	<u>354,123</u>	<u>–</u>	
Less: Future finance charges	<u>(15,615)</u>	<u>(32,121)</u>	<u>–</u>	<u>–</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	
Present value of lease obligations	<u>221,702</u>	<u>354,123</u>	<u>–</u>	<u>–</u>	<u>221,702</u>	<u>354,123</u>	<u>–</u>	
Less: Amounts due for settlement within one year (shown under current liabilities)					<u>(70,501)</u>	<u>(108,676)</u>	<u>–</u>	
Amounts due for settlement after one year					<u>151,201</u>	<u>245,447</u>	<u>–</u>	

Interest rates underlying all obligations under finance leases are fixed at respective contract dates during the Track Record Period.

	As at 30 June		2018	As at 31 January 2019
	2016	2017		
Effective interest rates per annum	1.98%-4.45%	1.33%-5.61%	–	–

The average lease term is 5 years. The Group's obligations under finance leases are secured by the lessor's charge over the leased assets as disclosed in Note 15.

25. BANK BORROWINGS

	As at 30 June		2018	As at 31 January 2019
	2016	2017		
	S\$	S\$	S\$	S\$
Bank borrowings – secured and guaranteed	12,020	–	–	–
Analysed as carrying amount repayable:				
– within one year	12,020	–	–	–

The bank borrowings are secured by:

- (i) first legal mortgage over the Group's leasehold building (Note 15); and
- (ii) joint guarantee from the directors and shareholders of the Company in their personal capacities. The guarantees have been released during the year ended 30 June 2017.

The bank borrowings bear variable interest rates and the weighted average effective interest rate of the loans at 2.92% per annum as at 30 June 2016.

26. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised and movements thereon during the Track Record Period:

	As at 30 June		2018	As at 31 January 2019
	2016	2017		
	S\$	S\$	S\$	S\$
At the beginning of the year/period	16,313	11,342	52,691	5,923
(Credit) charge to profit or loss for the year/period	(4,971)	41,349	(46,768)	28,085
At the end of the year/period	11,342	52,691	5,923	34,008

The deferred tax liabilities are 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.

27. SHARE CAPITAL/RESERVES**The Group**

At 30 June 2016 and 2017, the balances represent share capital of Khoon Engineering.

At 30 June 2018, the balances represent the combined share capital of Top Stride and Khoon Engineering.

At 31 January 2019, the balances represent the combined share capital of Top Stride and the Company.

The Company

On 24 July 2018, the Company was incorporated as an exempted company in the Cayman Islands with limited liability and the initial one nil-paid subscriber share was issued to the initial subscriber and transferred to Lead Development Investment Limited at nil-paid on the same day. The authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each at the time of incorporation.

The reserve of the Company represents losses and other comprehensive expenses recognised for the period from the date of the incorporation, i.e. 24 July 2018 to 31 January 2019.

28. OPERATING LEASE COMMITMENTS**The Group as lessor**

The details of rental income earned on investment property are disclosed per Note 7.

At the end of each year/period during the Track Record Period, the total of future minimum lease receipts under non-cancellable operating lease are as follows:

	As at 30 June			As at
	2016	2017	2018	31 January
	S\$	S\$	S\$	2019
				S\$
Within one year	30,000	32,975	34,200	34,200
After one year but within two years	8,750	34,200	34,200	24,225
After two years but within five years	–	44,175	9,975	–
	<u>38,750</u>	<u>111,350</u>	<u>78,375</u>	<u>58,425</u>

The lease has tenures of two to three years. The lease receivables are fixed over the lease term and no term of contingent rent income is included in the contracts.

The Group as lessee

	Year ended 30 June			Seven months ended	
	2016	2017	2018	31 January	2019
	S\$	S\$	S\$	S\$	S\$
				<i>(unaudited)</i>	
Minimum lease payments paid during the year/period under operating lease	–	–	45,396	5,858	127,223
	<u>–</u>	<u>–</u>	<u>45,396</u>	<u>5,858</u>	<u>127,223</u>

Future minimum rental payable under non-cancellable lease as at the end of each reporting period are as follows:

	As at 30 June			As at
	2016	2017	2018	31 January
	S\$	S\$	S\$	2019
				S\$
Within one year	–	–	90,793	215,388
After one year but within two years	–	–	52,962	101,898
After two years but within five years	–	–	–	52,800
	<u>–</u>	<u>–</u>	<u>–</u>	<u>52,800</u>
	<u>–</u>	<u>–</u>	<u>143,755</u>	<u>370,086</u>

The lease has tenure of two years. The lease payments are fixed over the lease term and no contingent rent provision is included in the contract.

29. 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. During the Track Record Period, the Group contributes up to 17% of the eligible employees' salaries to the CPF Scheme, with each employee's qualifying salary capped at S\$6,000 per month.

The total costs charged to profit or loss, amounting to S\$153,071, S\$179,454, S\$181,343, S\$110,562 (unaudited) and S\$147,490 for the years ended 30 June 2016, 2017, 2018 and for the seven months ended 31 January 2018 and 2019, respectively, representing contributions paid or payable to the CPF by the Group.

As at 30 June 2016, 2017, 2018 and 31 January 2019, contributions of S\$110,271, S\$28,441, S\$33,413 and S\$95,869 were accrued, respectively. The amounts were paid subsequent to the end of the respective years/period.

30. RELATED PARTY TRANSACTIONS

Apart from disclosure elsewhere in the Historical Financial Information, the Group entered into the following transactions with related parties during the Track Record Period:

	Year ended 30 June			Seven months ended	
	2016	2017	2018	31 January	2019
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Sub-contracting works expenses recognised by the Group					
– ANG JK Engineering	29,821	713,116	387,493	387,493	–
– JT Construct Pte. Ltd.	874,465	604,551	862,528	862,528	–
– Million Mile Electrical Pte. Ltd.**	1,491,789	3,363,701	184,399	179,099	–
– WMK Solutions Pte. Ltd.*	–	2,850	251,270	100,000	–
	<u>2,396,075</u>	<u>4,684,218</u>	<u>1,685,690</u>	<u>1,529,120</u>	<u>–</u>
Direct material expense recognised by the Group					
– Comwealth Solutions Pte. Ltd.	72,090	–	–	–	–
– Million Mile Electrical Pte. Ltd.**	–	–	39,974	38,354	–
	<u>72,090</u>	<u>–</u>	<u>39,974</u>	<u>38,354</u>	<u>–</u>

