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Application Proof of
CTR Holdings Limited

(the “**Company**”)

(Incorporated in the Cayman Islands with limited liability)

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CTR Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

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

Sole Sponsor



[REDACTED]

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company on the [REDACTED]. The [REDACTED] is expected to be on [REDACTED], [REDACTED] and, in any event, not later than [REDACTED], [REDACTED]. The [REDACTED] will be not more than [REDACTED] and is currently expected to be not less than [REDACTED] unless otherwise announced. Applicants for [REDACTED] are required to pay, on application, the maximum [REDACTED] of [REDACTED] for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the [REDACTED] as finally determined should be lower than [REDACTED]. If, for any reason, the [REDACTED] is not agreed between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company, the [REDACTED] will not proceed and will lapse.

Prior to making an investment decision, prospective investors should carefully consider all of the information set forth in this document, including the risk factors set forth in “Risk Factors” in this document.

The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with the consent of our Company, reduce the number of [REDACTED] in the [REDACTED] and/or the indicative [REDACTED] below that stated in this document (which is [REDACTED] to [REDACTED] per Share) at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] in the [REDACTED] and/or the indicative [REDACTED] will be published on the website of our Company at www.chianteck.com and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in “Structure and Conditions of the [REDACTED]” and “How to Apply for the [REDACTED]” in this document.

The obligations of the [REDACTED] under the [REDACTED] to subscribe for, and to procure applicants for the subscription for, the [REDACTED], are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See “[REDACTED] – [REDACTED] Arrangements and Expenses – The [REDACTED] – Grounds for termination” in this document for further details. It is important that you refer to that section for further details.

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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IMPORTANT NOTICE TO INVESTORS

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

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all of the information which may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document including the appendices hereto, which constitute an integral part of this document, before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are summarised in “Risk Factors” in this document. You should read such section carefully before you decide to invest in the [REDACTED]. Various expressions used in this summary are defined in “Definitions and Glossary of Technical Terms” in this document.

OVERVIEW AND PRINCIPAL BUSINESS

We are a Singapore-based contractor specialising in structural engineering works and wet architectural works. During the Track Record Period, we engaged in structural engineering works comprising (i) reinforced concrete works which include steel reinforcement works, formwork erection and concrete works; and (ii) precast installation works. We also engaged in wet architectural works, comprising (i) masonry building works; (ii) plastering and screeding works; (iii) tiling works; and (iv) waterproofing works.

For FY2016/17, FY2017/18 and FY2018/19, our revenue was approximately S\$26.5 million, S\$54.5 million and S\$64.4 million, respectively. The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by type of works during the Track Record Period:

	FY2016/17				FY2017/18				FY2018/19			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Structural engineering works ^(Note)	21,299	80.5	5,861	27.5	43,610	80.0	9,358	21.5	54,887	85.3	14,147	25.8
Wet architectural works	5,154	19.5	2,496	48.4	10,871	20.0	2,320	21.3	9,466	14.7	2,479	26.2
Total	26,453	100.0	8,358	31.6	54,481	100.0	11,678	21.4	64,353	100.0	16,625	25.8

Note: During the Track Record Period, we were awarded one project as a main contractor.

During the Track Record Period, we recognised a significant amount of our revenue from structural engineering works. Our revenue recognised from structural engineering works increased from approximately S\$21.3 million in FY2016/17 to approximately S\$43.6 million in FY2017/18, representing an increase of 104.8%. Such increase was mainly due to (i) an increase in the number of structural engineering projects that our Group had undertaken in FY2017/18; and (ii) an increase in revenue recognised from some sizeable projects taken by our Group, such as Project 10 and Project 7. Our revenue recognised from structural engineering works further increased from approximately S\$43.6 million in FY2017/18 to approximately S\$54.9 million in FY2018/19, representing an increase of 25.9%. Such increase was mainly due to an increase in revenue recognised from some sizeable projects taken by our Group, such as Project 13 and Project 14. The increase in gross profit from structural engineering works was primarily due to the reasons for the increase in revenue as mentioned above.

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Our revenue recognised from wet architectural works increased from approximately S\$5.2 million in FY2016/17 to approximately S\$10.9 million in FY2017/18, representing an increase of 110.9%. Such increase was mainly due to the increase in the number of wet architectural projects that our Group had undertaken in FY2017/18. Our revenue recognised from wet architectural works remained steady from FY2017/18 to FY2018/19.

Our gross profit margin for structural engineering works remained stable during the Track Record Period while our gross profit margin for wet architectural works decreased from 48.4% in FY2016/17 to 21.3% in FY2017/18 and 26.2% in FY2018/19 mainly due to the use of more subcontractors instead of our own direct labours during FY2017/18 and FY2018/19.

During the Track Record Period, we participated in both public and private sector projects for the development of various types of properties. The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by reference to the sector of projects during the Track Record Period:

	FY2016/17				FY2017/18				FY2018/19			
	Revenue		Gross profit		Revenue		Gross profit		Revenue		Gross profit	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Public sector projects	21,668	82.1	6,460	29.8	30,773	56.5	5,940	19.3	27,569	42.8	7,445	27.0
Private sector projects	4,785	17.9	1,898	39.7	23,708	43.5	5,739	24.2	36,784	57.2	9,180	25.0
Total	26,453	100.0	8,358	31.6	54,481	100.0	11,678	21.4	64,353	100.0	16,625	25.8

During the Track Record Period, we recognised revenue from both public sector projects and private sector projects. The revenue and gross profit from public sector projects remained relatively stable throughout the Track Record Period. The revenue recognised from private sector projects increased from S\$4.8 million in FY2016/17 to S\$23.7 million in FY2017/18 and further increased to S\$36.8 million in FY2018/19, while the gross profit from private sector projects also increased throughout the Track Record Period.

The gross profit margin from public sector projects decreased from 29.8% in FY2016/17 to 19.3% in FY2017/18, then increased to 27.0% in FY2018/19. Also, the gross profit margin from private sector projects decreased from 39.7% in FY2016/17 to 24.2% in FY2017/18, then remained relatively stable in FY2017/18 to FY2018/19. Our Directors consider that the decrease of gross profit margin in FY2017/18 was mainly due to the competitive pricing strategy adopted for certain projects, such as Project 11.

When deciding whether or not our Group to undertake a particular project, our Directors usually take consideration of (i) the price of the project; (ii) the reputation of the project's owner or main contractor, which are our clients; (iii) the nature of the project, such as complexity, location, accessibility; and (iv) the timing of the project, to ensure we have enough resources to undertake the project at that period of time. Our Directors have no preference on

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public or private sector. The fluctuation in proportion of public sector projects and private sector projects our Group undertook is basically due to market factors. Our Group has not made any strategic change on tender bidding or project undertaking.

For details of our projects, please refer to "Business – Our Projects – Major projects" in this document.

Our projects

During the Track Record Period, we participated in various sizes of projects. The following table sets forth a breakdown of the number of projects with revenue recognised during the Track Record Period by range of total contract sum, taking into account of variation orders:

	FY2016/17 <i>Number of projects</i>	FY2017/18 <i>Number of projects</i>	FY2018/19 <i>Number of projects</i>
Total Contract Sum			
S\$20,000,001 or above	–	–	2
S\$10,000,001 to S\$20,000,000	5	5	4
S\$5,000,001 to S\$10,000,000	1	4	7
S\$1,000,001 to S\$5,000,000	8	12	7
S\$1,000,000 or below	3	4	5
Total	17	25	25
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Average contract sum per project	5,872	5,257	7,329

The average duration of our projects with revenue recognised during the Track Record Period was approximately 25 months. Our Directors confirmed we did not experience any material loss-making contracts during the Track Record Period.

As at the Latest Practicable Date, we had a total of 16 projects on hand. The following table sets forth the details of our projects on hand (including the projects that have commenced but not completed, and projects that have been awarded to us but not yet commenced):

Project	Customer	Sector of project	Type of works	Actual/expected project period ^(Note 1)	Total contract sum ^(Note 2) <i>S\$'000</i>	Revenue recognised during the Track Record Period <i>S\$'000</i>	Expected revenue to be recognised from 1 March 2019 <i>S\$'000</i>
Project 26	Customer Group B	Private	Structural engineering works	June 2019 to August 2020	38,400	–	38,400
Project 27	Customer P	Public	Structural engineering works and wet architectural works	September/October 2019 to October 2020	31,000	–	31,000

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Project	Customer	Sector of project	Type of works	Actual/ expected project period ^(Note 1)	Total contract sum ^(Note 2) S\$'000	Revenue recognised during the Track Record Period S\$'000	Expected revenue to be recognised from 1 March 2019 S\$'000
Project 28	Hexacon Construction Pte. Ltd.	Private	Structural engineering works	August/September 2019 to August 2021	25,000	-	25,000
Project 17	Customer N	Public	Structural engineering works	July 2018 to November 2019	22,463	4,248	18,215
Project 13	Gammon Group	Public	Structural engineering works	January 2016 to October 2019	14,917	14,208	583
Project 7	Customer F	Public	Structural engineering works	September 2015 to December 2019	11,706	11,347	44
Project 15	Customer L	Private	Wet architectural works	May 2017 to July 2019	10,157	7,986	2,171
Project 19	Customer Group B	Public	Structural engineering works	April 2018 to November 2020	10,037	1,512	8,531
Project 30	Customer Group B	Private	Structural engineering works	May 2019 to September 2019	9,180	-	9,180
Project 31	Customer D	Public	Structural engineering works	July 2019 to December 2020	8,105	-	8,105
Project 20 ^(Note 3)	Hexacon Construction Pte. Ltd.	Public	Erection of storage warehouse	February 2019 to February 2020	7,567	58	7,509
Project 29	Hexacon Construction Pte. Ltd.	Private	Structural engineering works	November 2018 to August 2021	7,500	-	7,500
Project 21	Customer Group B	Private	Wet architectural works	September 2016 to September 2019	4,688	4,547	141
Project 22	Sinohydro-Sembcorp Joint Venture	Public	Structural engineering works	April 2016 to June 2020	4,499	4,296	203
Project 25	Customer M	Public	Wet architectural works	December 2017 to July 2019	473	281	192
Project 34	Customer K	Private	Structural engineering works	May 2019 to October 2019	148	-	148

Notes:

1. The project start date is determined based on the date of the letter of award, contract, first invoice to customer or based on our Directors' estimation. The project completion date is determined based on the date we submitted our payment application to our customer for 100% of our work done or based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) as at the Latest Practicable Date and in the future.
2. The total contract sum represents the original estimated contract sum stated in the letter of intent or contract taking into account subsequent adjustments due to variation orders.
3. Project 20 is a construction project of which we are the main contractor.

For details, please refer to “Business – Our Projects” in this document.

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Tender or quotation success rate

During the Track Record Period, we made tender or quotation submissions in response to invitations from main contractors. The following table sets out the number of projects for which we have submitted tender or quotations, the number of projects awarded and the success rate during the Track Record Period and up to the Latest Practicable Date:

	FY2016/17	FY2017/18	FY2018/19	From 1 March 2019 to the Latest Practicable Date
Number of tenders or quotations submitted	13	41	46	18
Number of tenders or quotations awarded ^(Note 1)	4	10	11	1
Success rate (%) ^(Note 1)	30.8%	24.4%	23.9% ^(Note 2)	5.6% ^(Note 3)

Notes:

1. In the above table, success rate for a financial year is calculated based on the number of tenders/quotations awarded (whether awarded in the same financial year or subsequently) in respect of the tender/quotations submitted during that financial year/period.
2. Out of the 46 tenders/quotations submitted during FY2018/19, the results of 16 tenders/quotations were pending as at the Latest Practicable Date.
3. Out of the 18 tenders/quotations submitted during the period from 1 March 2019 to the Latest Practicable Date, the results of 15 tenders/quotations were pending as at the Latest Practicable Date.

For further details, please refer to “Business – Operation Process – Project review – Tender or quotation preparation and submission” in this document.

Pricing strategies

Our Group’s contracts can be classified into two types: (i) remeasurement contracts; and (ii) fixed price contracts. Our tender team determines the tender or quotation price for the contracts taking into account a number of factors, the quantum of works involved and the complexity of the project. In addition, we also consider including the scale of the project, complexity of the project, our existing manpower and resources, the cost of construction materials, whether the project is technically achievable, the schedule of completion of the work, our relationship with the customers, the prevailing market conditions and possible prices offered in our competitive bids. For details, please refer to “Business – Our Customers – Pricing strategy” in this document.

Our customers and customers’ concentration

During the Track Record Period, our customers were main contractors of various building and infrastructure projects in Singapore. For FY2016/17, FY2017/18 and FY2018/19, the percentage of our Group’s aggregate revenue attributable to our largest customer for the Track Record Period, namely, Customer Group B, was approximately 41.8%, 34.0% and 5.1% for the corresponding periods, respectively, while the percentage of our Group’s aggregate revenue attributable to our five largest customers, in terms of revenue, was approximately 90.3%, 86.6% and 86.0%, respectively.

Notwithstanding the high customers’ concentration, our Directors believe that our business is sustainable having considered (i) the relatively small construction market in Singapore with a limited number of sizeable projects; (ii) the reputation and size of our customers; (iii) our technical expertise and industry experience; (iv) the challenge of labour shortage in the market

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limiting the number of subcontractors available to our customers; (v) our reduced reliance on and change in ranking and combination of our top five customers during the Track Record Period; (vi) our active participation in potential customers' tendering process; and (vii) the large contract sums of individual projects resulting in substantial contribution to our revenue.

Our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) our subcontractors; (ii) suppliers of materials required for performing our structural engineering works and wet architectural works such as ready mixed concrete, reinforcement bars and timber formwork; and (iii) suppliers of other miscellaneous services such as rental of equipment, and rental of dormitories for foreign workers. In some cases, we are provided with materials for our works or subcontractors by our customers pursuant to the contra-charge arrangement. For details, please refer to "Business – Our Suppliers" and "Business – Our Customers – Contra-charge arrangements with our customers" in this document.

During the Track Record Period, we engaged subcontractors to perform certain site works when we did not have sufficient labour. For FY2016/17, FY2017/18 and FY2018/19, we incurred subcontracting charges of approximately S\$3.4 million, S\$15.3 million and S\$19.2 million, representing approximately 34.5%, 49.2% and 53.2% of our total purchases, respectively.

OUR COMPETITIVE STRENGTHS

We believe our key strengths attributable to our success include, (i) our established reputation with proven track record in the construction industry in Singapore; (ii) our large skilled and efficient in-house labour force for our projects; (iii) our good relationships with our major customers and suppliers; and (iv) our experienced management team. For details, please refer to "Business – Our Competitive Strengths" in this document.

OUR BUSINESS STRATEGIES

We intend to expand our market share by undertaking more sizeable projects, which include strengthening our financial position by financing the upfront costs of our projects and strengthening our workforce. For details, please refer to "Business – Our Business Strategies" in this document.

COMPETITIVE LANDSCAPE

According to the CK Report, the structural engineering and wet architectural industries are highly fragmented. As at April 2019, there were 3,808 licensed general builder contractors, of which 32.8% or 1,248 contractors have GB1 Licence, which allows them to participate in all types of projects, regardless of the contract value.

The market size of the construction industry in Singapore is estimated to grow steadily at a CAGR of 2.5% from 2018 to 2022. By 2022, the market size of the construction industry is estimated to reach S\$23.4 billion. According to the CK Report, we were identified as one of the five key active subcontractors in each of the structural engineering and wet architectural industry segments in Singapore. The total market size of the structural engineering industry segment and wet architectural industry segment in Singapore in the calendar year of 2017 is approximately S\$12.3 billion (while the figure for the twelve-month period from 1 March 2017 to 28 February 2018 is not available). The total revenue of the Group for FY2017/18 was approximately S\$54.5 million. Based on these figures, it is estimated that the Group's market share in the structural engineering industry segment and wet architectural industry segment in Singapore is approximately 0.4%. For details, please refer to "Industry Overview" in this document.

SUMMARY

RISK FACTORS

Our business is subject to a number of risks and uncertainties, including the following highlighted risks: (i) our revenue was primarily generated from contracts awarded by our top five customers and our financial condition could be adversely affected should there be any decrease in projects secured from any of them; (ii) failure to secure new customers or projects (given the non-recurring nature of our projects) could have a material adverse impact on our financial performance; (iii) our cash flows may fluctuate due to the payment practice applied to our projects; (iv) our workforce is largely made up of foreign workers and any difficulties in recruiting and/or retaining foreign workers could materially affect our operations and financial performance; and (v) failure to collect our trade receivables or receive the retention monies on time and in full may affect our liquidity position.