	Year ended 30 June			Seven months ended 31 January	
	2016 S\$	2017 S\$	2018 S\$	2018 S\$	2019 S\$
				<i>(unaudited)</i>	
Certification expense recognised by the Group					
– ANG JK Engineering	385,440	–	–	–	–
– Million Mile Electrical Pte. Ltd.**	–	–	2,210	2,110	–
	<u>385,440</u>	<u>–</u>	<u>2,210</u>	<u>2,110</u>	<u>–</u>
Sundry income recognised by the Group					
– Million Mile Electrical Pte. Ltd.**	<u>27,657</u>	<u>84,355</u>	<u>–</u>	<u>–</u>	<u>–</u>
Sundry expense recognised by the Group					
– ANG JK Engineering	–	–	7,116	7,116	–
– JT Construct Pte. Ltd.	–	–	9,783	–	–
– Million Mile Electrical Pte. Ltd.**	–	–	24,636	18,278	–
	<u>–</u>	<u>–</u>	<u>41,535</u>	<u>25,394</u>	<u>–</u>

* Mr. KK Ang owned 40% interest of share of the entity and the entire equity interest was disposed to a third party in April 2018, hence it is no longer regarded as a related party to the Group since the disposal date. The amounts presented include those transaction for the period up to the date of disposal as appropriate.

** Mr. YK Ang owned 50% interest of share of the entity and the entire equity interest was disposed to a third party in April 2018, hence it is no longer regarded as a related party to the Group since the disposal date. The amounts presented include those transaction for the period up to the date of disposal as appropriate.

Compensation of key management personnel

Key management personnel of the Group are those person having those authority and responsibilities for planning, directing and controlling the activities of the Group. The executive directors of the Company are considered as key management of the Group:

	Year ended 30 June			Seven months ended 31 January	
	2016 S\$	2017 S\$	2018 S\$	2018 S\$	2019 S\$
				<i>(unaudited)</i>	
Short-term benefits	2,061,960	716,000	758,000	444,981	879,493
Post-employment benefits	28,421	30,576	33,228	20,328	31,800
Total	<u>2,090,381</u>	<u>746,576</u>	<u>791,228</u>	<u>465,309</u>	<u>911,293</u>

31. CONTINGENT LIABILITIES

- (a) As at 30 June 2016, 2017, 2018 and 31 January 2019, performance bonds of S\$591,210, S\$591,210, S\$608,710 and S\$608,710, respectively, were given by a bank and an insurance company in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the bank and insurance company to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank and insurance company accordingly. The performance guarantees will be released upon completion of the contract. The performance guarantees were granted under; (i) the deposit of the Group amounting to S\$17,500 as at 30 June 2018 and 31 January 2019; and (ii) guarantee by the directors of Khoon Engineering as at 30 June 2016, 2017, 2018 and 31 January 2019.
- (b) During the Track Record Period, the Group was engaged by a Singapore incorporated customer for the provision of electrical engineering solutions in relation to various types of electrical systems in a commercial complex comprising shopping mall and office building in Myanmar (the "Myanmar Project"). The Myanmar Project commenced in March 2015 and was completed in August 2016. In relation to the tax matters for the Myanmar Project, no provision has been recognised in the Historical Financial Information as management of the Group is unable to have a reliable guidance on the procedure for a non-resident company to register and file corporate income tax in Myanmar which is applicable to the Group in relation to the Myanmar Project based on the tax advice obtained. The management of the Group estimated, by reference to an assessment from an international accounting firm engaged by the Group, that the potential tax liability in Myanmar amounts to approximately S\$88,000 for the Track Record Period.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to be continued as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of debts, which includes amount due to a shareholder, amounts due to related parties, obligations under finance leases and bank borrowings disclosed in Notes 20(b), 20(c), 24 and 25, respectively and equity attributable to owners of the Group, comprising issued share capital and accumulated profits.

The management of the Group review the capital structure on a regular basis. As part of the review, the management of the Group consider the cost of capital and the associated risks with each class of items in the context of capital structure, and takes appropriate actions to adjust the Group's capital structure. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group			The Company	
	As at 30 June 2016	As at 30 June 2017	2018	As at 31 January 2019	As at 31 January 2019
	S\$	S\$	S\$	S\$	S\$
Financial assets					
Loans and receivables/ amortised cost:					
Trade receivables	991,073	2,460,667	3,360,752	1,576,536	—
Other receivables**	138,515	781,033	421,058	118,965	—
Amounts due from shareholders	587,481	669,132	1,319,742	—	—
Amount due from a controlling shareholder	—	—	—	—	—*
Bank deposits	7,069,989	9,152,244	—	—	—
Bank balances and cash	14,632,430	8,851,641	5,997,729	6,213,691	—
	<u>23,419,488</u>	<u>21,914,717</u>	<u>11,099,281</u>	<u>7,909,192</u>	<u>—*</u>

* The balance is less than S\$1.

	The Group			The Company	
	As at 30 June			As at	As at
	2016	2017	2018	31 January	31 January
	S\$	S\$	S\$	S\$	S\$
Financial liabilities					
Amortised cost:					
Trade and other payables***	1,903,525	3,151,724	2,338,137	2,681,410	–
Amount due to a shareholder	641,554	1,059,709	–	–	–
Amounts due to related parties****	101,576	166,440	–	–	–
Amount due to Khoon Engineering	–	–	–	–	1,731,277
Bank borrowings	12,020	–	–	–	–
	<u>2,658,675</u>	<u>4,377,873</u>	<u>2,338,137</u>	<u>2,681,410</u>	<u>1,731,277</u>

** Prepayments and deferred issue costs are excluded

*** GST payable, payroll and CPF payables and accruals are excluded

**** Accruals are excluded

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from shareholders, bank deposits, bank balances and cash, trade and other payables, amount due to a shareholder, amounts due to related parties and bank borrowings. The Company's financial instruments include amount due from a controlling shareholder and amount due to Khoon Engineering. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Currency risk

The Group has foreign-currency bank balances, trade receivables and trade and other payables denominated in US\$ and HK\$ other than the functional currency, which expose the Group to foreign currency risk. The Group manages the risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Assets				Liabilities			
	As at 30 June			As at	As at 30 June			As at
	2016	2017	2018	31 January	2016	2017	2018	31 January
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
US\$	4,823,442	3,978,756	2,117,898	2,044,690	67,277	–	106,629	56,737
HK\$	–	–	189,165	575,806	–	–	131,768	438,534
	<u>4,823,442</u>	<u>3,978,756</u>	<u>2,117,898</u>	<u>2,044,690</u>	<u>67,277</u>	<u>–</u>	<u>106,629</u>	<u>56,737</u>
	<u>–</u>	<u>–</u>	<u>189,165</u>	<u>575,806</u>	<u>–</u>	<u>–</u>	<u>131,768</u>	<u>438,534</u>

Sensitivity analysis

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period during the Track Record Period for a 10% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where S\$ weakening 10% against the relevant currency. For a 10% strengthening of S\$ against the relevant currency, there would be an equal and opposite impact on the profit for the year/period.

	Year ended 30 June			Seven months ended
	2016	2017	2018	31 January 2019
	S\$	S\$	S\$	S\$
Profit for the year/period				
– US\$ impact	394,762	330,237	166,935	165,000
– HK\$ impact	–	–	4,764	11,394
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(ii) 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. The Group is exposed to fair value interest rate risk in relation to fixed-rate finance leases, fixed-rate loan to an independent third party and is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. It is the Group's policy to maintain an appropriate level between fixed-rate or variable-rate borrowings according to business needs and so 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 of the Group monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

Variable-rate borrowings

In the management's opinion, the Group have no significant exposure to interest rate risk arising from bank borrowings due to the immateriality of the effects. According, no sensitivity analysis is presented.

*(iii) Credit risk**Under IAS 39 and IFRS 9*

The Group's concentration of credit risk by geographical location is mainly in Singapore, which accounted for 100% of the total financial assets for the Track Record Period.

Approximately 100%, 62%, 64% and 67% of total trade receivables outstanding at 30 June 2016, 2017, 2018 and 31 January 2019 were due from top five debtors which exposed the Group to concentration of credit risk. Those five largest debtors are with good creditworthiness based on historical settlement record.

In order to minimise the credit risk, the management of the Group 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.

Other than concentration of credit risk on bank balances placed in four banks in Singapore, in which the counterparties are financially sound and on trade receivables from top five debtors as disclosed above, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

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.

Under IAS 39

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.

The credit risk on amounts due from shareholders and other receivables from sub-contractors for backcharges is limited because the Group had not encountered significant difficulties in collecting payments from relevant parties in the past.

In addition, the directors of the Company closely monitor the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Under IFRS 9

Starting from 1 July 2018, the Group reassess the lifetime ECL under simplified approach for trade receivables, trade related amounts due to related parties and contract assets at the end of each reporting period to ensure that adequate impairment losses are made for significant increases in the likelihood or risk of a default occurring since initial recognition. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

From 1 July 2018, the Group applied credit risk modelling upon adoption of IFRS 9. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis.

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, it considers the forward looking information is available and reasonable, including below indicators:

- internal credit rating based on historical information;
- actual or expected significant changes in the operating results of the debtors;
- significant changes in the expected performance and behavior of the debtors, include changes in the payment status of debtors.

The Group applies individual basis for all customers to measure the expected credit losses prescribed by IFRS 9. The expected credit loss rates applied are derived according to the debtors characteristics, including their trading history with the Group and existence of default history. These rates multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected and the Group's view of economic conditions over the credit characteristics of the debtors.

The Group performed the impairment assessment on the non-credit impaired trade receivables and contract assets with gross carrying amount of S\$1,576,536 and S\$24,786,021, respectively, at lifetime ECL. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of trade receivables and contract assets. The management of the Group considered that the ECL rate of the non credit-impaired trade receivables and contract assets are ranged from 0.01% to 3% as at 31 January 2019 as all are considered as low risk and there has been no history of default nor additional information indicating the credit risk of respective debts are increased. Based on the individual assessment for all customers by the management of the Group, it is considered that the ECL for non credit-impaired trade receivables and contract assets is insignificant as at 31 January 2019.

As at 1 July 2018 and 31 January 2019, the Group had gross carrying amount of S\$54,251 and S\$23,449 of credit-impaired trade receivables, respectively, under lifetime ECL with full impairment losses provided.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under simplified approach.

	Lifetime ECL (credit-impaired) S\$
As at 30 June 2018 under IAS39 and 1 July 2018	54,251
Reversal of impairment allowance during the period	<u>(30,802)</u>
As at 31 January 2019	<u><u>23,449</u></u>

Relevant information with regard to the exposure of credit risk and expected credit losses for trade receivables and contract assets as at 31 January 2019 are set out in Notes 17 and 19, respectively.

The Group performed the impairment assessment on the bank balances with gross carrying amount of S\$6,213,691 at 12m ECL as the counterparty has a low risk of default and does not has any past-due amounts. The external credit rating of the bank balances is Aa1. The management of the Group considered that the ECL rate is 0.01% and concluded the 12m ECL for bank balances is insignificant under ECL method based on the Group's assessment on the risk of the default of that counterparty. Thus, no allowance provision for bank balances is recognised as the amount involved is insignificant during the seven months ended 31 January 2019.

The Group performed the impairment assessment on the other receivables with gross carrying amount of S\$118,965 which is not past due at 12m ECL as the counterparty has a low risk default and does not has past-due amounts. The management of the Group considered that the ECL rate is 3% and concluded the 12m ECL for other receivables is insignificant under ECL method based on the Group's assessment on the risk of the default of that counterparty. Thus, no allowance provision for other receivables is recognised as the amount involved is insignificant during the seven months ended 31 January 2019.

(iv) 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 of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows where applicable. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The Group

	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\$	Total carrying amount S\$
<u>As at 30 June 2016</u>						
Non-interest bearing						
Trade and other payables	–	1,903,525	–	–	1,903,525	1,903,525
Amount due to a shareholder	–	641,554	–	–	641,554	641,554
Amounts due to related parties	–	101,576	–	–	101,576	101,576
Interest bearing						
Bank borrowings (<i>Note 25</i>)	2.92	3,669	3,638	4,850	12,157	12,020
		<u>2,650,324</u>	<u>3,638</u>	<u>4,850</u>	<u>2,658,812</u>	<u>2,658,675</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\$	Total carrying amount S\$
<u>As at 30 June 2017</u>						
Non-interest bearing						
Trade and other payables	–	3,151,724	–	–	3,151,724	3,151,724
Amount due to a shareholder	–	1,059,709	–	–	1,059,709	1,059,709
Amounts due to related parties	–	166,440	–	–	166,440	166,440
		<u>4,377,873</u>	<u>–</u>	<u>–</u>	<u>4,377,873</u>	<u>4,377,873</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\$	Total carrying amount S\$
<u>As at 30 June 2018</u>						
Non-interest bearing						
Trade and other payables	–	2,338,137	–	–	2,338,137	2,338,137
		<u>2,338,137</u>	<u>–</u>	<u>–</u>	<u>2,338,137</u>	<u>2,338,137</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\$	Total carrying amount S\$
<u>As at 31 January 2019</u>						
Non-interest bearing						
Trade and other payables	–	2,681,410	–	–	2,681,410	2,681,410

The Company

As at 31 January 2019, the Company's financial liabilities including the amount due to Khoon Engineering are due within one year from end of the reporting period or repayable on demand.