The risks mentioned above are not the only significant risks that may affect our operations. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should carefully read "Risk Factors" in this document.

SUMMARY FINANCIAL INFORMATION

The following tables set forth selected financial information for the period indicated. Please refer to the Accountants' Report set out on Appendix I to this document for further details.

Summary of the combined statements of profit or loss and other comprehensive income

	FY2016/17 <i>S\$'000</i>	FY2017/18 <i>S\$'000</i>	FY2018/19 <i>S\$'000</i>
Revenue	26,453	54,481	64,353
Construction costs	(18,095)	(42,803)	(47,728)
Gross profit	8,358	11,678	16,625
Other income	1,027	1,041	1,596
Administrative expenses	(4,958)	(6,200)	(9,752)
(Loss allowance provision)/write-back of loss allowance provision on financial assets measured at amortised cost	(28)	(26)	25
Profit before tax	4,399	6,493	8,494
Income tax expense	(596)	(1,060)	(1,983)
Profit and total comprehensive income for the year	<u>3,803</u>	<u>5,433</u>	<u>6,511</u>

We experienced an increase in our revenue during the Track Record Period. Our revenue increased from approximately S\$54.5 million for FY2017/18 to approximately S\$64.4 million for FY2018/19, representing an increase of approximately 18.2%. Such increase was mainly driven by the revenue contributed by some of our major projects undertaken or commenced during FY2018/19. Our revenue increased from approximately S\$26.5 million for FY2016/17 to approximately S\$54.5 million for FY2017/18, representing an increase of 106.0%. Such significant increase was mainly due to an increase in the number of sizable projects with revenue contribution of S\$5,000,001 or above during FY2017/18.

Our gross profit for FY2016/17, FY2017/18 and FY2018/19 amounted to approximately S\$8.4 million, S\$11.7 million and S\$16.6 million, representing gross profit margin of approximately 31.6%, 21.4% and 25.8%, respectively. The increase in gross profit during the Track Record Period was due to the increase in revenue. The decrease in our gross profit margin in FY2017/18 was mainly because (i) we adopted a more competitive pricing strategy in

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FY2017/18 in order to secure certain sizable projects such as Project 11 and Project 15; and (ii) we increased our use in subcontractors for labour assistance in respect of certain relatively sizeable projects in FY2017/18 such as Project 6 and Project 7, resulting in a lower gross profit margin for FY2017/18. Our gross profit margin increased from approximately 21.4% for FY2017/18 to approximately 25.8% for FY2018/19, mainly due to the fluctuation in the key components of our construction costs as discussed in the section headed “Financial Information – Period-to-period comparison of results of operations” in this document.

For details, please refer to “Financial Information – Summary of Results of Operations” in this document.

Summary of the combined statements of cash flows

	FY2016/17 S\$'000	FY2017/18 S\$'000	FY2018/19 S\$'000
Net cash flows from operating activities	3,733	7,036	5,459
Net cash flows used in investing activities	(963)	(1,815)	(182)
Net cash flows from/(used in) financing activities	210	984	(8,296)
Net (decrease)/increase in cash and cash equivalents	2,980	6,205	(3,019)
Cash and cash equivalents at beginning of financial year	3,153	6,133	12,338
Cash and cash equivalents at end of financial year	<u>6,133</u>	<u>12,338</u>	<u>9,319</u>

Summary of the combined statements of financial position

	As at 28 February 2017 S\$'000	As at 28 February 2018 S\$'000	As at 28 February 2019 S\$'000
Non-current assets	9,512	12,547	14,746
Current assets	14,673	25,396	18,497
Current liabilities	11,543	22,806	11,678
Net current assets	3,130	2,590	6,819

As at 28 February 2017, 28 February 2018 and 28 February 2019, our net current assets amounted to approximately S\$3.1 million, S\$2.6 million and S\$6.8 million, respectively. The increase in our net current assets was mainly due to the increase in our current assets, in particular contract assets and trade receivables during the Track Record Period. For details, please refer to “Financial Information – Net Current Assets” in this document.

Key financial ratios

The following table sets out the key financial ratios of our Group during the Track Record Period:

SUMMARY

	FY2016/17 or as at 28 February 2017	FY2017/18 or as at 28 February 2018	FY2018/19 or as at 28 February 2019
Gross profit margin	31.6%	21.4%	25.8%
Net profit margin	14.4%	10.0%	10.1%
Return on equity	30.3%	36.3%	30.2%
Return on total assets	15.7%	14.3%	19.5%
Current ratio	1.3	1.1	1.6
Trade receivables turnover days	49.7 days	32.8 days	28.3 days
Trade payables turnover days	42.2 days	45.7 days	50.4 days
Gearing ratio ^(Note)	24.5%	30.9%	N/A

Note: Gearing ratio is calculated as net debt divided by the capital plus net debt as at the respective reporting dates.

Our gearing ratio increased from approximately 24.5% as at 28 February 2017 to approximately 30.9% as at 28 February 2018 mainly due to the significant increase in amount due to directors for working capital purpose, despite the increase in our total equity. The gearing ratio as at 28 February 2019 has become negative mainly due to repayment of amount due to directors during FY2018/19.

For details of the financial ratios, please refer to “Financial Information – Key Financial Ratios” in this document.

[REDACTED]

We estimate that the aggregate [REDACTED] to us from the [REDACTED] (after deducting [REDACTED] and estimated expenses payable by us in connection with the [REDACTED]) (the “[REDACTED]”), assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED], will be approximately HK\$[REDACTED], assuming that the [REDACTED] is not exercised. We currently intend to apply the [REDACTED] in the following manner:

- approximately HK\$[REDACTED] (representing approximately [REDACTED]% of the [REDACTED]) will be used for payment of upfront costs for our projects;
- approximately HK\$[REDACTED] (representing approximately [REDACTED]% of the [REDACTED]) will be used to strengthen our workforce; and
- approximately HK\$[REDACTED] (representing approximately [REDACTED]% of the [REDACTED]) will be used for general working capital of our Group.

The above allocation of the [REDACTED] will be adjusted on a pro-rata basis in the event that the [REDACTED] is fixed at the high-end or low-end compared to the mid-point of the [REDACTED] or the [REDACTED] is exercised in full.

Please refer to “Business – Our Business Strategies” and “Future Plans and [REDACTED]” in this document for details.

REASONS FOR [REDACTED]

Our Directors are of the view that the [REDACTED] will facilitate the implementation of our strategies and will further strengthen our market position in the construction industry, as it will (i) satisfy our genuine funding need in order to expand our business; (ii) be a more favourable alternative to debt financing; (iii) enhance our corporate profile and reputation; (iv)

SUMMARY

enable us to raise funds for future business development; (v) enhance work morale to maintain an integrated workforce; and (vi) enable us to diversify our shareholder base.

[REDACTED] EXPENSES

Our Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately HK\$[REDACTED]. Out of the amount of approximately HK\$[REDACTED], approximately HK\$[REDACTED] is directly attributable to the issue of the [REDACTED] and is expected to be accounted for as a deduction from equity upon the [REDACTED]. The remaining amount of approximately HK\$[REDACTED], which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$[REDACTED] that shall be charged to profit or loss, approximately HK\$[REDACTED] has been charged during the Track Record Period, and approximately HK\$[REDACTED] is expected to be incurred for FY2019/20. Expenses in relation to the [REDACTED] are non-recurring in nature. Our Group’s financial performance and results of operations for FY2018/19 will be adversely affected by the estimated expenses in relation to the [REDACTED].

[REDACTED] STATISTICS

	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation of our Shares	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted combined net tangible assets per Share as at 28 February 2019 ^(Note)	HK\$[REDACTED]	HK\$[REDACTED]

Note: Please refer to “Unaudited Pro Forma Financial Information” on Appendix II to this document for further details.

SHAREHOLDERS INFORMATION

Upon the completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon exercise of the [REDACTED] and the options that may be granted under the Share Option Scheme), our Company will be held as to 75% by Brave Ocean. Brave Ocean is owned as to 40% by Mr. XP Xu, the chairman of our Board, the chief executive officer of our Group and our executive Director, 40% by Mr. TC Xu, our executive Director, and 20% by Ms. Gou, the mother of Mr. XP Xu and Mr. TC Xu. As Brave Ocean will be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company, and Mr. XP Xu, Mr. TC Xu and Ms. Gou hold their interest in our Company through Brave Ocean, a common investment holding company, Brave Ocean, Mr. XP Xu, Mr. TC Xu and Ms. Gou will be regarded as a group of Controlling Shareholders upon the [REDACTED]. In addition, on 28 November 2018, Mr. XP Xu, Mr. TC Xu and Ms. Gou also entered into the Acting In Concert Confirmation And Undertaking, confirming that, since 17 June 2011, they have been parties acting in concert with one another in respect of all major affairs concerning each member of our Group. Please refer to “Relationship with Controlling Shareholders” and “Substantial Shareholders” in this document for further details.

DIVIDEND

For each of FY2016/17, FY2017/18 and FY2018/19, we declared dividends of nil, approximately S\$3.0 million and nil, respectively to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources.

SUMMARY

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

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had continued to engage in structural engineering works and wet architectural works as a subcontractor. On 22 April 2019, we entered into an option to purchase agreement with a vendor, which is an Independent Third Party, for the option to purchase 2,280 tonnes of scaffolding components in the amount of S\$3.0 million at an option price of S\$1,000. The option to purchase is exercisable till 31 October 2019.

As at the Latest Practicable Date, we had 16 projects on hand (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced). From 1 March 2019 to the Latest Practicable Date, we had submitted 18 tenders or quotations and were awaiting the tender or quotation results of 31 projects as at the Latest Practicable Date.

Our Directors have confirmed that, save as disclosed in "[REDACTED] Expenses" above in this section, since 1 March 2019 and up to the date of this document, (i) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this document.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

“Acting In Concert Confirmation And Undertaking” a confirmation and undertaking entered into among Mr. XP Xu, Mr. TC Xu and Ms. Gou dated 28 November 2018, further details of which are set out in “Relationship with Controlling Shareholders” in this document

[REDACTED]

“Articles” or “Articles of Association” the articles of association of our Company conditionally adopted on [•] 2019 and effective on the [REDACTED], a summary of which is set out in “Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association” in Appendix IV to this document, as amended from time to time

“Audit Committee” the audit committee of our Board

“BCA” the Building and Construction Authority of Singapore, an agency under the Ministry of National Development of the Singapore Government

“Bimfinity International” Bimfinity International Pte. Ltd., a company incorporated in Singapore as an exempt private company limited by shares on 20 May 2014, which was held as to 19.8% by CTR before the Reorganisation and held by two Independent Third Parties upon completion of the Reorganisation

“Bimfinity (M)” Bimfinity (M) Sdn. Bhd., a company incorporated in Malaysia limited by shares on 4 July 2016, which was held as to 30% by Bimfinity International before the Reorganisation. As at the Latest Practicable Date, Bimfinity (M) was held by three Independent Third Parties

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“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” or “our Board”	the board of directors of our Company
“Brave Ocean”	Brave Ocean Limited, a company incorporated in BVI with limited liability on 28 September 2018, which is owned as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively, and a Controlling Shareholder
“BS OHSAS 18001”	an international standard setting out a framework for occupational health and safety management for managing the occupational health and safety risks associated in the workplace
“BS OHSAS 18001:2007”	the 2007 version of the BS OHSAS 18001 standard
“Business Day” or “business day(s)”	a day on which banks in Hong Kong are generally open for normal business hours to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

[REDACTED]

“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“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 Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CK Report”	a market research report commissioned by us and prepared by Converging Knowledge on the overview of the industry in which our Group operates
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	CTR Holdings Limited, a company incorporated in the Cayman Islands on 24 October 2018 as an exempted company with limited liability under the Cayman Companies Law
“Controlling Shareholder(s)”	has/have the meaning ascribed to it/them under the Listing Rules and, in the context of this document refers to Brave Ocean, Mr. XP Xu, Mr. TC Xu and Ms. Gou
“Converging Knowledge”	Converging Knowledge Pte. Ltd., an independent market research agency and an Independent Third Party
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“CPF”	Central Provident Fund of Singapore, which is a security savings scheme funded by contributions from employers and employees

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"CR01"	one of the construction-related workheads classified under the CRS, where the title of the CR01 workhead is "minor construction works" and it refers to minor building and civil engineering works that are not governed by the Building Control Act in Singapore such as drainage, minor road works, aprons and minor addition and alteration
"CRS"	Contractors Registration System of BCA, which serves the construction and construction-related procurement needs of the public sector including Singapore Government ministries and statutory boards, under which, registrations are required if companies wishing to participate in construction tenders or as subcontractors for the public sector
"CTD"	Chian Teck Development Pte. Ltd., a company incorporated in Singapore as an exempt private company limited by shares on 22 March 2006, which was held as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively, immediately before the Reorganisation, and was an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation and as at the Latest Practicable Date
"CTR"	Chian Teck Realty Pte. Ltd., a company incorporated in Singapore as an exempt private company limited by shares on 30 March 2009, which was held as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively, immediately before the Reorganisation, and was an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation and as at the Latest Practicable Date
"CW01"	one of the construction workheads classified under the CRS, where the title of the CW01 workhead is "general building" and it refers to (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 movable property of any kind, requiring in its construction the use of more than two unrelated building trades and crafts; (b) addition and alteration works on buildings involving structural changes; and (c) installation of roofs

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Deed of Indemnity”	the deed of indemnity dated [•] 2019 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), further details of which are set out in “Statutory and General Information – E. Other Information – 1. Tax and other indemnities” in Appendix V to this document
“Deed of Non-Competition”	the deed of non-competition dated [•] 2019 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) regarding the non-competition undertakings as more particularly set out in “Relationship with Controlling Shareholders – Non-competition Undertaking” in this document
“Directors” or “our Directors”	the director(s) of our Company
“EFM Regulations”	the Employment of Foreign Manpower (Work Passes) Regulations 2012 made under section 29 of the Employment of Foreign Manpower Act, as amended, supplemented or otherwise modified from time to time
“Employment Act”	the Employment Act (Chapter 91 of the laws of Singapore), as amended, supplemented or otherwise modified from time to time
“Employment of Foreign Manpower Act”	the Employment of Foreign Manpower Act (Chapter 91A of the laws of Singapore), as amended, supplemented or otherwise modified from time to time
“Environmental Public Health Act”	the Environmental Public Health Act (Chapter 95 of the laws of Singapore), as amended, supplemented or otherwise modified from time to time
“FWL”	Foreign Worker Levy, which is a pricing mechanism administered by the Singapore Government to regulate the number of foreign workers (including foreign domestic workers) in Singapore
“FY2016/17”	the financial year ended 28 February 2017
“FY2017/18”	the financial year ended 28 February 2018
“FY2018/19”	the financial year ended 28 February 2019

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“FY2019/20”	the financial year ending 29 February 2020
“FY2020/21”	the financial year ending 28 February 2021
“Gammon Group”	collectively, Gammon Construction Ltd Singapore Branch and Gammon Pte. Ltd., which is a joint venture owned by (i) a wholly-owned subsidiary of Jardine Matheson Holdings Limited, the shares of which are listed on the London Stock Exchange (Stock Code: JAR), the Singapore Exchange Limited (Stock Code: J36) and the Bermuda Stock Exchange (Ticker: JMHBD.BH); and (ii) Balfour Beatty plc, the shares of which are listed on the London Stock Exchange (Stock Code: BBY), as to 50% each
“GB1 Licence”	the General Builder Class 1 licence issued by the BCA under the LBS, a builder with such a licence is allowed to undertake general building works of unlimited value
“GB2 Licence”	the General Builder Class 2 licence issued by the BCA under the LBS, a builder with such a licence is allowed to undertake general building works limited to contract value of S\$6 million or less
“Group”, “our Group”, “we”, or “us”	our Company and its 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 its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, 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, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Head of HR and HSE”	the head of human resources and health, safety and environment matters of our Group
“IFRSs”	International Financial Reporting Standards
“Immigration Act”	the Immigration Act (Chapter 133 of the laws of Singapore), as amended, supplemented or otherwise modified from time to time
“Independent Third Party(ies)”	a person(s) or company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is not or are not connected person(s) (as defined under the Listing Rules) of our Company
“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 14001:2015”	the 2015 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 9001:2015”	the 2015 version of the ISO 9001 standard
“Latest Practicable Date”	14 July 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
“LBS”	the Licensing of Builders Scheme of BCA, which aims to raise professionalism among builders by requiring them to meet minimum standards of management, safety record and financial solvency