(c) Fair value

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis

The fair value of financial assets and financial liabilities carried at amortised cost 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.

34. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid capital	Equity interest attributable to the owners of the Company					Principal activities	Notes
			As at 30 June			As at 31 January 2019	As at the date of this report		
			2016	2017	2018				
<i>Directly held:</i>									
Top Stride (Note)	BVI 28 June 2018	S\$12,153,648*	N/A	N/A	100%	100%	100%	Investment holding	(a)
<i>Indirectly held:</i>									
Khoon Engineering	Singapore 28 May 1988	S\$1,500,000	100%	100%	100%	100%	100%	Provision of electrical engineering services	(b)

Note: The subsidiary is a dormant company since its date of incorporation.

* 30,000 shares in issue with no par value.

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 Top Stride 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 Khoon Engineering for the years ended 30 June 2016, 2017 and 2018 were prepared in accordance with Singapore Financial Reporting Standards ("SFRSs") issued by Accounting Standards Council in Singapore and were audited by Singapore Assurance PAC, which is Public Accountants and Chartered Accountants registered in Singapore, for the years ended 30 June 2016 and 2017, and Deloitte & Touche LLP Singapore for the year ended 30 June 2018, respectively.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Amount due to a shareholder S\$	Bank borrowings S\$	Obligations under finance leases S\$	Dividend payable S\$	Accrued share issue costs S\$	Total S\$
At 1 July 2015	–	26,051	158,116	–	–	184,167
Financing cash flows	641,554	(14,587)	(55,724)	(3,000,000)	–	(2,428,757)
<i>Non cash changes</i>						
Finance costs recognised (Note 9)	–	556	8,310	–	–	8,866
New finance leases (Note 24)	–	–	111,000	–	–	111,000
Dividend declared (Note 13)	–	–	–	3,000,000	–	3,000,000
At 30 June 2016	641,554	12,020	221,702	–	–	875,276
Financing cash flows	418,155	(12,156)	(151,450)	(2,000,000)	–	(1,745,451)
<i>Non cash changes</i>						
Finance costs recognised (Note 9)	–	136	14,671	–	–	14,807
New finance leases (Note 24)	–	–	269,200	–	–	269,200
Dividend declared (Note 13)	–	–	–	3,000,000	–	3,000,000
At 30 June 2017	1,059,709	–	354,123	1,000,000	–	2,413,832
Financing cash flows	(1,059,709)	–	(441,947)	(4,000,000)	–	(5,501,656)
<i>Non cash changes</i>						
Finance costs recognised (Note 9)	–	–	38,824	–	–	38,824
New finance leases (Note 24)	–	–	49,000	–	–	49,000
Dividend declared (Note 13)	–	–	–	3,000,000	–	3,000,000
At 30 June 2018	–	–	–	–	–	–
Financing cash flows	–	–	–	–	(594,431)	(594,431)
<i>Non cash changes</i>						
Issue costs recognised	–	–	–	–	778,105	778,105
At 31 January 2019	–	–	–	–	183,674	183,674
At 1 July 2017	1,059,709	–	354,123	1,000,000	–	2,413,832
Financing cash flows (unaudited)	74,421	–	(71,947)	–	–	2,474
<i>Non cash changes (unaudited)</i>						
Finance costs recognised (Note 9)	–	–	9,215	–	–	9,215
At 31 January 2018 (unaudited)	1,134,130	–	291,391	1,000,000	–	2,425,521

36. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events are detailed as follows:

- (a) Following the completion of acquisition of Top Stride by the Company by Issued and allotted 29,999 shares in settlement of the consideration, the Group completed the Reorganisation on 12 March 2019. Details of which are set out in Note 2.
- (b) On 10 June 2019, written resolutions of the then sole shareholder of the Company were passed to approve the matters set out in “Statutory and General Information – Further information about our Company and its subsidiaries – 3. Resolutions in writing of the then sole Shareholder passed on 10 June 2019” in Appendix IV to this prospectus. It was resolved, among other things:
 - (i) the authorised share capital of the Company was increased from HK\$100,000 divided into 10,000,000 ordinary shares of par value of 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 an additional 1,490,000,000 ordinary shares of par value HK\$0.01 each, each ranking pari passu in all respects with the Shares of the Company in issue at the date of passing of these resolutions;
 - (ii) conditional upon the share premium account of the Company being credited as a result of the Share Offer, an amount of HK\$7,499,700 which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par 749,970,000 shares of allotment and issue to the shareholders whose name appeared on the register of members of the Company at the close of business on 10 June 2019; and
 - (iii) conditionally approved and adopted a Share Option Scheme, the principle terms of which are set out in the section headed “12 Share Option Scheme” in Appendix IV to this Prospectus.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of subsidiaries have been prepared in respect of any period subsequent to 31 January 2019.

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 2018 and the seven months ended 31 January 2019 (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 Prospectus, 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 Prospectus and the Accountants' Report set out in Appendix I to this Prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company 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 public offer and placing of the Company's shares ("Share Offer") on the adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2019, as if it had taken place on such date.

The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company 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 attributable to owners of the Company as at 31 January 2019 or any future dates.

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2019 as derived from the Accountants' Report shown in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2019 S\$ (Note 1)	Estimated net proceeds from the proposed Share Offer S\$ (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2019 S\$	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2019 per Share S\$ HK\$ (Note 3) (Note 4)	
Based on Offer Price of HK\$0.5 per Offer Share	12,622,965	19,264,513	31,887,478	0.03	0.18
Based on Offer Price of HK\$0.6 per Offer Share	12,622,965	23,598,137	36,221,102	0.04	0.21

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the proposed Share Offer are based on 250,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$0.5 and HK\$0.6 per Offer Share, respectively, after deduction of the associated underwriting commissions and fees and other related expenses (excluding listing expenses which have been charged to profit or loss up to 31 January 2019 by the group).