[REDACTED]

“Listing Committee”	the listing committee of the Stock Exchange
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DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

[REDACTED]

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“main contractor”	in respect of a construction project, a contractor appointed by the project employer’s construction consultant, who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other contractors
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on [•], a summary of which is set out in Appendix IV to this document, as amended from time to time
“MOM”	the Ministry of Manpower of the Singapore Government
“Mr. KF Xu”	Mr. Xu Kunfu (許坤福), our Head of HR and HSE and a member of our senior management. Mr. KF Xu is a cousin of Mr. XP Xu and Mr. TC Xu, and a nephew of Ms. Gou
“Mr. TC Xu”	Mr. Xu Tiancheng (許添城), our executive Director and one of our Controlling Shareholders. Mr. TC Xu is a son of Ms. Gou and a brother of Mr. XP Xu, and a cousin of Mr. KF Xu
“Mr. XP Xu”	Mr. Xu Xuping (許旭平), the chief executive officer of our Group, the chairman of our Board, our executive Director and one of our Controlling Shareholders. Mr. XP Xu is a son of Ms. Gou and a brother of Mr. TC Xu, and a cousin of Mr. KF Xu
“MRT”	Mass Rapid Transit, the railway system of Singapore
“Ms. Gou”	Ms. Gou Shuzhen (高素珍), one of our Controlling Shareholders. Ms. Gou is the mother of Mr. XP Xu and Mr. TC Xu, and an aunt of Mr. KF Xu
“MYE”	man-year entitlements, a work permit allocation system setting out the requirements for hiring workers in construction and process sector workers from non-traditional source countries and China

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Nomination Committee”

the nomination committee of our Board

[REDACTED]

“Pinnacle Shine”

Pinnacle Shine Limited, a company incorporated in BVI with limited liability on 20 August 2018, which was held as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively, immediately before the Reorganisation, and was a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation and as at the Latest Practicable Date

[REDACTED]

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

[REDACTED]

“PRC” or “China”

the People’s Republic of China, excluding for the purposes of this document only, Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan

“Predecessor Companies Ordinance”

the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014

[REDACTED]

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

[REDACTED]

“QEHS Manual”	the quality, environmental, health and safety manual adopted by our Group with supporting procedures and instructions developed with reference to the requirements of ISO 9001, ISO 14001 and BS OHSAS 18001
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the [REDACTED], details of which are set out in “History, Development and Reorganisation – Reorganisation” in this document
“S\$” or “Singapore dollars”	Singapore dollars, the lawful currency of Singapore
“SB(PC) Licence”	the Specialist Builder (Pre-Cast Concrete Works) licence issued by the BCA under the LBS
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)” or “our Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

[REDACTED]

“Share Option Scheme”	the share option scheme conditionally adopted by our Company on [•] 2019, the principal terms of which are summarised in “Statutory and General Information – D. Share Option Scheme” in Appendix V to this document
“Singapore”	the Republic of Singapore
“Singapore Government”	the government of Singapore
“Singapore Legal Advisers”	Shook Lin & Bok LLP, the legal advisers to our Company as to Singapore laws

[REDACTED]

“Sole Sponsor”	Grande Capital Limited, a licenced corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity
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[REDACTED]

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subcontractor”	in respect of a construction project, a subcontractor appointed by the main contractor or another subcontractor involved in the construction, who generally carries out specific work tasks of the construction
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, issued by the SFC, as amended or supplemented from time to time
“Track Record Period”	FY2016/17, FY2017/18 and FY2018/19

[REDACTED]

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

[REDACTED]

"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
"US\$"	United States dollars, the lawful currency of the United States
"variation order(s)"	such additional works, omissions or changes requested by the customer for specifications not included in the original contract

[REDACTED]

"workheads"	work categories as sub-classified under the seven major categories of registration under CRS; further details of which are set forth in the section headed "Regulatory overview" in this document
"Work Injury Compensation Act"	the Work Injury Compensation Act (Chapter 354 of the laws of Singapore), as amended, supplemented or otherwise modified from time to time
"Workplace Safety and Health Act"	the Workplace Safety and Health Act (Chapter 354A of the laws of Singapore), as amended, supplemented or otherwise modified from time to time

[REDACTED]

"m ² "	square metre(s)
"%"	per cent

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this document, unless otherwise stated or the context otherwise requires,

- *the terms “associate”, “close associate”, “connected person”, “connected transaction”, “core connected person”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires;*
- *amounts and percentage figures, including share ownership and operating data, may have been subject to rounding adjustments. Where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, and amounts presented as percentages have been rounded to the nearest tenth of a percent. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;*
- *if there is any inconsistency between this document and the Chinese translation of this document, this document shall prevail; and*
- *all times and dates refer to Hong Kong local time and dates unless otherwise stated.*

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. When used in this document, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our operating and future plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities; and
- our dividend distribution, if any.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialise or may change. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in “Risk Factors” in this document and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, market and business conditions in Singapore, including the sustainability of the economic growth in Singapore;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and plans that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document,

FORWARD-LOOKING STATEMENTS

whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set forth in this section as well as the risk factors set out in “Risk Factors” in this document.

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

RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the [REDACTED]. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial condition and prospects of our Group.

This document contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the [REDACTED] could decline due to any of these risks, and you may lose all or part of your investment.

Our Group considers that certain risks are involved in its business and operations as well as in connection with the [REDACTED]. Such risks can be categorised into: (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS

Our revenue was primarily generated from contracts awarded by our top five customers and our financial condition could be adversely affected should there be any decrease in projects secured from any of them

A significant portion of our revenue was derived from contracts awarded by our top five customers during the Track Record Period. Our top five customers accounted for approximately 90.3%, 86.6% and 86.0% of our revenue for FY2016/17, FY2017/18 and FY2018/19, respectively. For the same periods, our largest customers accounted for approximately 41.8%, 34.0% and 39.2% of our revenue, respectively. Please refer to "Business – Our Customers" in this document for further details.

During the Track Record Period and up to the Latest Practicable Date, we entered into contracts for all projects on a project-by-project basis. There is no assurance that our Group can maintain our relationship with our major customers or that they will maintain their current level of business with us in the future. Any substantial decrease in the number of projects or our inability to secure projects of a comparable scale from other customers would adversely affect our operations and financial results.

As at 28 February 2017, 28 February 2018 and 28 February 2019, there were two, three and two customer(s) which individually contributed over 10% of our trade receivables, respectively. The aggregate amounts of trade receivables from our top five customers amounted to 74.6%, 88.1% and 85.0% of our total trade receivables as at 28 February 2017, 28 February 2018 and 28 February 2019, respectively. In addition, in the event that our major customers experience any liquidity problems, delays or defaults in making payments to us, the business, financial position

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and prospects of our Group may materially and adversely affected. For details of our major customers, please refer to “Business – Our Customers” in this document.

Failure to secure new customers or projects (given the non-recurring nature of our projects) could have a material adverse impact on our financial performance

Our revenue is typically derived from construction projects awarded through competitive tendering or quotation on a project-by-project basis, which our Directors believe is a common practice in the construction industry, and are non-recurrent in nature. Our future growth and success will depend on our ability to continue to secure tenders and contract awards. Our customers are under no obligation to award new projects to us. There is no guarantee that we will be able to secure new customers or new projects from our existing customers. To secure new contracts, including projects from the public and private sectors, our Group normally has to go through competitive tendering or quotation processes. Even if we are able to meet the pre-requisite requirements for tendering, there is no assurance that (i) we would be invited to or be made aware of the tendering or quotation process; (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; or (iii) our tenders or quotation would be selected by customers. Accordingly, the number, scale and nature of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

In addition, we obtain a majority of our projects through tendering or quotation process whereby we submit a tender document including the general terms of a contract to be entered into between us and our potential customer or a quotation together with other submission requirements. Our Group’s tenders and quotations success rates were approximately 30.8%, 24.4% and 23.9% for FY2016/17, FY2017/18 and FY2018/19, respectively. Our tenders and quotations success rate is affected by a range of factors including our pricing and tender strategy, competitors’ tender and pricing strategy, level of competition and our customers’ evaluation standards. Please refer to “Business – Operation Process” in this document for a detailed discussion and analysis of our tenders and quotations success rate. Our past tenders and quotations success rate is not indicative of future results and there is no assurance that our Group will achieve similar tenders and quotations success rate in the future as we have done in the past. In the event that our Group fails to secure new contracts or there is a significant reduction of contracts for bidding in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

Our cash flows may fluctuate due to the payment practice applied to our projects

Our construction projects normally incur net cash outflows in the initial stage of carrying out our works when we are required to pay for the setting up, wages for workers, accommodation costs, purchase of construction materials and consumables, hiring of subcontractors, and commencement of works. As the works proceed, our customers settle the progress payments at various stages, which will move gradually from net cash outflows at the early stage towards accumulative net cash inflows. Our Group undertakes a number of projects at any given period and therefore we could offset the cash inflow of certain projects against the

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cash outflow of other ones. Given the large labour force maintained by our Group, we incur substantial monthly cash outflows, should the mix of our projects be such that more payments are received in the later stage or should there be potential mismatch in time between receipt of progress payments from our customers and payments to our suppliers and subcontractors, our Group's corresponding cash flow position may be adversely affected.

Our workforce is largely made up of foreign workers and any difficulties in recruiting and/or retaining foreign workers could materially affect our operations and financial performance

Given that the local construction workforce is limited in supply, our business is highly dependent on foreign workers. As at the Latest Practicable Date, 543 out of 606 of our employees are foreign workers. There is no assurance that we can continually recruit sufficient foreign workers to support our business operation for the following reasons:

- possible shortage in the supply of foreign workers;
- possible increase in the salaries and wages of foreign workers; and
- possible changes in the relevant laws and regulations relating to the employment of foreign workers in Singapore: such as (i) a substantial increase in FWL and security bond; (ii) decrease in dependency ceilings ratio for the construction industry; (iii) decrease in MYE or work passes allocations from the MOM; and/or (iv) more stringent approval process for work passes by foreign workers.

The employment of foreign workers in Singapore is subject to the laws and regulations summarised in "Regulatory Overview – Employment – Employment of foreign employees in Singapore" in this document.

Any material difficulties in recruiting and/or retaining foreign workers or any material adverse change in the relevant laws and regulations in relation to the employment of foreign workers in Singapore could significantly increase our recruitment and employment costs and hinder our recruitment of foreign workers, thereby materially affect our business and financial position and prospects.

Failure to collect our trade receivables or receive the retention monies on time and in full may affect our liquidity position

Our Group prepares and submits monthly progress claims to our customers in respect of the value of the work we have performed for the preceding month. Upon receiving our customers' endorsement of our payment applications or issue of payment certificates, we will then issue the invoices with the credit term stipulated in the respective contracts. In addition, our normal practice is that 10% of each of the certified amounts (but subject to a maximum of 5% of the initial contract value) is withheld by our customers as retention monies, of which half will normally be released after the completion of our work or the whole project and the remaining

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half will be released to us upon expiration of the defects liability period as stipulated in the main contract of the relevant project. Generally, the defects liability period lasts for 12 to 18 months from the date of completion for our projects.

As at 28 February 2017, 28 February 2018 and 28 February 2019, our Group's trade receivables and retention receivables were approximately S\$6.4 million, S\$10.1 million and S\$11.7 million, respectively, whereas, our receivables turnover days were 49.7 days, 32.8 days and 28.3 days respectively. Should any of our customers delay the payment, or fail to release our progress payments or retention monies as agreed, our cash flow and working capital positions may be materially and adversely affected. Besides, if any disputes over progress payments or retention monies arise, additional financial and other resources may be incurred.

Our growth and success depends on our key management and skilled personnel

The growth and success of our Group is dependent on our executive Directors for various key aspects of our business, including but not limited to, project management and on-site supervision, maintenance of customer relationships as well as sales and marketing. Mr. XP Xu and Mr. TC Xu, both being our executive Directors, have been with our Group for 12 years and 10 years, respectively, and they are supported by a team of senior management personnel equipped with over 16 years of experience in the construction industry. In addition to our senior management, our team of experienced technical staff comprising our project director, quantity surveyors, project managers, project engineers and site supervisors plays an essential role in the operations of our construction work. Our Group's success and growth therefore depend on our ability to identify, hire, train and retain suitable, skilled and qualified key personnel. If any of our executive Directors or any member of our key personnel ceases to be involved in our Group in the future and we are unable to locate a suitable replacement in a timely manner, there may be a damaging effect on our overall management and administration and implementation of our business strategies, consequently, producing an adverse impact on the overall business, operations and financial performance of our Group.

We rely on the availability of public sector projects in Singapore and any failure of our Group to secure public sector projects would adversely affect our operation and financial results

We derive a significant portion of revenue from public sector projects of which by their nature are procured by our customers from projects originated from the Singapore Government. For FY2016/17, FY2017/18 and FY2018/19, approximately S\$21.7 million, S\$29.3 million and S\$26.6 million, representing approximately 82.1%, 53.8% and 41.4% of our revenue was derived from public sector projects. Given that our revenue was substantially generated from the public sector, if the Singapore Government substantially reduces its expenditures on infrastructure or public housing construction works, we may not be able to secure projects on similar terms from main contractors. If any such event occurs, there may be a material adverse effect on our business, financial condition and/or results of operations.

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Our results of operations in relation to our public sector business will continue to rely on the following: (i) our ability to continue to secure public sector projects from our customers; (ii) public policies in relation to building and infrastructure projects; and (iii) other factors that generally affect Singapore’s construction industry. Any material delay, suspension, termination or reduction of number or contract value of public sector projects may adversely affect our revenue, hence our results of operations.

Any failure to properly estimate the costs involved in the implementation of a project, delay in completion of any project or failure to provide quality services may lead to cost overruns, losses and/or detriment to our reputation

Whether we are able to submit tender proposal or quotation at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender or quotation price by taking into account various factors including our existing manpower and resources, the cost of construction materials, whether the work is within our expertise, the schedule of completion of the work, our relationship with the customers, the prevailing market conditions and possible prices offered in our competitive bids. For further details, please refer to “Business – Our Customers – Pricing strategy” in this document. 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.

Furthermore, our Group’s revenue is recognised on the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract and billing is based on monthly progress claims. Our failure to complete a project or a particular stage of a project in a timely manner may bring an adverse impact on our billings, revenue, operational cash flows and financial performance. Delays may result from a number of factors, including, a shortage of labour or equipment, late delivery of materials, delayed completion by our subcontractors, adverse weather conditions, or factors attributable to the main contractor of the construction projects. Despite the delays, we are still required to pay our workers, suppliers and subcontractors as long as they have fulfilled their contractual obligations. As such, our operational cash flows will be affected. Any under-estimation of costs, delay or other circumstances resulting in cost overruns or delay in revenue recognition may adversely affect our profitability, business operation and financial performance.

In addition, our contracts entered into during the Track Record Period contained specific project duration and liquidated damages provisions. For further details, please refer to “Business – Our Customers – Principal terms of engagement with our customers” in this document. Any failure to meet the schedule requirements of our contracts could, to the extent that time extension is not granted by our customers, cause us to pay significant liquidated damages, which would reduce or diminish our profit expected to generate from the relevant contracts.

Our Group has built up our reputation over the years, which we believe, plays a crucial role in securing projects and attracting new customers. To maintain our reputation, we have to

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continue to provide quality services for our customers which, on top of on-time delivery of our works, includes factors such as adequate manpower and resources, punctual delivery of materials and proper performance of our subcontractors. Any failure to complete our projects on time and any deterioration in the quality of our services may tarnish our reputation. This may lead to a loss of our current customers and may also make it more difficult for us to secure new customers, resulting in a negative impact on our business, financial condition and results of operations.