The calculation of such estimated net proceeds does not take into account of any Share which may be issued upon the exercise of options which may be granted pursuant to the Share Option Scheme as described in the section headed "Other information – 12. Share Option Scheme" in this prospectus, or upon exercise of the Over-allotment Option or 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 prospectus. The estimated net proceeds from the proposed Share Offer are converted from Hong Kong dollars into Singapore dollars at an exchange rate of S\$1.00 to HK\$5.74 as at the Latest Practicable Date. 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 other rates or at all.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2019 per Share is calculated based on 1,000,000,000 Shares in issue immediately following the Reorganisation and after the completion of the proposed Share Offer and the Capitalisation Issue. It does not take into account of any Share which may be issued upon the exercise of options which may be granted pursuant to the Share Option Scheme as described in the section headed "Other information – 12. Share Option Scheme" in this Prospectus, or upon exercise of the Over-allotment Option or 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 Prospectus.
- (4) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2019 per Share is converted from Singapore dollars into Hong Kong dollars at rate of HK\$5.74 to S\$1.00 as at the Latest Practicable Date. 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 31 January 2019 to reflect any trading results or other transactions of the Group entered into subsequent to 31 January 2019.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Khoon Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Khoon Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted combined net tangible assets as at 31 January 2019 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 20 June 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed public offer and placing of the shares of the Company (the "Share Offer") on the Group's financial position as at 31 January 2019 as if the proposed Share Offer had taken place at 31 January 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 30 June 2018 and the seven months ended 31 January 2019, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 June 2019

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 24 July 2018 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

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 10 June 2019. 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.

(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

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than two persons together holding (or, in the case of a member 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.

(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

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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).

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.

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(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.

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.

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.

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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;
- (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.

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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.

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.

(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.

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(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.

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.

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(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.

(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.

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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;
- (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.

(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

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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.

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.

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(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.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) 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

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- (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.

(vi) 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.

(vii) 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 members 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 members 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 members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

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.

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.

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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.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed 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.

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(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.

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.

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3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 24 July 2018 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.

(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.

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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.

(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.

(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).

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(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 (2017 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 (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (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 the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 7 August 2018.

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.

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(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.

(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 (2017 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.

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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.

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.

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(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.

(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.

(t) Economic Substance Requirements

Pursuant to the International Tax Co-operation (Economic Substance) Law, 2018 of the Cayman Islands (as amended) (“**ES Law**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated under the Cayman Companies Law as is the Company; however, it does not include a company which is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, the Company is not regarded as a “relevant entity” under the ES Law and thus is not required to satisfy the economic substance test as set out in the ES Law.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

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 paragraph 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.

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 24 July 2018. Our Company has established a principal place of business in Hong Kong at Unit B, 17/F, United Centre, 95 Queensway, Hong Kong and was registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 18 September 2018. In connection with such registration, Ms. Leung Hoi Yan (梁皚欣), 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 on 10 June 2019.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises of the Memorandum and the Articles. A summary of certain provisions of its constitution and aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

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 24 July 2018, one nil-paid subscriber Share was allotted and issued to the initial subscriber of our Company, which was subsequently transferred to Lead Development on the same date.
- (b) On 12 March 2019, our Company acquired 26,182 and 3,818 ordinary shares of Top Stride, representing all of its issued shares in aggregate, from Mr. JK Ang and Mr. KK Ang, respectively, at the consideration of S\$12,917,894.44 and in return, our Company issued and allotted 29,999 Shares, credited as fully paid, to Lead Development, and credited as fully paid at par one nil paid Share held by Lead Development, at the instructions of Mr. JK Ang and Mr. KK Ang.
- (c) Pursuant to the resolutions in writing of the then sole Shareholder passed on 10 June 2019, 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 additional 1,490,000,000 ordinary shares.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or 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\$10,000,000 divided into 1,000,000,000 Shares, fully paid or credited as fully paid, and 500,000,000 Shares will remain unissued.

Save as disclosed in this prospectus, 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 10 June 2019

Pursuant to the resolutions in writing passed by the then sole Shareholder on 10 June 2019, 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 of 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 1,490,000,000 additional ordinary shares of par value HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;
- (c) conditional on (i) the Listing Division of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme); (ii) the Price Determination Agreement having been executed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company and becoming effective on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including the waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case, on or before the dates and times specified in the Underwriting Agreements (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 prospectus:
 - (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to effect the same and to allot and issue Offer Shares pursuant to the Share Offer and the Over-allotment Option;
 - (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 Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise the sum of HK\$7,499,700 (or any amount any one Director may determine) standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749,970,000 Shares (or any such number of Shares any one Director may determine) 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 10 June 2019 (or as they 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 granted to our Directors to, inter alia, allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time, subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued shall not exceed 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue, any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, specific authority granted by the Shareholders in general meeting or upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme. This general mandate to issue Shares will expire:

- (aa) at the conclusion of the next annual general meeting of our Company;
- (bb) at the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles; or
- (cc) when revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever occurs first;

- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. This general mandate to repurchase Shares will expire:

- (aa) at the conclusion of the next annual general meeting of our Company;

(bb) at the end of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles; or

(cc) when revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever occurs first.

The general unconditional mandate as mentioned in paragraph (iii) above was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above (up to 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer, excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme); and

(v) the rules of the Share Option Scheme, the principal terms of which are set forth in the paragraph headed “12. Share Option Scheme” in this appendix, were approved and adopted with effect from the Share Offer and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of the options granted under the Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to 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 Listing. Please see the section headed “History, development and Reorganisation – Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in note 34 to the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report, we do not have any other subsidiaries. Save as disclosed in the section headed “History, development and Reorganisation” in this prospectus, there have been no changes in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase of our own securities

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing are 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*

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: Pursuant to the resolutions in writing of the then sole Shareholder passed on 10 June 2019, 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 Capitalisation Issue and the Share Offer (but excluding any Shares to be issued upon exercise of the Over-allotment Option or 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 expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the date when the Repurchase Mandate is revoked or varied by an ordinary resolution of our shareholders in a general meeting.

(ii) *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 total number of Shares in issue. Our Company may not issue or announce an issue of new securities for a period of 30 days immediately following a repurchase (except pursuant to the exercise of warrants, share options or similar instruments requiring our 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 repurchases would result in the number of the listed securities which are in hands of the public falling below the relevant prescribed minimum percentage for that company as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. In addition, as required by the prevailing requirements of the Listing Rules, 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 business days on which its Shares were traded on the Stock Exchange.

(iii) Status of repurchased securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares if not held by the company as treasury shares shall be treated as cancelled and 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 reduced.

(iv) Suspension of repurchase

Our Company may not repurchase its securities on the Stock Exchange at any time after inside information has come to our knowledge until 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, or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for publication of an announcement of its results for any year or half-year, or any other interim period (whether or not required under the Listing Rules), our Company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if our Company has breached the Listing Rules.

(v) 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 (whether on the Stock Exchange or otherwise). The report must state the 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, and confirmation that those purchases were made in accordance with the Listing Rules or the domestic rules applying to purchases on that other stock exchange, and there have been no material changes to the particulars contained in the explanatory statement for repurchase of Shares. 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 brokers to ensure that they provide our Company in a timely manner the necessary information to enable our Company to make the report to the Stock Exchange.

(vi) *Core connected persons*

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 any of their respective close associates, and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) *Exercise of the Repurchase Mandate*

On the basis of 1,000,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer and taking no account of any Share to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme, our Directors would be authorised under the Repurchase Mandate to repurchase up to 100,000,000 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 for our Directors to receive 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 assets 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*

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.

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.

There could be a material adverse impact on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate were to be exercised in full. 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.

(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.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue may only be implemented with the approval of the Stock Exchange to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

7. 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 prospectus and are or may be material:

- (a) the sale and purchase agreement dated 31 August 2018 entered into between Mr. JK Ang and Mr. KK Ang, as vendors, and Top Stride, as purchaser, pursuant to which Mr. JK Ang and Mr. KK Ang agreed to sell and Top Stride agreed to purchase, an aggregate of 1,500,000 shares of Khoon Engineering, representing its entire issued share capital, at the consideration of S\$12,153,644.67, which consideration was satisfied by the issue and allotment of 13,091 new ordinary shares and 1,909 new ordinary shares of Top Stride, credited as fully paid, to Mr. JK Ang and Mr. KK Ang respectively;
- (b) the sale and purchase agreement dated 12 March 2019 entered into between Mr. JK Ang and Mr. KK Ang, as vendors, and our Company, as purchaser, pursuant to which Mr. JK Ang and Mr. KK Ang agreed to sell and our Company agreed to purchase, an aggregate of 30,000 ordinary shares of Top Stride, representing its entire issued share capital, at the consideration of S\$12,917,894.44, which consideration was satisfied by our Company (i) issuing and allotting 29,999 Shares, credited as fully paid, to Lead Development; and (ii) crediting as fully paid at par one nil-paid Share held by Lead Development, at the instructions of Mr. JK Ang and Mr. KK Ang;
- (c) the cornerstone investment agreement dated 13 June 2019 entered into between our Company, Mr. Cheng Chi Heng (鄭志恆), the Sole Sponsor and the Joint Bookrunners, details of which are included in the section headed “Cornerstone Investor” of this prospectus;
- (d) the Deed of Indemnity;
- (e) the Deed of Non-competition; and
- (f) the Public Offer Underwriting Agreement.

8. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademark which is material to our business:

Trademark	Registered owner	Class(es)	Place of registration	Trademark number	Registration date	Expiry date
	Khoon Engineering	9, 35, 37, 42	Singapore	40201812490Q	28 June 2018	28 June 2028

As at the Latest Practicable Date, our Group had applied for registration of the following trademark which is material to our business:

Trademark	Class(es)	Place of application	Application number	Date of application
	9, 35, 37, 42	Hong Kong	304726440	7 November 2018

(b) Domain names

As at the Latest Practicable Date, we have registered the following domain names:

Domain name	Registered owner	Registration date	Expiry date
khoon.com.sg	Khoo Engineering	15 March 2012	15 March 2021
khooeng.com	Khoo Engineering	23 July 2018	23 July 2019

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

9. Directors

(a) Particulars of service contracts and appointment letters

Each of our executive Directors has entered into a service contract with our Company on 10 June 2019. Each service contract is for an initial term of three years commencing from the Listing Date and may be terminated by not less than three months' written notice served by either party on the other. Each of our executive Directors is entitled to a fixed basic annual salary for his services, i.e. S\$336,000 for Mr. JK Ang, S\$312,000 for Mr. KK Ang and S\$216,000 for Mr. YK Ang. Our Board shall have a complete discretion to grant any increase in the salary. Any increase so granted shall take effect from such date as our Board may specify. In addition, each of our executive Directors is entitled to a discretionary management bonus for the financial year ending 30 June 2019 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 independent non-executive Directors has signed an appointment letter with our Company on 10 June 2019. Each appointment letter is for an initial term of three years commencing from the Listing Date and may be terminated by not less than one month's written notice served by either party on the other. Each of our independent non-executive Directors is entitled to a fixed annual director's fee of S\$21,000 for his/her services.

The service contracts and appointment letters are subject to termination in accordance with their respective terms and the appointments are subject to the provisions on retirement by rotation of Directors as set out in the memorandum and the Articles.

Save as aforesaid, none of our Directors has entered, or is proposed to enter, 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)).

(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. JK Ang	336,000
Mr. KK Ang	312,000
Mr. YK Ang	216,000
<i>Independent non-executive Directors</i>	
Ms. Tan Pei Fung	21,000
Mr. Yeo Kwang Maccann	21,000
Mr. Hon Chin Kheong	21,000

- (ii) The aggregate of the remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses and other allowances and benefits in kind) paid to our executive Directors for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 were approximately S\$2,090,000, S\$747,000, S\$791,000 and S\$911,000, respectively.
- (iii) Under the arrangements currently in force at the date of this prospectus, the aggregate of the remuneration (including benefits in kind but excluding discretionary bonus) payable by our Group to our Directors for FY2018/19 is expected to be approximately S\$893,000.
- (iv) No amount was paid to our Directors as an inducement to join or upon joining our Company for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019.
- (v) No compensation was paid to our Directors for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019 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.
- (vi) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for FY2015/16, FY2016/17, FY2017/18 and the seven months ended 31 January 2019.

(c) Interests and short positions of Directors in the Shares, underlying Shares or debentures of our Company and its associated corporations

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon the exercise of any of the Over-allotment Option or 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 the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will 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, once the Shares are listed, will be as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Share(s) held/interested immediately after completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately after completion of the Capitalisation Issue and the Share Offer
Mr. JK Ang ⁽¹⁾	Interest in a controlled corporation	750,000,000	75%
Mr. KK Ang ⁽¹⁾	Interest in a controlled corporation	750,000,000	75%

Note:

- Lead Development is legally and beneficially owned as to 87.27% by Mr. JK Ang and 12.73% by Mr. KK Ang. On 31 October 2018, Mr. JK Ang and Mr. KK Ang entered into the Acting in Concert Deed to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that they will continue to act in the same manner regarding the affairs of our Group upon the Listing. For details, please refer to the section headed “Relationship with Controlling Shareholders – Acting in Concert Deed” of this prospectus. Accordingly, by virtue of the SFO, Mr. JK Ang and Mr. KK Ang are deemed to be interested in the Shares held by Lead Development.