The amount of revenue that we are able to derive from a project may be higher or lower than the initial 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 initial contract sum specified in the relevant contract for the project due to factors such as variation orders (including addition, modification or cancellation of certain contract works) given by our customers from time to time during the project period. As such, there is no assurance that the amount of revenue derived from our projects on hand will not be substantially lower than the initial contract sum as specified in the relevant contracts. In addition, our Group and our customers generally value the variation orders with reference to (i) the pre-agreed rates and prices in the bills of quantities or the schedule of rates in the relevant contracts; or (ii) any rates and prices or separate quotations to be agreed upon. If we and our customers fail to reach an agreement on the rate of such variation works, contractual disputes with our customers may arise and prolonged procedures may be required to resolve such disputes, which may adversely affect our results of operations, liquidity and financial position.

Increased staff cost may affect our financial performance and liquidity position

We intend to recruit additional staff to strengthen our workforce. For details, please refer to “Future Plans and [REDACTED]” in this document. Such additional staff may increase our staff costs and may therefore adversely affect our future results of operations. There is no assurance that our revenue or gross profit will increase in proportion to or more than the increase in staff costs and therefore increase our liquidity risks in cashflows. Furthermore, if there is any unexpected requirement for the recruitment of labour in Singapore, there would be a negative impact on our financial performance and liquidity position.

The payment practice typical to our projects may mean the revenue and profitability generated during the Track Record Period is not indicative of the long term results of our operations

Our Group’s revenue from the ongoing projects may be recognised across financial years, depending on the percentage of completion of each contract. There is a possibility that the progress payment of a project is remarkably higher for a certain financial year. Should that happen, that particular financial year will record better short-term results. Hence, there is no assurance that the revenue and profitability we had generated during the Track Record Period will be indicative of the future results of our operations.

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Our Group's business is dependent on the continuous provision of supplies and services by our suppliers, any shortage or delay of supply, or deterioration in the quality of supply could materially and adversely affect our operations

Save for rental of dormitories, our Group does not enter into any long-term contracts or commit to any minimum purchase amount with our suppliers for construction materials or provision of services and therefore there is no assurance that they will be able to continue to provide us with materials and services at prices acceptable to our Group, or that the costs for them to provide these required materials and services remain stable in the future. Despite the fact that certain construction materials are provided by our customers in some of our contracts, we are still required to supply materials in our other projects. During the Track Record Period, our five largest suppliers (including our subcontractors) accounted for approximately 48.0%, 40.2% and 36.1% of our total purchases for FY2016/17, FY2017/18 and FY2018/19, respectively. If there is any shortage or material delay in delivery of construction materials or provision of services by our suppliers, we may not be able to identify new suppliers in replacement and we may fail to complete our projects on time or at all. In addition, there can be no assurance that the provision of goods and services from new suppliers in replacement, if any, would be on commercially comparable terms. As such, our business, results of operations and financial performance may be adversely affected.

If there is any deterioration in the quality of construction materials or services delivered by our suppliers, and we are unable to identify suitable alternative sources, the progress and quality of our works could be materially and adversely affected, thereby damaging our business reputation and adversely affecting our financial results.

Failure to implement our business plans may adversely affect our financial position and prospects

The success of the future plan of our Group depends on, among other matters, the expected future prospects of the construction industry in Singapore and the continuation of our competitive advantages and other factors considered relevant. Some of our future business plans are based on certain assumptions, including the availability of sufficient financial resources, the relevant laws and government policies, the political, economic and market conditions and our ability to continue our business operation substantially in the same way as it has been operating. There is no assurance that we will be able to successfully implement our business plans or to maintain or increase our market share even after deploying our management and financial resources. Should there be any material adverse change in our operating environment which results in our failure to implement any part of our business plans, our prospects may be adversely affected.

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We rely on subcontractors to carry out part of our works for certain projects and are responsible for late or poor performance of our subcontractors. Our engagement of subcontractors may even subject us to liabilities, claims and disputes

Our Group engages subcontractors from time to time to support our operation. During the Track Record Period, the subcontracting charges accounted for approximately 34.5%, 49.2% and 53.2% of our total purchases for FY2016/17, FY2017/18 and FY2018/19, respectively. As we may not be able to monitor the performance of our subcontractors or their respective staff as directly and efficiently as our own staff, we cannot assure that work completed by our subcontractors are up to our standard, nor can we ensure that they will be able to complete their work according to schedule. Moreover, as a contractual party in the contracts with our customers, we are obliged to bear the risks of any non-performance, late performance or delivery of poor quality works from our subcontractors, which could harm our reputation and potentially expose us to litigation and damage claims. In the event that we are unable to locate these subcontractors to rectify any defect, if it is rectifiable, or if we fail to hold them liable or to obtain compensation from them, we may be required to bear some or all the costs of the claims despite the fact that the defective work is caused by our subcontractors. We may also need to source the same services on a delayed basis or at a higher price than estimated. As a result, if the performance of our subcontractors does not meet the standard or contractual requirements, we may experience deterioration in the quality of our services, incur additional costs, and/or be exposed to liability in relation to their performance, which may have a negative impact on our profitability, financial performance and reputation, or even result in litigation or damages claims.

While we subcontract the construction work to our subcontractors, we are principally responsible for the execution of the entire project. In the event that our customer suffers any damage or loss by reason of any breach of contract, repudiation, default or failure on the part of our subcontractors, we may be required to compensate our customers before receiving compensation from the subcontractors. If no corresponding claim can be asserted against a subcontractor, we may be required to bear some or all the costs of the claims, resulting in an adverse impact on our business and financial position. Besides, there is no guarantee that we will be able to stop any acts of our subcontractors relating to violation of safety, environment and/or employment laws and regulations in time or at all. If our subcontractors violate any laws, rules or regulations in relation to health, safety and environmental matters, we may expose ourselves as an obligor to prosecutions by relevant authorities, and may become liable to claims for losses and damages if such violations cause any personal injuries/death or damage to properties. In the event that there is any violation, whether substantial or minor in nature of any laws, rules or regulations, occurred at sites for which we are responsible, our operations and hence our financial position will be adversely affected. Should any of such acts of violation happen in the course of our projects, the relevant licences of our subcontractors may be revoked or their renewal may be affected. As such, we may have to seek replacement subcontractors, which will incur additional costs or cause delay in the progress of our projects.

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Our operations may subject us to disputes with, and claims from customers, suppliers or other third parties

Our Group primarily engages in the provision of services in relation to structural engineering and wet architectural works. We may be exposed to claims made against us by various parties, including our customers, suppliers, workers or other third parties in connection with our projects. Such claims may arise from substandard or unfinished work, delay in completion of contracts, casualties or property damages, which may lead to legal proceedings and may result in substantial costs and diversion of our time and attention. There is also no assurance that any outcome from such legal proceedings will be in our favour or that any dispute will be resolved in a timely manner. In addition, should any legal proceedings finally result in an unfavourable judgment or findings, our reputation would be undermined, which may cause instant financial losses to our Group and ruin our prospects of winning contracts in the future. Failure to secure adequate payments in time or manage past due debts effectively could materially and adversely impact the business, financial condition and liquidity position of our Group.

As at the Latest Practicable Date, we did not have any legal claims in relation to our business in Singapore.

The insurance coverage maintained by our customers, acting as main contractors, and us may be insufficient to cover all losses or potential claims arising from our business operations

Any of our employees who has suffered an injury arising out of and in the course of employment has two options to make a claim. He can choose to either submit a claim under the Work Injury Compensation Act for compensation through MOM without having to prove negligence or fault of anyone's part or commence legal proceedings to claim damages under common law against his employer or a third party for breach of duty or negligence. Pursuant to the Work Injury Compensation Act, an injured employee (or the deceased's family/dependent in the case of death) is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death, subject to certain stipulated limits. Damages under a common law claim are usually more than an award claimed under the Work Injury Compensation Act and may include compensation for pain and suffering, loss of wages, medical expenses and any future loss of earnings. Furthermore, we may face claims from third parties from time to time, including those who suffer personal injuries at the sites where we provide services.

During the Track Record Period and up to the Latest Practicable Date, our Group has maintained the requisite insurance policies pursuant to Singapore laws and regulations. For details of the insurance policies taken out by our Group, please refer to "Business – Insurance" in this document. However, we may become subject to liabilities against which we are not insured adequately or at all or liabilities against which cannot be insured. Should any significant property damage or personal injury occur in our facilities or to our employees due to accidents, natural disasters or other similar events which do not fall under our Group's insurance coverage,

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we would have to incur additional costs to cover such claims which may negatively impact our financial position, reputation and business operations. Besides, our Group has not taken out insurance policies against losses arising from our environmental liabilities, work stoppages, civil unrest or other activities. Such insurance is not compulsory pursuant to Singapore laws and regulations. Should we purchase such additional insurance, our Group would incur additional costs for our business operations.

Our Group's business operations involve inherent industrial risks and occupational hazards and the materialisation of such risks may tarnish our reputation as well as affect our financial results

We are faced with certain inherent industrial risks and occupational hazards, which may not be eliminated through the implementation of safety measures. Because of the nature of our work, the working conditions of our construction workers may be prone to accidents or emergency situations that may cause bodily harm. As such, we are exposed to risks related to such activities including equipment failures and industrial accidents. The materialisation of any of these risks in the worst case scenario may disrupt our business operations as well as tarnish our reputation. Furthermore, the validity of our relevant qualifications and results of operations may also be affected.

Inability to renew our existing licenses and workheads registration, or the cancellation or suspension of such licenses and registration may affect our operations and financial performance

Our Group's business and construction activities are regulated by BCA and other regulatory bodies, which stipulate the criteria that must be satisfied before permits and licenses are granted to, renewed or maintained for our business. Such permits and licenses include our GB1 Licence, GB2 Licence and SB(PC) Licence as well as registration of our workheads i.e. CW01 and CR01 workheads under the CRS. The maintenance and renewal of our licence and our workheads registration are subject to compliance with the relevant regulations of BCA, in particular, (i) minimum paid-up capital and net worth; (ii) qualified personnel with the necessary professional qualifications and practical experience; (iii) the necessary performance track records; (iv) contract profile; and (v) certification obtained. Such requirements may change from time to time. Failure to maintain or renew our current licence and CW and CR workheads registration could result in restriction or prohibition of the business activities of our construction projects, which will have a material and adverse effect on the business, financial position, results of operations and prospects of our Group.

Should we fail to comply with the applicable requirements or any required conditions to maintain our licence and workheads registration, they may be downgraded, suspended or even cancelled. There is also no guarantee that we will be able to renew such licence and registrations on time, if at all, upon expiry. In cases where our Group tenders for projects in the public sector, we have to meet the minimum BCA grading level stipulated. In cases where we give quotes for projects in the private sector, our BCA gradings may be taken into consideration. As such, failure to renew or maintain our BCA gradings may reduce the number of project opportunities

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for our Group, which will materially and adversely impact our operations and thus our financial performance. For details, please refer to “Business – Licences, Registrations and Certifications” in this document.

We may be required by our customers to take out performance bonds to secure our due performance of construction contracts, which may adversely affect our cash flows and financial position

Construction industry practice in Singapore dictates that contractors are often required by their customers to take out performance bonds furnished by a bank or an insurance company at a fixed sum or in a certain percentage of the contract sum to secure due performance and compliance with the contracts. Under this performance bond arrangement, should the contractor fail to perform in accordance with the requirements as agreed in the contract, the customer is guaranteed a compensation for monetary loss up to the amount of the performance bond taken out.

When we act as a subcontractor, we are required to take out performance bonds for some of our projects. During the Track Record Period, 15 of our contracts obliged us to take out performance bonds. There is no assurance that the number and amounts of performance bonds we are required to take out for our construction contracts will not be increasing in the future. In the event that we are unable to take out the performance bonds as required in our contracts for any reason, our award of these contracts will be revoked owing to our failure to fulfil the conditions therein. Such revocation may materially and adversely affect our business, financial condition, results of operations and prospects.

Further, in the event that we fail to satisfactorily complete our works as required by our customers to whom performance bonds have been given, such customers may demand that surety bank or insurance company to compensate for their losses arising from our works. Our Group would then become liable to compensate such bank or insurance company accordingly, which may adversely affect our cash flows and financial position.

RISKS RELATING TO OUR INDUSTRY

Our performance is partially dependent on the economy of the Singapore market, in particular, the construction industry

Our Group’s revenue is derived from our operations in Singapore. In the event of any unforeseen circumstances such as natural disasters, downturn in the Singapore economy, outbreak of an epidemic or any other event beyond our control happening in Singapore, our financial performance may be materially and adversely affected.

In addition, the performance of our Group, which is heavily dependent on the construction industry in Singapore, is exposed to cyclical fluctuations. A downturn in the Singapore construction industry may lead to postponement, delay or cancellation of our construction

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projects or delay in recovery of receivables, which may result in an adverse impact on our business and profitability.

A certain portion of our Group's revenue is derived from private sector projects. According to the CK Report, the Singapore Government has implemented several property cooling measures since 2009, with the latest introduced in 2018. Such cooling measures will have a dampening effect on the construction industry, which may lead to a decrease in the overall construction demand, in particular, the private residential market, which may affect our Group's business, results of operations and prospects.

The construction industry is highly competitive

Our Group engages in the construction industry and we face intense competition. According to the CK Report, there are several thousand contractors offering similar services and areas of specialisation. Our competitors may have strong manpower, adequate resources and sufficient licences and qualifications which may subject us to severe downward pricing pressure, hence, reducing our profit margins. Should we fail to adapt to market conditions and customer preferences effectively or offer a relatively competitive bid or quote, we may not be able to secure our existing customers or attract new customers. Further, if our competitors adopt an aggressive pricing policy or endeavour to establish relationships with our existing customers, we may not be able to secure contracts with our existing customers in the future. Our Group may also compete in other areas, including the engagement of subcontractors and the hiring of qualified employees. If we fail to compete in these areas, our business, financial condition, results of operations and prospects will be materially and adversely affected.

Our inability to recruit, retain or replace skilled foreign workers may affect our business and our labour costs may increase accordingly

In accordance with the CK Report, the construction industry is heavily reliant on foreign workers. Therefore, any shortage of foreign workers constitutes a risk factor in the construction industry in Singapore. The Singapore Government has been imposing more stringent restrictions and regulations with respect to the hiring of foreign workers which may lead to a shortage of foreign workers. Our industry is a labour intensive one and we generally have to compete for skilled foreign workers with similar business operators whether shortage exists or not. If we are unable to retain or replace skilled foreign workers, we may need to increase our reliance on our subcontractors or offer a wage increase. We cannot guarantee that we will be able to maintain sufficient skilled foreign workers necessary for the execution of our operations, nor can we guarantee that our staff costs will not increase. If either of these occurs, our business, financial condition and results of operations may be materially and adversely affected.

The operations of construction companies in Singapore are subject to compliance with a number of regulatory requirements, which may affect our operating costs and profitability

As with other similar operations, the operations of our Group are required to comply with various safety, employee protection and environmental protection laws, regulations and

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requirements in Singapore, among which certain material ones are summarised in “Regulatory Overview” in this document. In the event that our operations fail to meet these requirements, we may be subject to fines or other remedial measures. Further, our ability to obtain new projects in the future will be affected by any of our non-compliance with the applicable laws, regulations and requirements. Besides, our Group may incur additional costs to ensure compliance if there are any changes in the relevant requirements in the future.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

No public market for our Shares existed prior to the [REDACTED]. Following completion of the [REDACTED], the Stock Exchange will be the only market on which our Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the [REDACTED]. Moreover, we cannot assure you that our Shares will trade in the public market subsequent to the [REDACTED] at or above the [REDACTED]. The [REDACTED] is expected to be fixed by agreement among the [REDACTED] (for itself and on behalf of the other [REDACTED]) and our Company, and may not be indicative of the market price of our Shares following the completion of the [REDACTED]. If an active trading market for our Shares does not develop or is not sustained after the [REDACTED], the market price and liquidity of our Shares could be materially and adversely affected.

The trading prices and volume of our Shares may be volatile, which could result in substantial losses to you

The trading prices of our Shares may be volatile and could fluctuate to a large extent in response to factors which are beyond our control, including but not limited to, variations in the level of liquidity of our Shares, changes in the estimates of our financial performance of securities analysts (if any), investors’ perceptions of our Group, changes in laws, regulations and taxation systems which affect our operations, the general market conditions in the securities market in Hong Kong and the general investment environment. In particular, the trading price performance of our competitors of which securities are listed on the Stock Exchange may affect the trading prices of our Shares. These broad market and industry factors may significantly affect the market prices and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the trading prices and volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing our business and growth strategies, involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of our Shares to change unexpectedly. Any of these factors may result in material and sudden changes in the trading prices and volume of our Shares.