(ii) Long position in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/Nature of interest	Number of share(s) held	Approximate percentage of shareholding
Mr. JK Ang ⁽¹⁾	Lead Development ⁽¹⁾	Beneficial owner	13,091	87.27%
Mr. KK Ang ⁽¹⁾	Lead Development ⁽¹⁾	Beneficial owner	1,909	12.73%

Note:

1. Lead Development is the direct Shareholder of our Company and is an associated corporation within the meaning of Part XV of the SFO.

10. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the following persons (other than our Directors or chief executive of our Company) will have interests or short positions in the Shares or the 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 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 Capitalisation Issue and the Share Offer (long position)	Percentage of Shareholding immediately after completion of the Capitalisation Issue and the Share Offer
Lead Development ⁽¹⁾	Beneficial owner	750,000,000	75%
Ms. Pan Moi Kia ⁽²⁾	Interest of spouse	750,000,000	75%
Ms. Chong Sze Yen, Josephine ⁽³⁾	Interest of spouse	750,000,000	75%

Notes:

- (1) Lead Development is the direct Shareholder of our Company. Lead Development is legally and beneficially owned by Mr. JK Ang as to 87.27% and Mr. KK Ang as to 12.73%. On 31 October 2018, Mr. JK Ang and Mr. KK Ang entered into the Acting in Concert Deed to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that they will continue to act in the same manner regarding the affairs of our Group upon the Listing. For details, please refer to the section headed "Relationship with Controlling Shareholders – Acting in Concert Deed" in this prospectus. Accordingly, by virtue of the SFO, Mr. JK Ang and Mr. KK Ang are deemed to be interested in the Shares held by Lead Development.
- (2) Ms. Pan Moi Kia is the spouse of Mr. JK Ang. Accordingly, Ms. Pan Moi Kia is deemed or taken to be interested in the Shares Mr. JK Ang is interested in under the SFO.
- (3) Ms. Chong Sze Yen, Josephine is the spouse of Mr. KK Ang. Accordingly, Ms. Chong Sze Yen, Josephine is deemed or taken to be interested in the Shares Mr. KK Ang is interested in under the SFO.

11. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Share Offer, 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, either 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 any member of our Group;
- (b) taking no account of any Shares to be issued upon exercise of the Over-allotment Option or 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 the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will 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, 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 “20. 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 prospectus, acquired or disposed of by or leased to 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 “20. Qualifications and consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus 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 “20. 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; and

- (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.

OTHER INFORMATION

12. 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 10 June 2019.

For the purpose of this section, the following expressions have the meanings set out below unless context otherwise requires:

“Adoption Date”	means 10 June 2019, the date on which the Share Option Scheme is conditionally adopted by our Company by the written resolutions of the sole Shareholder;
“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;
“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:
- (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 any member 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;
 - (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member 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) Grant of option and acceptance of offer

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, Option(s) 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 Grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option(s) will be offered for acceptance for a period of 21 days from the date of the offer.

(c) Restriction on Grant of option

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 quarter-year (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(s) may be granted. The period during which no Option(s) may be granted will cover any period of delay in the publication of a results announcement. Our Board may not grant any Option(s) to a Participant who is a Director during the periods or times in which such Director is 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 Option(s) 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 exceeding 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 Option(s) 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 Option(s) 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 Option(s) to a Participant, a Grantee is not required to achieve any performance target before any Option(s) granted under the Share Option Scheme can be exercised.

(d) Price of Shares

The subscription price for the Shares subject to any particular Option(s) shall be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant Option(s) 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(s), which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of the grant of the Option(s); 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 Business Days preceding the date of the grant of the Option(s), the issue price of the Shares shall be deemed to be the closing price of the Shares on the Listing Date for any Business 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 Option(s) 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 Listing Date. On the basis of 1,000,000,000 Shares in issue on the Listing Date, the limit will be equivalent to 100,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (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, under the limit as “refreshed” must not exceed 10% of the total number of Shares in issue as at the date of such Shareholders’ approval of the refreshed limit. Option(s) 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.
- (iii) Our Company may also grant Option(s) 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 our Shareholders containing a generic description of the specified Grantees who may be granted such Option(s), the number and terms of such Option(s) to be granted, the purpose of granting such Option(s), an explanation as to how the terms of the Option(s) 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, would exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other schemes of our Company if such grant will result in this 30% limit being exceeded.

- (v) If our Company conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of Shares that may be issued upon exercise of all Options to be granted under all of the schemes of our Company under the 10% limit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

(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 Option(s).

(g) Rights are personal to Grantee

Option(s) granted 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(s). Any breach of the foregoing by the Grantee shall entitle us to cancel any outstanding Option(s) or part thereof granted to such Grantee (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Grantee dies before exercising the Option(s) in full, his legal personal representative(s) may exercise the Option(s) 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 (or such longer period as the Board may determine).

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company whilst any Option(s) remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation or subdivision of Shares or reduction of the 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 to:

- (i) the number or nominal amount of Shares subject to the Option(s) so far as unexercised; and/or

- (ii) the subscription price; and/or
- (iii) the method of exercise of the Option(s); 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(s) 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.

(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 Option(s) granted to them, Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option(s) (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(s) 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.

- (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(s) (to the extent which has become exercisable and not already exercised), but the exercise of the Option(s) 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(s) 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 ceases 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(s) shall lapse and if the Option Period has commenced, the Grantee may exercise the Option(s) 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 sub-paragraphs (h) and (l);
- (iii) the date on which the offer (or the case may be, revised offer) referred to in sub-paragraph (j) above closes;
- (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 an Eligible Employee 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 such 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 Option(s) granted to the Grantee (whether exercisable or not) shall lapse. In such event, his Option(s) will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

(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 Option(s) 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 Option(s) and issue new ones to the same Grantee, the issue of such new Option(s) may only be made under a scheme with available unissued Option(s) (excluding cancelled Option(s)) 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 Option(s) may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Option(s) 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 our 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 Option(s) 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 Option(s) 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(s) 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 Option(s) in respect of not less than three-fourths in nominal value of all Shares then subject to Option(s) 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 Option(s) 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 Option(s) (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. Option(s) (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.