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

Prospective investors should note that the [REDACTED] (for itself and on behalf of other [REDACTED]) is entitled to terminate its obligations under the [REDACTED] by giving notice in writing to us upon the occurrence of any of the events sets out in “[REDACTED] – [REDACTED] Arrangements and Expenses – The [REDACTED] – Grounds for termination” in this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Such events may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, pandemic, fire, floods, tsunami, explosions, acts of terrorism, earthquakes, strikes or lock-outs. Should the [REDACTED] (for itself and on behalf of the other [REDACTED]) exercise its rights and terminate the [REDACTED], the [REDACTED] will not proceed and will lapse.

Future sale of substantial amounts of our Shares in the public market may adversely affect the prevailing market price of our Shares

Sale of substantial amounts of our Shares in the public market after completion of the [REDACTED], or the perception that such sale could occur, may adversely affect the prevailing market price of our Shares and materially impair our future ability to raise capital through offerings of our Shares. We cannot assure you that our major Shareholders would not reduce their shareholding by disposing of our Shares. Any significant disposal of our Shares by any of our major Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may impose greater difficulty for us to issue new Shares in the future at a time and price our Group deems appropriate, thereby limiting our liability to raise further capital.

We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

Historical dividends are not indicative of our Group’s future dividends

CTR declared dividends of S\$3.0 million during FY2017/18 to the then shareholders. The value of dividends declared and paid in previous years should not be relied upon by potential investors as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future at a similar level or at all. The amount of any dividends in the future will be subject to, among other factors, our Directors’ discretion, having taken into account the substantial capital requirements of our Group in the foreseeable future, the availability of distributable profits, our Group’s earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

In any event, we cannot guarantee that our Company will receive sufficient distribution from our subsidiaries to support any future profit distribution to our Shareholders, or that the amounts of any dividends declared by our Company in the future, if any, will be of a level

RISK FACTORS

comparable to dividends declared and paid by us in the past, or by other listed companies in the same industry as our Group.

The interests of our Controlling Shareholders may differ from those of other Shareholders

The interests of our Controlling Shareholders may differ from those of other Shareholders. Should the interests of our Controlling Shareholders conflict with those of other Shareholders, or should our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, you could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, such as mergers, acquisitions and disposal of all of our assets, election of directors, and other significant actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of other Shareholders.

The [REDACTED] of our Shares is higher than our net tangible book value per Share and your Shares may be diluted

Should you invest in our Shares at the [REDACTED], you will pay more for the [REDACTED] than our net book value on a per Share basis. As a result, you will experience an immediate dilution in the net tangible asset value and our existing Shareholders will receive an increment in the pro forma adjusted consolidated net tangible asset value per Share of their Shares.

We may issue additional Shares in the future in which your Shares may be diluted

We may be required to issue up to an additional [REDACTED] Shares at the [REDACTED] (representing [REDACTED]% of the number of the [REDACTED] under the [REDACTED] should the [REDACTED] exercise the [REDACTED]). We may also consider issuing and offering additional Shares in the future to raise additional funds, finance acquisitions or for other purposes. In the event that we issue additional Shares in the future, the percentage ownership of our existing Shareholders and the earnings per Share may be diluted. Moreover, such new Shares may have preferred rights, options or pre-emptive rights that make them more valuable than our Shares.

Remedies available to our Shareholders may be different from those under the laws of Hong Kong or other jurisdictions

We are incorporated under Cayman Islands law and Cayman Islands law may provide different remedies to shareholders when compared with the laws of Hong Kong and other jurisdictions.

Our Company is governed by the Memorandum, the Articles, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands in relation the protection of the interests of minority shareholders could differ in some respects from those

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established under the laws of Hong Kong and other jurisdictions. As a result, the remedies available to our Shareholders may be different from those they would otherwise have under the laws of Hong Kong or other jurisdictions. For further details, please refer to Appendix IV to this document.

There are risks associated with the granting of options under the Share Option Scheme

Our Company [has conditionally adopted] the Share Option Scheme and may grant share options thereunder in the future. 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 a dilution in the percentage of ownership of the Shareholders and the net asset value per Share. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

Under the IFRSs, the costs of the options to be granted to staff under the Share Option Scheme will be charged to statements of comprehensive income over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

The industry statistics and forward-looking information contained in this document may not be accurate, reliable and fair

Statistics and other information in relation to our industry particularly contained in “Industry Overview” in this document have been compiled partly from various public available publications as well as the industry report we commissioned from an independent industry consultant. We believe that the sources of such information are appropriate sources 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. However, we cannot assure you of the quality of such source materials. None of our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other persons or their respective directors, advisers or affiliates involved in the [REDACTED] has independently verified such information, and makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Hong Kong. Such information may not be complete or latest. As the ways of collecting the information may contain faults or may not be effective, or there may exist variations and other problems between the information published and market practices, the industry information and statistics contained of this document may not be accurate and should not be unduly relied upon when making decisions on your investment in our Company or otherwise.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements and information which are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”,

RISK FACTORS

"expect", "may", "ought to", "should", "will" or similar terms. These statements and information, which relate to us and the subsidiaries comprising our Group, are based on the beliefs of our management as well as the assumptions made by and information currently available to our management. They reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. However, these statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect.

The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligations to update publicly or release any revision of any forward-looking statements, whether as a result of new information, future events or otherwise. For further details, please refer to "Forward-looking Statements" in this document.

WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

In preparation for the [REDACTED], our Company has sought the following waiver from strict compliance with Rule 8.12 of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. However, (a) all of our assets and business operations are located, based, managed and conducted in Singapore, and our Group does not have any operation in Hong Kong; (b) all of our executive Directors are not Hong Kong residents and are not based in Hong Kong, and are expected to continue to be based in Singapore after the [REDACTED]; and (c) all members of our senior management are based outside Hong Kong, and are expected to continue to be based in Singapore after the [REDACTED]. As each of our Directors has a vital role in our business and operations, it is of paramount importance for them to remain based in Singapore and physically close to our operations. Our Directors consider that the appointment of additional executive Directors who are ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company and our Shareholders as a whole. Accordingly, our Company does not, and for the foreseeable future will not, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules on the following conditions to ensure that regular communication is maintained between the Stock Exchange and our Company:

- (a) Our Company has 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 complies with the Listing Rules at all times. The authorised representatives appointed are Mr. XP Xu, the chairman of our Board, the chief executive officer of our Group and an executive Director, and Ms. Leung Hoi Yan, our company secretary. Ms. Leung Hoi Yan is a Hong Kong permanent resident. Although Mr. XP Xu resides in Singapore, he possesses valid travel documents to visit Hong Kong and 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 or email. Each of our authorised representatives has been duly authorised to communicate on our Company's behalf with the Stock Exchange. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, and Ms. Leung Hoi Yan has been authorised to accept service of legal process and notices in Hong Kong on behalf of our Company. Each of our Directors and Ms. Leung Hoi Yan have provided to the Stock Exchange their mobile and/or office telephone numbers and/or facsimile numbers.

WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

- (b) Each of the authorised representatives has means to contact all members of our Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matter. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a policy that (a) each of our Directors will provide his/her mobile phone number, office phone number, email address and facsimile number to the authorised representatives; (b) in the event that a Director expects to travel and be out of the office, he/she will provide the phone number of the place of his/her accommodation to the authorised representatives; and (c) all of our Directors will provide their mobile phone numbers, office phone numbers, email addresses and/or facsimile numbers to the Stock Exchange.
- (c) Our Company has appointed Grande Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the date of the [REDACTED]. The compliance adviser will act as the alternate channel of communication with the Stock Exchange when the authorised representatives are not available. Our Company will ensure that there are adequate and efficient means of communication among itself, its authorised representatives, our Directors, other officers of our Group and the compliance adviser.
- (d) Meetings between the Stock Exchange and all of our Directors could be arranged through our authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in its authorised representatives and the compliance adviser.
- (e) In addition, all of our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange within a reasonable period of time, if required.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
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Executive Directors

Mr. Xu Xuping (許旭平)	24 Woodlands Drive 16 #13-09 Forestville Singapore 737881	Singaporean
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Mr. Xu Tiancheng (許添城)	108 Woodlands Ave 5 #12-19 Singapore 739014	Singaporean
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*Independent non-executive
Directors*

Mr. Kung Wai Chiu Marco (孔維釗)	Flat D, 11/F., Tower M9 Yoho Midtown, 9 Yuen Lung Street Yuen Long, New Territories Hong Kong	Chinese
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Mr. Tang Chi Wang (鄧智宏)	Flat H, 31/F Block 1 Hoi Sing Court, South Horizons Ap Lei Chau Hong Kong	Chinese
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Ms. Wang Yao (王瑤)	46 Woodlands Drive 16 #12-51 Singapore 737777	Singaporean
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Please refer to "Directors and Senior Management" in this document for further details on our Directors and members of our senior management.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

Grande Capital Limited

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

Room 2701, 27/F
Tower One, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

[REDACTED]

Legal advisers to our Company

As to Hong Kong law

ONC Lawyers
19/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

As to Singapore law

Shook Lin & Bok LLP
1 Robinson Road
#18-00
AIA Tower
Singapore 048542

As to Cayman Islands law

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

As to Hong Kong law

Loeb & Loeb LLP
21/F, CCB Tower
3 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Auditors and reporting accountants

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Industry consultants

Converging Knowledge Pte. Ltd.
20 Maxwell Road
#09-16 Maxwell House
Singapore 069113

Property valuer

Ravia Global Appraisal Advisory Ltd.
Unit B, 7/F
Chang Pao Ching Building
No. 427–429 Hennessy Road
Wan Chai
Hong Kong

Compliance adviser

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under the SFO)*
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18 Harcourt Road
Admiralty
Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Singapore	21 Woodlands Close #08-11 12 Primz Bizhub Singapore 737854
Principal place of business in Hong Kong	Unit B, 17/F United Centre 95 Queensway Hong Kong
Company's website	www.chianteck.com <i>(Note: the information contained in this website does not form part of this document)</i>
Company secretary	Ms. Leung Hoi Yan (梁禮欣) (ACIS, ACS) Unit B, 17/F United Centre 95 Queensway Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Xu Xuping (許旭平) 24 Woodlands Drive 16 #13-09 Forestville Singapore 737881 Ms. Leung Hoi Yan (梁禮欣) Unit B, 17/F United Centre 95 Queensway Hong Kong
Audit Committee	Mr. Kung Wai Chiu Marco (孔維釗) (<i>Chairman</i>) Mr. Tang Chi Wang (鄧智宏) Ms. Wang Yao (王瑤)
Remuneration Committee	Ms. Wang Yao (王瑤) (<i>Chairman</i>) Mr. Kung Wai Chiu Marco (孔維釗) Mr. Tang Chi Wang (鄧智宏)

CORPORATE INFORMATION

Nomination Committee

Mr. Tang Chi Wang (鄧智宏) (*Chairman*)
Mr. Kung Wai Chiu Marco (孔維釗)
Ms. Wang Yao (王瑤)

[REDACTED]

Compliance adviser

Grande Capital Limited
*(A licensed corporation to carry out type 6
(advising on corporate finance) regulated activity
under the SFO)*
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Tower One, Admiralty Centre
18 Harcourt Road
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Hong Kong

Principal banks

Malayan Banking Berhad
2 Battery Road
Maybank Tower
Singapore 049907

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1, #07-01
Singapore 048624

INDUSTRY OVERVIEW

Unless otherwise indicated, the information presented in this section is derived from the CK Report prepared by Converging Knowledge, which was commissioned by us and is prepared primarily as a market research tool intended to reflect estimates of market conditions based on publicly available resources and trade union surveys. References to Converging Knowledge should not be considered as its opinion as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information and statistics are appropriate sources for such information and statistics. Our Directors have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information prepared by Converging Knowledge and set out in this Industry Overview section has not been independently verified by our Group, our Directors, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED] or their respective directors, officers, employees, advisers and agents, and no representation is given as to its accuracy and completeness (except for Converging Knowledge). Accordingly, such information should not be unduly relied upon.

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Converging Knowledge, an independent market research and consulting company, to conduct comprehensive research, analysis and report on the construction industry in Singapore for a total fee of approximately S\$65,000.

Founded in 2002, Converging Knowledge is an independent provider of customised research and analysis, including on-demand research and strategic intelligence. In arriving at the qualitative and quantitative analysis contained in the CK Report, Converging Knowledge has analysed secondary statistics, conducted primary research and taken into account continued industry movements in the construction industry in Singapore.

The market projections for the construction industry in Singapore, with focus on the structural engineering industry segment and wet architectural industry segment, from 2019 to 2023, in the CK Report were based on the following key assumptions and parameters:

- the social, economic and political environment in Singapore is likely to remain stable;
- global and regional trends are likely to influence/drive the construction industry; and
- there will be no external shocks such as raw material shortages or change in industry regulations that would affect the demand and supply of construction services.

OVERVIEW OF THE CONSTRUCTION INDUSTRY IN SINGAPORE

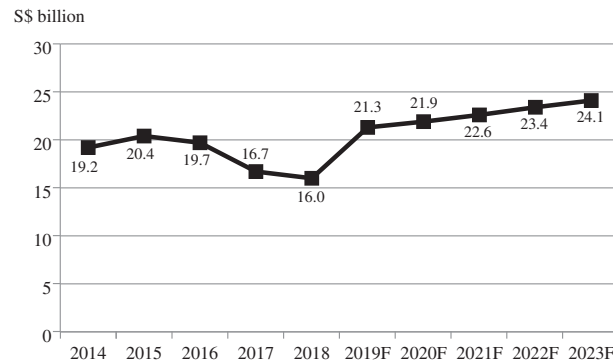
Key Statistics in the Construction Industry

The construction industry is an important component of Singapore’s economic growth, contributing approximately 3.2% of the gross domestic product (“GDP”) in 2018, and it continues to have strategic significance in supporting the future development of the country. From 2014 to 2018, the market for the construction industry experienced a decline of approximately 16.7%. While positive year-on-year growth was recorded for 2014 to 2015, the trend was reversed in 2016 to 2018, mainly due to the lower residential construction projects awarded as a result of measures imposed by the Singapore Government to reduce speculation in the property sector, and the decline in the number of construction contracts awarded, with the exception of public infrastructure projects driven by the Singapore Government. The Singapore Government’s cooling measures, the country’s mature commercial market and the poor economic climate are some of the causes of the decline in the number of private construction contracts awarded in 2016 and 2017. In 2018, year-on-year decline eased to approximately -4.2%, an improvement from an estimated 15.2% contraction in 2017. A key driver of Singapore’s construction industry is public projects, which constitutes around 59.9% of the total projects awarded in 2018. Industry players, particularly those involved in infrastructure construction, expect a recovery of the construction industry in Singapore on the horizon. Foreign Direct Investments (“FDI”) into the construction industry in Singapore in the past five years posted a

INDUSTRY OVERVIEW

steady growth, at a CAGR of approximately 11.3% from 2013 to 2017. The FDI reflects an uptrend of foreign players entering Singapore’s construction industry, a show of confidence for the industry’s recovery. Both construction demand (measured by the value of contracts awarded) and the market for the construction industry are projected to rise steadily from 2019 to 2023, at a CAGR of approximately 1.7% and approximately 3.1%, respectively.

Market size of the construction industry in Singapore from 2014 to 2018, and forecast from 2019 to 2023



Note:

- The letter “F” denotes forecasted figures.
- The numbers in the graph are round off to one decimal place.

Source: Singapore Department of Statistics (“SingStat”), Ministry of Trade and Industry Singapore (“MTI”)¹, CK Report

Common practices in the construction industry

Subcontracting is a common practice in Singapore’s construction industry. The main contractor usually tenders for construction projects and generally has the capability to oversee and execute the entire project development, while subcontractors are usually hired to undertake specialised segments of the building construction. Cross deployment of workers, particularly foreign labourers, and contra charges are also two other common practices in the construction industry in Singapore. While foreign labour is subject to strict laws in Singapore, the construction industry is one of the two industries permitted to carry out cross deployment of workers, as the Singapore government recognises that manpower requirements fluctuate throughout a construction project. The cross deployment of foreign workers will allow companies to optimise their foreign manpower, deploying workers from one construction company to another. As for contra charges, it is common for main contractors to claim back, from the subcontractors, certain costs involving the purchase of construction materials, lease of machinery or equipment, which are often made in the interest of time to complete a project schedule, or where the main contractor has an advantage in getting a better price than the subcontractor.