(r) Granting of Option to a Director, chief executive of our Company or Substantial Shareholder or any of their associates

Where Option(s) 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 Option(s)).

If a grant of Option(s) 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 (including 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 such further 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 such further grant and provided that such intention to do so has been stated in the circular that our Company will send out. Our Company must send to our Shareholders containing all the information required under Rule 17.04(3) of the Listing Rules.

In addition, any change in the terms of the Option(s) 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.

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 listing of and permission to deal in the Shares which fall to be issued upon exercise of the Option(s) 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 Option(s) 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 Option(s) under Share Option Scheme and listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Option(s) granted under the Share Option Scheme.

13. Tax and other indemnities

Lead Development, Mr. JK Ang and Mr. KK Ang (collectively the “**Indemnifiers**”) have entered into the Deed of Indemnity, on a joint and several basis, to provide indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of the death of any person and by reason of any transfer of any property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date;
- (b) 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 Listing Date or any event or transaction on or before the Listing Date 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;
- (c) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may properly incur at any time on or before the Listing Date in connection with:
 - (i) the investigation, assessment or contesting of any claim under (b) 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
 - (iv) the enforcement of any such settlement or decision or judgement or award;
- (d) 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, directly or indirectly, 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, Singapore, the Cayman Islands, BVI, Myanmar 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 Listing Date, including but not limited to our Group’s non-compliance matters occurred during the Track Record Period.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for any taxation, liabilities or claims mentioned in the four paragraphs immediately above:

- (a) to the extent that provision or reserve has been made for such taxation, liabilities or claims in the audited accounts of any member of our Group up to 30 June 2018;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing after 30 June 2018, unless such taxation or liability would not have arisen but for some act, omission 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:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets before the Listing Date; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created before the Listing Date or pursuant to any statement of intention made in this prospectus;
- (c) to the extent that such taxation, liabilities or claims arise or are incurred as a result of the imposition of taxation or as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by any relevant authority (whether in Hong Kong or any other part of the world) coming into force after the Listing Date 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;
- (d) to the extent that such taxation or liability is discharged prior to the Listing Date 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 liability; or
- (e) to the extent that any provision or reserve referred to in sub-paragraph (a) immediately above 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.

14. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed “Business – Litigation and claims”, neither our Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

15. Agency fees or commissions received

Save as disclosed in the section headed “Underwriting – Underwriting arrangements and expenses – Commission and expenses”, no commissions, 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 prospectus.

16. Sponsor

The Sponsor has made an application for and on behalf of our Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue; (b) the exercise of the Over-allotment Option; and (c) the exercise of the options which may be granted under the Share Option Scheme. The Sponsor is entitled to sponsor’s fee in the amount of HK\$5.5 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.

17. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Kingsway 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 Listing Date 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 2021.

18. 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.

19. Promoters

Our Company has no promoter. Within the three years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given, or proposed to be paid, allotted or given, to any promoter in connection with the Share Offer or the related transactions described in this prospectus.

20. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice (as the case may be) which are contained in this prospectus:

Name	Qualification
Kingsway Capital Limited	A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Appleby	Cayman Islands legal advisers to our Company
JLC Advisors LLP	Singapore legal advisers to our Company
VDB Loi Co., Ltd.	Myanmar legal advisers to our Company
Frost & Sullivan Limited	Industry consultant
Hogan Lovells	Legal advisers to our Company as to International Sanctions laws
Ascent Partners Valuation Service Limited	Property valuer
NSK Consulting Pte. Ltd.	Singapore business advisory consultant to our Company

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus 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.

21. Binding effect

This prospectus 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 (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

22. Bilingual prospectus

The English language and Chinese language versions of this prospectus 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).

23. 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.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase of the Shares 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 Share Offer 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.

24. Miscellaneous

(a) Save as disclosed in this prospectus,

(i) within the three years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of its subsidiaries had 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 its subsidiaries had been under option or 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 or any of its subsidiaries have been issued or agreed to be issued;

(ii) our Directors confirm that, save for the expenses in connection with the Listing, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 January 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up) which would materially affect the information shown in our combined financial information included in the Accountants' Report set out in Appendix I to this prospectus;

(iii) there has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

- (iv) none of the equity and debt securities of any member of our Group is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
 - (v) there are no arrangements under which future dividends are waived or agreed to be waived; and
- (b) Subject to the provisions of the Companies Law and the Articles, the principal share register of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch share register of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Unless our Board otherwise agrees, all transfers and other documents of title of our Shares must be lodged for registration with and registered by our Company's Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- i. copies of **WHITE** and **YELLOW** Application Forms;
- ii. the written consents referred to in the paragraph headed “Other information – 20. Qualifications and consents of experts” in Appendix IV to this prospectus; and
- iii. a copy of each of the material contracts referred to in the paragraph headed “Further information about the business of our Group – 7. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Guantao & Chow Solicitors and Notaries, Suites 1801-3, 18/F, One Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies now comprising our Group for the Track Record Period;
- (d) the report on unaudited pro forma financial information of our Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the industry report prepared by Frost & Sullivan Limited referred to in the section headed “Industry overview” in this prospectus;
- (f) the letter prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the Companies Law;
- (h) the legal opinion issued by JLC Advisors LLP, the legal advisers to our Company as to Singapore law;

- (i) the memorandum of advice issued by Hogan Lovells, the International Sanctions Legal Advisers;
- (j) the legal opinion issued by VDB Loi Co., Ltd., the legal advisers to our Company as to Myanmar law;
- (k) the valuation report prepared by Ascent Partners Valuation Service Limited;
- (l) the letter of advice prepared by NSK Consulting Pte. Ltd., the Business Advisory Consultant;
- (m) the service contracts and appointment letters referred to in the paragraph headed “Further information about our Directors, Substantial Shareholders and experts – 9. Directors – (a) Particulars of Directors’ service contracts” in Appendix IV to this prospectus;
- (n) the rules of the Share Option Scheme referred to in the paragraph headed “Other information – 12. Share Option Scheme” in Appendix IV to this prospectus;
- (o) the material contracts referred to in the paragraph headed “Further Information about the business of our Group – 7. Summary of material contracts” in Appendix IV to this prospectus; and
- (p) the written consents referred to in the paragraph headed “Other Information – 20. Qualifications and consents of experts” in Appendix IV to this prospectus.

Khoon Group Limited
坤集團有限公司