OVERVIEW OF THE STRUCTURAL ENGINEERING INDUSTRY SEGMENT IN SINGAPORE

Structural engineering works are one of the core elements of construction activities in Singapore, and as part of civil engineering, involves the construction of structures that reinforces or counteracts loads of the building or infrastructure. Structural engineering works are often subcontracted and mainly include structural steel works, reinforced concrete works, precast concrete works and prefabricated prefinished volumetric construction (“PPVC”). Reinforced concrete works are done on site and require the use of steel reinforcements, formwork and

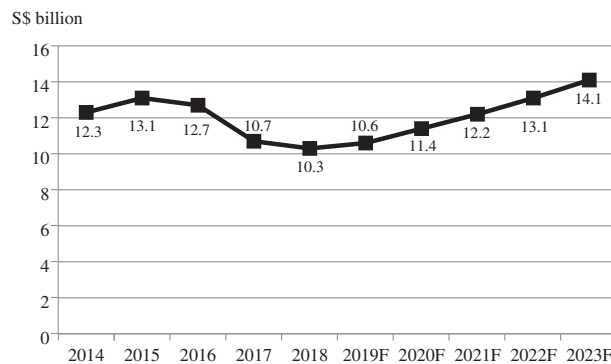
¹ MTI, Economic Survey of Singapore Second Quarter 2018, Table A1.1 Gross Domestic Product by Industry

INDUSTRY OVERVIEW

concrete. Precast concrete and PPVC on the other hand, are made offsite in controlled environments before being transported to and assembled on site. Precast concrete is usually in the form of beams, walls, slabs and columns, while PPVC works entails the manufacturing of free-standing volumetric modules, complete with internal finishes, fixtures and fittings.

The performance of the structural engineering industry segment generally mirrors the performance of the construction industry in Singapore, as all construction projects, private or public, will involve structural engineering works. Similar to the decline of the construction industry, the structural engineering industry segment experienced a fall of approximately 16.2% from 2014 to 2018. Although the structural engineering industry segment suffered a contraction, mainly due to the reduction in construction projects since 2015, the decline is unlikely to persist into 2019, largely due to increased contracts awarded for infrastructure projects, which generally require more structural engineering works. From 2019 to 2023, the structural engineering industry segment is estimated to grow at a CAGR of approximately 7.4%. This is largely due to the expected recovery in Singapore’s construction industry, driven by public infrastructure projects such as the Tuas Megaport, Changi International Airport Terminal 5, and MRT lines, including the Thomson-East Coast Line and Jurong Region Line, opportunities in the private industrial and commercial sectors, and productivity enhancement initiatives by the Singapore Government. However, as mentioned above, since projects in both public and private sectors require structural engineering works, a segmentation by sector is not available. Nonetheless, although not exactly proportionate, the growth of the structural engineering works industry in the public and private sectors should be in line with the performance of the respective segments of the construction industry in Singapore. By 2023, the market size of the structural engineering industry segment in Singapore is estimated to reach approximately S\$14.1 billion.

Market size of the structural engineering industry segment in Singapore from 2014 to 2018, and forecast from 2019 to 2023



Note:

- The letter “F” denotes forecasted figures.
- The numbers in the graph are round off to one decimal place.

Source: CK Report

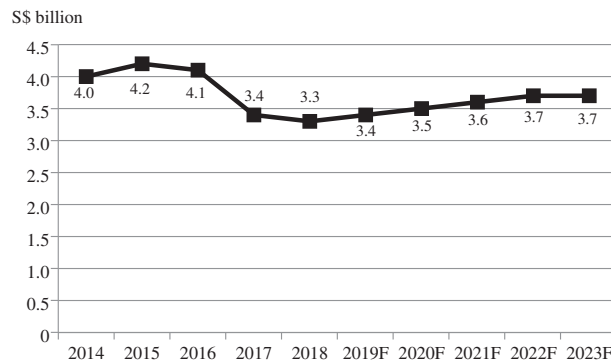
OVERVIEW OF THE WET ARCHITECTURAL INDUSTRY SEGMENT IN SINGAPORE

Like structural engineering works, wet architectural works in Singapore are also required for all construction projects, whether it be private or public. Often subcontracted, it takes place after the completion of structural engineering works, and involves the use of dry building materials such as concrete, mortar and plaster, which are mixed with water. Examples of wet architectural works include masonry, plastering and screeding, tiling and waterproofing. Masonry work involves the building of walls and supporting the main building structure with materials such as blocks, panels, bricks, stiffeners and lintels, while plastering and screeding are carried out on walls and floors before final finishes like painting and tiling can commence.

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The market size of the wet architectural industry segment experienced a year-on-year growth of approximately 12.0% in 2014, and tapered off to approximately 5.0% in 2015. Thereafter, there was a fall, with the market size shrinking by approximately 19.5% from 2016 to 2018. From 2019 to 2023, the wet architectural industry segment in Singapore is estimated to grow gradually, at a CAGR of approximately 2.1%. The growth for this industry segment is subject to the performance of the construction industry in Singapore, as well as the push for precast and PPVC works in construction, which will drive wet architectural works offsite into controlled environments such as factories. The market for wet architectural works in Singapore is expected to grow, along with the Singapore construction industry, albeit at a slower pace. By 2023, the market size of the wet architectural industry segment in Singapore is estimated to reach approximately S\$3.7 billion.

Market size of the wet architectural industry segment in Singapore from 2014 to 2018, and forecast from 2019 to 2023



Note:

- The letter “F” denotes forecasted figures.
- The numbers in the graph are round off to one decimal place.

Source: CK Report

INDUSTRY DRIVERS

1. Public infrastructure projects will drive the construction industry in Singapore

The Singapore Government will continue to be the main driver in the development of the country’s construction industry, particularly through public infrastructure-related projects, which is expected to contribute at least half of the total value of contracts awarded from 2019 to 2023. In 2018, approximately S\$18.3 billion worth of contracts are expected to be awarded for public projects, as opposed to approximately S\$12.2 billion for private projects. Examples of major public infrastructure projects awarded in 2017 and 2018 include the North-South Corridor, while future projects comprise Terminal 5 and more transport-related projects like the new link bridge between Johor and Singapore. Therefore, the demand for structural engineering works and wet architectural works is expected to increase.

2. Strong commitment from the Government

The Singapore Government’s commitment to support, develop and grow the construction industry in the country can be seen from three areas, namely the budget allocated for new infrastructure development, funding support to boost the industry’s productivity and capability, and industrial transformation and developments across sectors, which will drive demand for specialised buildings. To boost the productivity and capability of construction firms, an S\$800 million Construction Productivity and Capability Fund (“CPCF”), and the Construction Engineering Capability Development Programme (“CECDP”) have been put in place. Under the CPCF, courses are subsidised up to 90% to encourage construction firms to send their employees for training. The CECDP guides and financially supports firms keen to take on complex construction projects locally or adopt highly productive technologies. The construction industry

INDUSTRY OVERVIEW

will also benefit from the Singapore Government's commercial development plans and industrial transformation. In the latest 2019 Draft Master Plan, which is the statutory land use plan that guides Singapore's development over the next 10 to 15 years, more commercial hubs will be built outside the city centre and a new industrial cluster will be created. More construction projects are expected from the development of a new commercial belt called the One North Coast Innovation Corridor anchored by Woodlands Regional Centre. Singapore will also have the second Central Business District located at the Jurong Lake District.

3. Increase in construction projects driven by private industrial and commercial developments

Singapore has seen a growth of high technology buildings being built, in particular, data centres. Industry players estimate that data centre supply in Singapore is expected to grow by between 10.0% and 15.0% annually, due to drivers like big data analytics, cloud computing and data recovery. Upcoming data centre projects in Singapore include China Mobile International's second Asia Pacific data centre, Facebook's first Asian data centre, which is estimated to cost approximately S\$1.4 billion, and Google's third data centre in Singapore. These announcements cement Singapore's reputation as the preferred location for data centres in the region. This bodes well for the construction industry, particularly for contractors that have built credentials in high technology building construction. In addition, there are also other major upcoming private commercial developments like Guoco Midtown, as well as expansions by Marina Bay Sands and Resorts World Sentosa. The increase in private sector construction projects in Singapore will, therefore, fuel the growth of the construction industry in the country.

4. Recent residential en bloc fever

En bloc² sales were very active in 2017 in Singapore, reaching around 24 successful residential project sales, as more owners of ageing residential projects were encouraged by the successful en bloc sales in 2016, and developers were keen to replenish their land banks. The redevelopment of these en bloc sites will benefit construction contractors. Similarly, the landed properties segment could also see a boost, as displaced owners may upgrade to landed properties with the premiums received from their en bloc sale. This en bloc fever persisted into the first half of 2018, where most of the approximately 34 successful residential project sales of that year were carried out. The redevelopment of past en bloc sales sites will drive demand for private residential projects in the coming years.

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS

In Singapore, the structural engineering industry segment and wet architectural industry segment are highly fragmented markets, with several thousand contractors offering similar services and areas of specialisation. Players in the structural engineering industry segment and wet architectural industry segment are required to be registered with the BCA in Singapore, as they are considered key activities to general building. As at 4 June 2019, there are 3,820 licensed general builder contractors, of which approximately 32.9% or 1,258 contractors have GB1 Licence, which allows them to participate in all types of projects, regardless of the contract value. Therefore, over 60% of the general builder contractors are small and medium-sized enterprises that can undertake projects of up to S\$6 million.

Key active subcontractors in Singapore's structural engineering and wet architectural industry segments

Converging Knowledge has identified five key active subcontractors in each of these industry segments. The total number of subcontractors in the structural engineering industry segment and wet architectural industry segment were first identified through desk research, grading allocated by BCA's LBS and CRS, construction related articles and publications, and interviews with industry players. The five key active subcontractors were then shortlisted, based on their business activities, financial information (if available), recognition by other industry players, and their headcount (obtained from both desk research and primary interviews). There is

² An en bloc refers to the collective sale of an area agreed upon by the majority of property owners in that area to property developers, investment funds or builders for redevelopment purposes.

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an overlap in terms of capabilities, with some subcontractors having the skills and track record in both the structural engineering industry segment and wet architectural industry segment, while there are others that specialise either in structural engineering works or wet architectural works.

The five key active subcontractors in the structural engineering industry segment in Singapore (in alphabetical order) are as follows:

- CGW Construction & Engineering (S) Pte Ltd
- China Jiangsu Construction Group Corporation
- The Group
- Interno Engineering (1996) Pte Ltd
- Utracon Overseas Pte Ltd

The five key active subcontractors in the wet architectural industry segment in Singapore (in alphabetical order) are as follows:

- Beng Khim Construction Company Pte Ltd
- CGW Construction & Engineering (S) Pte Ltd
- China Jiangsu Construction Group Corporation
- The Group
- ZT Construction Pte Ltd

The operational and financial information of each subcontractor engaged in structural engineering works and wet architectural works in Singapore are generally not publicly available. Hence, it is not possible to accurately determine, with any degree of certainty, the market share and ranking of each of these subcontractors.

The Group's market share

The total market size of the structural engineering industry segment and wet architectural industry segment in Singapore in the calendar year of 2018 is approximately S\$13.6 billion (while the figure for the twelve-month period from 1 March 2018 to 28 February 2019 is not available). The total revenue of the Group for FY2018/19 was approximately S\$64.4 million. Based on these figures, it is estimated that the Group's market share in the structural engineering industry segment and wet architectural industry segment in Singapore is approximately 0.5%.

Source: CK Report

Factors influencing competition amongst subcontractors

Given the large number of structural engineering works and wet architectural works contractors in the market, every project tender is subject to stiff competition. Main contractors are likely to allocate specific construction activities to subcontractors based on several factors, including, but not limited to their competencies, financial strength, track record, reputation, safety accreditation, construction labour size and management skills.

A separate group of subcontractors are often appointed for wet architectural works, even though subcontractors in the structural engineering industry segment may also have wet architectural works capabilities. Main contractors place high emphasis on work quality, as well as ensuring that project timelines are met. As such, they would prefer to award different construction activities to different subcontractors, to ensure that the latter would not be overstretched, in terms of labour supply, and undermine project delivery and final product.

Subcontractors with large business scale have the advantage of leveraging their existing manpower capacity and economies of scale when procuring building materials. Subcontractors

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with a smaller scale of business generally have fewer opportunities to bid for large subcontracting works, but could participate and gain experience from cross deployment of construction workers. The past five years saw competition within Singapore's construction industry intensifying. There were also an increasing number of foreign subcontractors expanding into Singapore to provide structural engineering and wet architectural works, due to the growing number of infrastructure projects available in Singapore.

Entry barriers of the structural engineering industry segment and wet architectural industry segment in Singapore

1. Highly regulated industry

Structural engineering and wet architectural works are considered core activities of building construction. As such, companies engaged in these construction activities are highly regulated by BCA, and would have to be licensed under the LBS. Employees hired in such companies are also required to be accredited with the relevant skills or craftsmanship, before they are able to undertake any activities at the construction site.

2. Management skills

Management skills, including human resource management, co-ordination, reporting updates, issues and solutions with the main contractor, and project delivery, have been cited as the cause of success and failure of a subcontractor in winning a tender, executing the project and completing structural engineering works and wet architectural works on time. As such, having a team of managers and site supervisors with strong management skills are critical to survive in the construction industry in Singapore.

3. Track record and safety accreditations

Successful tendering of construction projects is highly reliant on the track record, reputation and the reliability of the subcontractor, which takes time to establish. Projects involving the construction of high technology buildings require stringent quality controls and safety accreditation, which is increasingly more important than BCA grading, to be considered for any tenders.

4. Labour intensive and high upfront cost

The construction industry is labour intensive and often requires significant numbers in manpower, especially on site, for structural engineering and wet architectural works. Besides the need for a sizable base of manpower, the industry is continuously faced with the challenge of having insufficient manpower, as it suffers from its traditionally negative image of being laborious, dirty and dangerous, affecting its appeal to job-seekers. Moreover, before tendering for and commencing on any project, players in the construction industry require a high upfront cost for the purchase of construction materials and securing workers. Likewise, subcontractors will need to have a lot of resources on hand to invest in projects before revenue can be generated.

POTENTIAL CHALLENGES

1. Influx of foreign players into the construction industry in Singapore

There has been increased presence of foreign construction firms in Singapore over the past five years, raising the competition for subcontracting projects in the construction industry. These foreign players offer access to cheap labour (often sourced from their country of origin), and strong track records gathered from their experience with various large, and sometimes complicated, projects in their home country. Local subcontractors are threatened by the foreign players' competitive bids, which have often been priced much lower than local players'.

2. Labour shortage and rising labour cost

Labour shortage, and the rising cost of labour and foreign worker levies are set to persist, thus posing a challenge to the construction industry in Singapore. The supply of foreign

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labourers in Singapore has been dwindling, due to the growing regional demand for construction manpower. Correspondingly, due to a lower supply of workers, wages of construction workers have increased significantly over the past five years, contributing to overall higher operation costs. This is worsened by the Singapore government’s strict stance towards the employment of lower-skilled foreign workers. The construction industry in Singapore is also facing challenges in attracting and retaining management level executives. Coupled with the problem of an ageing population and shrinking labour force locally, there is labour shortage for skilled management personnel, who are crucial to companies in the construction industry.

3. Complex and stringent regulatory requirements

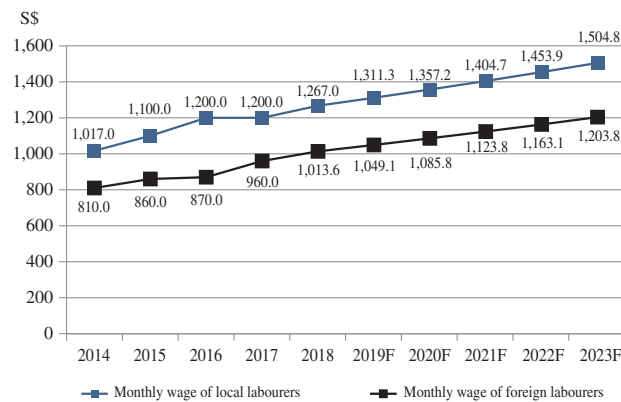
As the construction industry in Singapore is highly regulated, with rules in areas spanning from construction methods to workplace safety and manpower, it is a challenge for companies to constantly keep up with the many regulatory updates, which can be amended frequently. For example, from 2014 to 2018, there was an addition of at least three new subsidiary legislations under the Workplace Safety and Health Act. Efforts must be taken to keep abreast of any regulatory changes or additions, and also, to ensure that the regulations, however complex, are adhered to.

PRICE TREND OF MAJOR COST COMPONENTS

Manpower

The cost of labour has increased steadily from 2014 to 2018. Monthly wage of both local and foreign workers registered a CAGR of approximately 5.7% in this period. Given this stable incremental trend, labour cost is estimated to continue rising by approximately 2.0% to approximately 5.0% each year from 2019 to 2023. Rising labour cost is further exacerbated by the Singapore Government’s measures to limit the number of foreign workers in Singapore. One such measure is the raising of levy rates for construction work permit holders. This has significant impact on manpower costs as the construction industry in Singapore is heavily dependent on foreign workers, with semi-skilled foreign workers accounting for approximately 63.1% of the total construction employment in 2018.

**Construction industry manpower wages from 2014 to 2018,
and forecast from 2019 to 2023**



Note:

- The letter “F” denotes forecasted figures.
- The numbers in the graph are round off to one decimal place.

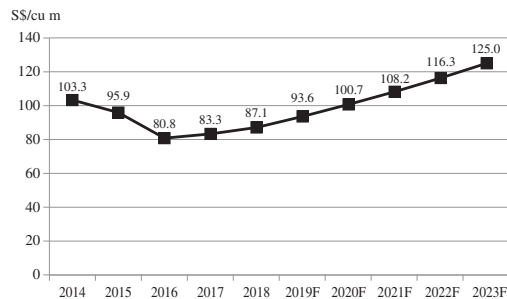
Source: *CK Report*

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Ready Mixed Concrete (“RMC”)

The prices of RMC have been generally decreasing, registering a CAGR of approximately -4.2% from 2014 to 2018. The fall in prices from 2014 to 2016 was largely attributed to competition and the entry of new players. In 2017 and 2018, the price of RMC increased slightly by approximately 3.1% and 4.6%, respectively, due to higher raw material prices - the price of granite increased by approximately 8.7% (from 2016 to 2017), and 6.7% (from 2017 to 2018), while the price of concreting sand increased by approximately 10.5% (from 2016 to 2017) and 17.9% (from 2017 to 2018). Prices of RMC are expected to be stable from 2019 to 2023, with price fluctuations estimated to range between 5.0% and 10.0%, due to the expected increase in the price of raw materials.

**Prices of RMC in Singapore from 2014 to 2018,
and forecast from 2019 to 2023**



Note:

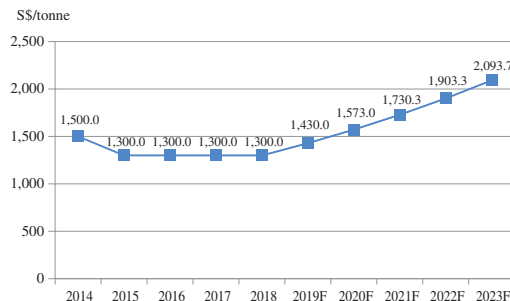
- The letter “F” denotes forecasted figures.
- The numbers in the graph are round off to one decimal place.

Source: BCA³, CK Report

Reinforcement bars

The price of reinforcement bars in Singapore fell from 2014 to 2015 before stabilising, overall, registering a CAGR of approximately -3.5% for 2014 to 2018. The fall in the price of reinforcement bars from 2014 to 2015 was largely due to steel oversupply, and weak iron ore and coking coal prices. Following which, price became almost constant from 2015 to 2018. However, this may not persist, given the China-US trade war, and global efforts to reduce carbon emission, which is likely to affect prices of steel worldwide. The price of reinforcement bars is expected to fluctuate between 5.0% and 15.0% for 2019 to 2023.

**Prices of reinforcement bars in Singapore from 2014 to 2018,
and forecast from 2019 to 2023**



³ BCA, Monthly Current Market Prices of Construction Materials

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Note:

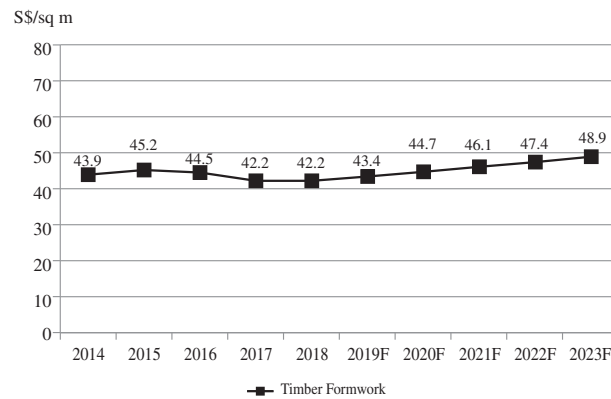
- The letter "F" denotes forecasted figures.
- The numbers in the graph are round off to one decimal place.

Source: BCA⁴, CK Report

Timber formwork

The price of timber formwork was volatile, due to its susceptibility to demand changes, with year-on-year price changes fluctuating between approximately -5.2% and 4.5% from 2014 to 2018. Prices of timber formwork in Singapore are expected to rise slightly from 2019 to 2023, by less than 5.0% each year, in line with the performance of the construction industry and expected lower supply of timber from key source countries like Malaysia.

Prices of timber formwork in Singapore from 2014 to 2018, and forecast from 2019 to 2023



Note:

- The letter "F" denotes forecasted figures.
- The numbers in the graph are round off to one decimal place.

Source: BCA⁵, CK Report

^{4.5} BCA, Unit Rates

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Our business operations are subject to the laws and regulations in Singapore. Below is a summary of the relevant laws, regulations and policies which are material to our Group.

LICENSING REGIME FOR BUILDERS AND CONTRACTORS IN SINGAPORE

Overview

The building and construction industry in Singapore is regulated by the BCA, whose primary role is to develop and regulate Singapore's building and construction industry.

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

Apart from the LBS, the BCA also administers a registration regime known as the CRS. A company which is only conducting business as contractors or suppliers in the private sector in Singapore need not be registered under the CRS. However, registration under the CRS is a pre-requisite to participate in construction tenders or carry out construction projects (as main or subcontractors) in the public sector in Singapore. In addition, a builder licence issued under the LBS is required for a company to be registered under certain categories under the CRS. Further details of the LBS and the CRS are set out below.

Licensing of Builders Scheme

There are two types of builder licences under the LBS, namely, the General Builder licence and Specialist Builder licence. Each type of licence is generally issued with a three-year tenure and renewable after each tenure.

General Builder Licence

There are two classes for the General Builder licence:

- (i) GB1 Licence, which allows the builder to undertake general building works of unlimited value; and
- (ii) GB2 Licence, which allows the builder to undertake general building works limited to contract value of S\$6 million or less.

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As at the Latest Practicable Date, CTR is licensed and issued with a GB1 Licence by the BCA which is valid until 29 December 2020 while CTD is licensed and issued with a GB2 Licence which is valid until 3 October 2020. As a holder of a GB1 Licence, CTR can undertake contracts of unlimited value while as a holder of a GB2 Licence, CTD can undertake contracts of value limited to S\$6 million or less.

For projects where an accredited checker is not required, General Builder licence holders can carry out all construction works, including the following specialist building works:

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

For projects where an accredited checker is required, General Builder licence holders can carry out all construction works except for the six specialist building works which have to be carried out only by the Specialist Builder licence holders. All structural designs of building works are to be checked by an accredited checker unless exempted in accordance with the Fourth Schedule of the Building Control Regulations 2003.

Builders who hold a GB1 Licence are required to comply with requirements of the Construction Registration of Tradesmen on construction personnel. All builders holding a GB1 Licence are required to lodge a manpower programme with the Commissioner of Building Control, which sets out the number and proportion of registered construction personnel to be deployed for the project, when undertaking projects with a contract value of S\$20 million or more.

During the Track Record Period, our Group had undertaken projects with average contract value of at least S\$7 million, and as at the Latest Practicable Date, CTR has undertaken projects with contract value of S\$76,000 to S\$37 million. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has complied with all Construction Registration of Tradesmen requirements.

Specialist Builder Licence

There are six sub-categories for the Specialist Builder licence: (i) Specialist Builder (Piling Works); (ii) Specialist Builder (Ground Support and Stabilisation works); (iii) Specialist Builder (Site Investigation Work); (iv) Specialist Builder (Structural Steelwork); (v) Specialist Builder (Pre-cast Concrete work); and (vi) Specialist Builder (in-situ Post-Tensioning work).

A company with a General Builder licence will be eligible to register as a specialist builder so long as it meets the specialist builder licensing requirements. There is no restriction on the number of specialist categories that a general builder may register in.

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As at the Latest Practicable Date, CTR is licensed and issued with a SB(PC) Licence by the BCA which is valid until 26 June 2021. As a holder of the SB(PC) Licence, CTR can undertake pre-cast concrete work comprising fabrication of pre-cast structural elements which has been designated as specialist works to be carried out only by companies possessing a Specialist Builder licence (apart from holding a General Builder licence).

Criteria for Builder Licence

To qualify for the GB1 Licence, the licensee must have a minimum paid-up capital of S\$300,000. In addition, the approved person and the technical controller appointed must meet the following qualification and experience requirements:

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

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To qualify for the GB2 Licence and Specialist Builder Licence (all classes), the licensee must have a minimum paid-up capital of S\$25,000. In addition, the approved person and the technical controller appointed must meet the following qualification and experience requirements:

Approved person⁽¹⁾		Technical controller⁽²⁾	
<i>Course</i>	<i>Practical Experience</i>	<i>Course</i>	<i>Practical Experience</i>
A course leading to a diploma in a construction-related field ⁽³⁾ , or a Bachelor's degree or post-graduate degree in any field	At least three 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 post-graduate degree in a construction-related field ⁽³⁾ (in the case of GB2 Licence) or a course leading to a Bachelor's degree or post-graduate degree in the field of civil or structural engineering from a recognised institution ⁽⁴⁾ (in the case of Specialist Builder licence (all classes))	At least five 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 the BCA known as Essential Knowledge in Construction Regulations & Management for Licensed Builders	At least eight years (in aggregate) of practical experience in the execution of construction projects in Singapore
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Notes:

- (1) The approved person is the appointed key personnel under whose charge and direction of the management of the business of the licensee, in so far it relates to general building works or specialist building works in Singapore, is to be at all times. The approved personnel shall be the sole-proprietor, partner, director or member of the board of management of the licensee. If an employee of the licensee is appointed as the approved person, he shall be employed in such a manner and with such similar duties and responsibilities as a director or member of its board of management. The approved person shall not have acted as an approved person or the technical controller of a builder whose licence has been revoked in the 12 months preceding the date of application for the licence by the licensee. The approved person must not be acting, for so long as he is the approved person for the licensee, as a technical controller for any company with or applying for a licence. The approved person must give his consent for carrying out the duties of an approved person for the licensee.

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- (2) The technical controller is the appointed key personnel under whose personal supervision the execution and performance of any general building works or specialist building works in Singapore that the licensee undertakes is carried out. The technical controller(s) could be the sole proprietor, partner, director or member of board of management of the licensee or an employee (being a person employed in such a manner and with such similar duties and responsibilities as a partner, director or member of its board of management). The technical controller shall not have acted as an approved person or the technical controller of a builder whose licence has been revoked in the 12 months preceding the date of application for the licence by the licensee. The technical controller must not be acting, for so long as he is the technical controller for the licensee, as a technical controller for any company with or applying for a licence. The technical controller must give his consent to carrying out the duties of a technical controller for the applicant of the licensee.
- (3) "Construction-related field" means the field of architecture, civil or structural engineering, mechanical or electrical engineering, construction or project management, quantity surveying or building science, facilities or estate management.
- (4) "Recognised institution" means (i) the National University of Singapore; (ii) the Nanyang Technological University; or (iii) any other university that is specified by the Commissioner of Building Control in the BCA's website at <http://www.bca.gov.sg>.

As at the Latest Practicable Date, the roles of approved person and technical controller for our GB1 Licence were taken up by Mr. XP Xu and Ms. Khin Thuza Aung respectively, for our GB2 Licence by Mr. Liu Honggeng and Mr. Nay Che Mon respectively, and for our SB(PC) Licence by Mr. XP Xu and Mr. Liu Honggeng respectively.

Renewal and retention requirements

Every licence, if granted shall be valid for such period specified therein, being not more than three years. For renewal of the General Builder licence or the Specialist Builder licence, an applicant must submit to the Commissioner of Building Control an application for renewal of licence not later than one month before the date of expiry of the licence, accompanied by the relevant renewal fee. If the application is submitted less than one month before the date of expiry of the licence, the renewal must be accompanied by the relevant renewal fee and late application fee. The Commissioner of Building Control may refuse to renew any licence if such application is made not more than 14 days before the date of expiry of the licence.

Contractors Registration System

The CRS was established to register contractors who are able to provide construction and construction-related goods and services to the Singapore public sector (which includes government departments, statutory bodies and other public sector organisations including first level subcontractors involved in government projects). At present, there are seven major categories of registration under the CRS: (i) Construction Workhead (CW); (ii) Construction-Related Workhead (CR); (iii) Mechanical and Electrical Workhead (ME); (iv) Maintenance Workhead (MW); (v) Trade Heads for subcontractors (TR); (vi) Regulatory Workhead (RW); and (vii) Supply Head (SY).

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Under the aforesaid seven major categories, there is a further sub-classification of a total of 64 workheads. Each major category of registration under the CRS is also subject to up to seven financial grades. In order to qualify for a particular grade, registered contractors must satisfy the respective grade requirements in terms of (i) financial resources; (ii) track record; (iii) sufficiency of personnel resources with the relevant skills and experience; and (iv) management certification (such as Singapore Accreditation Council accredited ISO 9001, ISO 14001, OHSAS 18001, etc.).

As at the Latest Practicable Date, CTR is registered under the CRS under the following workhead:

Workhead	Title	Grade⁽⁶⁾	Tender limits	Expiry date
CW01	General Building ⁽⁵⁾	C1	S\$4 million	1 May 2021

As at the Latest Practicable Date, CTD is registered under the CRS under the following workhead:

Workhead	Title	Grade⁽⁶⁾	Tender limits	Expiry date
CR01	Minor Construction Works ⁽⁷⁾	Single Grade	Unlimited	1 June 2020

Notes:

- (5) Scope of work under CW01 includes (i) all types of building works in connection with any structure, being built or to be built, for the support, shelter and enclosure of persons, animals, chattels or movable property of any kind, requiring in its construction the use of more than two unrelated building trades and crafts. Such structure includes the construction of multi-storey car-parks, buildings for parks and playgrounds and other recreational works, industrial plants and utility plants; (ii) addition and alteration works on buildings involving structural changes; and (iii) installation of roofs.
- (6) The difference in the grades relates to the tender limits for Singapore public sector projects, which may be adjusted from year to year depending on the economy of the construction industry in Singapore.
- (7) Scope of work under CR01 includes minor building and civil engineering works that are not governed by the Building Control Act such as drainage, minor road works, aprons and minor addition and alteration.

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As at the Latest Practicable Date, the tender limits for the different grades of the construction workhead CW01 are summarised below:

Construction Workhead CW01

Grades	A1	A2	B1	B2	C1	C2	C3
Tender limit (<i>S\$ million</i>) From 1 July 2017 to 30 June 2019	Unlimited	85	40	13	4	1.3	0.65

As at the Latest Practicable Date, the tender limits for the different grades of the construction-related workhead CR01 are summarised below:

Construction-Related Workhead CR01

Grades	Single Grade	L6	L5	L4	L3	L2	L1
Tender limit (<i>S\$ million</i>) From 1 July 2017 to 30 June 2019	Unlimited	Unlimited	13	6.5	4	1.3	0.65

Registration and retention requirements

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 with and approved by the BCA. Processing is on first-come-first-serve basis, and generally an application to the BCA for renewal takes approximately two weeks to be processed.

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

All applicants are expected to meet these respective specific requirements. Additionally, applicants applying for renewal of its registration status are expected to prove that they are still active in the line of business, and produce evidence to show to the BCA’s satisfaction that it has undertaken relevant works or supplies during the preceding three years.

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As at the Latest Practicable Date, to maintain its existing workhead and grade, CTR is required to comply with, among others, the following requirements:

Workhead/ Permitted scope/Grade	Requirements	
CW01 (General Building) C1 grade	Minimum paid-up capital and minimum net worth	S\$300,000 ⁽¹¹⁾
	Technical Personnel	To employ at least one RP or P, and one T, with one RP, P or T with Basic Concept in Construction Productivity Enhancement (“BCCPE”) ⁽¹²⁾
	Track record (over a three-year period)	To secure projects with an aggregate contract value of at least S\$3 million
	Certification	To possess bizSAFE Level 3 ⁽¹³⁾ , ISO 45001 or OHSAS 18001
	Additional requirement	To possess GB1 Licence or GB2 Licence

As at the Latest Practicable Date, to maintain its existing workhead and grade, CTD is required to comply with, among others, the following requirements:

Workhead/ Permitted scope/Grade	Requirements	
CR01 (Minor Construction Work) Single Grade	Minimum paid-up capital and minimum net worth	S\$10,000 ⁽¹¹⁾
	Technical Personnel	To employ one T with BCCPE ⁽¹²⁾
	Track record (over a three-year period)	To secure projects with an aggregate contract value of at least S\$100,000

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Notes:

- (8) A RP under CW01 must have a degree in Civil/Structural, Mechanical, Electrical Engineering recognised by the Professional Engineers Board or the BCA, or a degree in Architecture recognised by the Board of Architects. A RP under CR01 must have a minimum professional qualification with a degree in Civil/Structural Engineering recognised by the Professional Engineers Board or the BCA.
- (9) A P under CW01 must have a recognised degree in Civil/Structural, Mechanical, Electrical Engineering, Architecture, Building or equivalent. A P under CR01 must have a minimum professional qualification with a recognised degree in Civil/Structural, Mechanical or Electrical Engineering, Architecture, Building or equivalent qualifications approved by the BCA.
- (10) A T under CW01 must have a technical qualification in any of the following: (i) a diploma in Civil/Structural Mechanical, Electrical Engineering, Architecture, Building or equivalent awarded by BCA Academy, Nanyang Polytechnic, Ngee Ann Polytechnic, Republic Polytechnic, Singapore Polytechnic or Temasek Polytechnic; (ii) a National Certificate in Construction Supervision or Advance National Building Qualification/Specialist Diploma in Mechanical and Electrical Coordination awarded by BCA Academy; or (iii) such other diplomas or qualifications as approved by BCA from time to time. A T under CR01 must have minimum technical qualification with a polytechnic diploma in Civil/Structural Mechanical, Electrical Engineering, Architecture, Building 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.
- (11) Both minimum paid-up capital and minimum net worth must be met separately.
- (12) Should the director of a company be the only person in the company possessing a BCCPE, he cannot utilise the same BCCPE to satisfy the requirements for another company of which he is also part of.
- (13) Workplaces that have achieved bizSAFE Level 3 would have their risk management implementation and must engage a Workplace Safety and Health auditor approved by the MOM to assess the implementation of risk management in their enterprise.

BUILDING AND CONSTRUCTION INDUSTRY SECURITY OF PAYMENT ACT

The Building and Construction Industry Security of Payment Act (Chapter 30B of the laws of Singapore) was enacted to facilitate payments for construction work done, or for related goods or services supplied, in the building and construction industry. The Building and Construction Industry Security of Payment Act aims to improve cash-flow by helping to speed up payment in the building and construction industry, by conferring statutory benefits such as the right to receive progress payments, and by providing for adjudication, a fast and low-cost dispute resolution mechanism, to resolve payment disputes.

The Building and Construction Industry Security of Payment Act only applies to two types of contracts, namely, a “construction contract” and a “supply contract”, the definitions of which are set out in the paragraph below headed “Payment claims and payment responses” in this section. Any person who has carried out any construction work or supplied any goods or services under a “contract” (as defined under the Building and Construction Industry Security of Payment Act) would be statutorily entitled to progress payments.

The provisions of the Building and Construction Industry Security of Payment Act have effect notwithstanding any provision to the contrary in any contract, and any contractual

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provision which attempts to exclude, restrict, modify or in any way prejudice the operation of the Building and Construction Industry Security of Payment Act shall be void. A "pay when paid" provision of a contract is unenforceable and has no effect in relation to any payment for construction work carried out or undertaken to be carried out, or for goods or services supplied or undertaken to be supplied, under the contract.

For further details on the types of contracts we enter into and the principal terms of our engagement, please refer to "Business – Our Customers – Principal terms of engagement with our customers" in this document.

Rights to progress payment

The Building and Construction Industry Security of Payment Act contains provisions relating to, among others, the amount of the progress payment to which a person is entitled under a contract, the valuation of the construction work carried out under a contract and the date on which a progress payment becomes due and payable. Progress payments, under the Building and Construction Industry Security of Payment Act, include a single or one-off payment, or a payment that is based on an event or date.

The Building and Construction Industry Security of Payment Act can apply even where the contract has no provision for progress payments, in which case the claimant (being the person who is or claims to be entitled to a progress payment) can make a payment claim for an amount calculated on the basis of the value of the construction work carried out, or the goods or services supplied, by the person under the contract.

Payment claims and payment responses

Where a construction contract (being an agreement under which (i) one party undertakes to carry out construction work, whether including the supply of goods or services or otherwise, for one or more other parties, or (ii) one party undertakes to supply services to one or more other parties) provides for the date on which a progress payment becomes due and payable, the progress payment becomes due and payable on the earlier of the following dates:

- (a) the date as specified in or determined in accordance with the terms of the contract; or
- (b) the date immediately upon the expiry of 35 days after (i) if the claimant is a taxable person under the Goods and Services Tax Act (Chapter 117A of the laws of Singapore) who has submitted to the respondent (being the person who is or may be liable to make a progress payment under a contract to a claimant) a tax invoice for the progress payment, the date the tax invoice is submitted to the respondent, or (ii) in any other case, the date on which or the period within which the payment response is required to be provided in accordance with the Building and Construction Industry Security of Payment Act (whether or not a payment response is provided).

REGULATORY OVERVIEW

Where a construction contract does not provide for the date on which a progress payment becomes due and payable, the progress payment becomes due and payable immediately upon the expiry of 14 days after:

- (a) if the claimant is a taxable person under the Goods and Services Tax Act who has submitted to the respondent a tax invoice for the progress payment, the date the tax invoice is submitted to the respondent; or
- (b) in any other case, the date on which or the period within which the payment response is required to be provided in accordance with the Building and Construction Industry Security of Payment Act (whether or not a payment response is provided).

Where a supply contract (being an agreement (excluding certain prescribed agreements) under which (i) one party undertakes to supply goods to any other party who is engaged in the business of carrying out construction work or who causes to be carried out construction work, (ii) the supply is for the purpose of construction work carried out or caused to be carried out by the second-mentioned party, and (iii) the first-mentioned party is not required to assemble, construct or install the goods at or on the construction site) provides for the date on which a progress payment becomes due and payable, the progress payment becomes due and payable on the earlier of the following dates:

- (a) the date as specified in or determined in accordance with the terms of the contract; or
- (b) the date immediately upon the expiry of 60 days after the relevant payment claim is served in accordance with the Building and Construction Industry Security of Payment Act.

Where a supply contract does not provide for the date on which a progress payment becomes due and payable, the progress payment becomes due and payable upon the expiry of 30 days after the relevant payment claim is served in accordance with the Building and Construction Industry Security of Payment Act.

In the event that the payment date agreed between the contracting parties goes beyond the maximum duration prescribed by the Building and Construction Industry Security of Payment Act, the payment date prescribed by the Building and Construction Industry Security of Payment Act prevails as between the contracting parties.

Entitlement to make adjudication applications

A claimant who, in relation to a construction contract, fails to receive payment by the due date of the response amount which he has accepted, is entitled to make an adjudication application in relation to the relevant payment claim. Where, in relation to a construction contract, the claimant disputes a payment response provided by the respondent, or the respondent fails to provide a payment response to the claimant by the payment response deadline, the claimant is entitled to make an adjudication application in relation to the relevant

REGULATORY OVERVIEW

payment claim if, by the end of the dispute settlement period (in relation to a payment claim dispute, being the period of seven days after the payment response deadline), the dispute is not settled or the respondent does not provide the payment response, as the case may be.

A claimant who has served a payment claim in relation to a supply contract is entitled to make an adjudication application in relation to the payment claim if (i) the claimant fails to receive payment by the due date of the claimed amount, or (ii) the claimant disputes the response amount, where the response amount is less than the claimed amount.

EMPLOYMENT

Employment Act

The Employment Act is the main legislation governing employment in Singapore, and is administered by the MOM.

Following the amendments to the Employment Act with effect from 1 April 2019, the Employment Act covers every employee who is under a contract of service with an employer including persons employed in managerial and executive positions, except for public servants, domestic workers and seafarers.

Part IV of the Employment Act, which sets out requirements relating to, among others, working hours, overtime, rest days, payment of retrenchment benefit, priority of retirement benefit, annual wage supplement and other conditions of work or service, applies only to (i) workmen earning basic monthly salaries of not more than S\$4,500 and (ii) employees (other than a workman or a person employed in a managerial or an executive position) earning basic monthly salaries of not more than S\$2,600. A workman is defined under the Employment Act as including, among others, (i) any person, skilled or unskilled, who has entered into a contract of service with an employer in pursuance of which he is engaged in manual labour, including any artisan or apprentice, or (ii) any person employed partly for manual labour and partly for the purpose of supervising in person any workman in and throughout the performance of his work.

Following the amendments to the Employment Act with effect from 1 April 2016, all employers must issue key employment terms in writing to employees covered under the Employment Act. Key employment terms include, among others, full name of employer and employee, job title, duties and responsibilities, start date of employment, duration of employment, basic salary, fixed allowances, fixed deductions, overtime pay, leave entitlements, medical benefits, probation period and notice period. Such employees include employees (i) who enter into a contract of service with the company on or after 1 April 2016; and (ii) are employed for 14 days or more in relation to the length of contract (and not in relation to the number of days of work).

REGULATORY OVERVIEW

Employment of foreign employees in Singapore

Employment of Foreign Manpower Act

The employment of foreign employees in Singapore is governed by the Employment of Foreign Manpower Act. The Employment of Foreign Manpower Act is also administered by the MOM.

Under Section 5(1) of the Employment of Foreign Manpower Act, no person shall employ a foreign employee in Singapore unless he has obtained in respect of the foreign employee a valid work pass from the MOM in accordance with the regulations prescribed pursuant to the Employment of Foreign Manpower Act, including the EFM Regulations.

Work passes include, amongst others, Employment Pass, S Pass and Work Permit. The Employment Pass is for foreign professionals who (i) have a job offer in Singapore; (ii) work in a managerial, executive or specialised job; (iii) earn a fixed monthly salary of at least S\$3,600; and (iv) have acceptable qualifications. The S Pass is for mid-level skilled foreign employees who (i) earn a fixed monthly salary of at least S\$2,300; (ii) have a degree or diploma; and (iii) have years of relevant work experience. The Work Permit is for foreign workers from approved source countries working in the construction, manufacturing, marine shipyard, process or services sector, and there is no requirement for minimum qualifying salary.

The EFM Regulations requires employers of Work Permit holders to, among others:

- (i) provide safe working conditions;
- (ii) ensure that their foreign employees have acceptable accommodation consistent with any law, directive, guideline, circular or other similar instrument issued by any competent authority; and
- (iii) provide and maintain the medical insurance for their foreign employees in-patient care and day surgery, with coverage of at least S\$15,000 per 12-month period of the foreign employee's employment (or for such shorter period were the foreign employee's Period of employment is less than 12 months) ("**FW Medical Insurance**").

The EFM Regulations also requires employers to, among others, provide and maintain the FW Medical Insurance for their S Pass holders.

As at the Latest Practicable Date, all of our foreign workers hold one of the Employment Pass, S Pass or Work Permit.

REGULATORY OVERVIEW

Approved Source

The Approved Source countries or regions for foreign workers employed in the construction sector are Malaysia, the PRC, non-traditional sources (“NTS”) countries and North Asian sources (“NAS”) countries or regions.

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

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

Requirements	Type of workers
Skills Evaluation Certificate or Skills Evaluation Certificate (Knowledge) ⁽¹⁴⁾ , issued or accepted by the BCA	NTS countries and the PRC under the prior approval (Type: New); NAS countries or regions
Sijil Pelajaran Malaysia or its equivalent, the Skills Evaluation Certificate or Skills Evaluation Certificate (Knowledge)	Malaysia
Attend and pass either the Apply Workplace Safety and Health in Construction Sites Course (“ AWSHSCS ”) or the Construction Safety Orientation Course (“ CSOC ”) ⁽¹⁵⁾	NTS countries, NAS countries or regions, the PRC and Malaysia (All)
Pass medical examination by doctor registered in Singapore	NTS countries, NAS countries or regions, the PRC and Malaysia (All)

Notes:

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

REGULATORY OVERVIEW

With respect to NTS countries and the PRC employees or workers employed in the construction sector, Basic-Skilled or R2 construction workers are allowed to work up to a maximum of 14 years, while Higher-Skilled or R1 construction workers are allowed to work up to 26 years. There is no maximum employment period for all other foreign workers from NAS countries or regions and Malaysia. The maximum age limit for all foreign workers to work in Singapore, regardless of country of origin, is up to 60 years old.

All foreign workers in the construction sector must attend and pass the AWSHCSC or CSOC, a course conducted by various training centres accredited by the MOM. Employers must ensure that the foreign workers attend the AWSHCSC or CSOC within two weeks of their arrival in Singapore before their Work Permits can be issued. At the end of the course, the workers will receive a safety orientation pass if they pass its requirement or assessment. Foreign workers who have failed the AWSHCSC or CSOC must retake the course as soon as possible. Employers are responsible for ensuring that their workers pass the AWSHCSC or CSOC within three months of arrival or affected workers could have their Work Permits revoked.

Quota or dependency ceilings

The dependency ceiling for the construction industry is currently set at a ratio of one full-time local employee to seven Work Permit holders. This means that for every full-time Singapore citizen or Singapore permanent resident employed by a company in the construction sector with regular full month CPF contributions made by the employer, the company can employ seven foreign workers holding Work Permits. The quota for S Pass holders in the construction sector is capped at 20% of a company's total workforce, and will be counted within the Work Permit quota. If the quota is exceeded, new applications for and renewals of work passes may be rejected.

Based on the latest information available from the MOM database as at the Latest Practicable Date, our Group has utilised 92.3% of the quota balance for foreign workers and the maximum number of foreign workers that our Group can hire is 588, which means that we can hire 45 additional foreign workers based on the dependency ceilings.

Man-Year Entitlements

MYE represents the total number of Work Permit holders a main contractor is entitled to employ based on the value of the projects or contracts awarded by the developers or owners. The allocation of MYE is in the form of the number of "man-years" required to complete a project and only main contractors may apply for MYE. All levels of subcontractors are required to obtain their MYE allocation from their main contractors. One man-year is equivalent to employment under a Work Permit, and a MYE will expire on the stated project completion date.

During the Track Record Period, our Group has, as subcontractors, obtained our MYE allocation from our main contractors. Subsequent to the Track Record Period, our Group has also been awarded as the main contractor for one of our contracts and we have obtained allocations of MYE from the MOM directly.

REGULATORY OVERVIEW

Companies in the construction sector without MYE may still employ NTS or PRC Work Permit holders who possess at least three years of construction experience in Singapore, upon a MYE waiver granted by the MOM, subject to the compliance with, among others, the dependency ceiling and a higher foreign worker levy rate.

Security bonds

For the employers operating in the construction sector, for each non-Malaysian (i.e. NTS, NAS or the PRC) Work Permit holder, a security bond of S\$5,000 in the form of a banker’s guarantee or insurance guarantee is required to be furnished by the employer to the Controller of Work Passes under the Employment of Foreign Manpower Act. The security bond must be furnished prior to the foreign worker’s arrival in Singapore, failing which entry into Singapore will not be allowed. Malaysian workers are exempt from the above requirement of furnishing a security bond.

The purposes of the security bond is to ensure that employers and their respective foreign workers comply with the conditions of the Work Permits issued. The security bond may be forfeited if, among others, there is a violation of any of the conditions of the Work Permit.

Foreign Worker Levy

Employers operating in the construction sector are required to pay prescribed foreign worker levies for all its Work Permit and S Pass holders. The levy rates are tiered based on the foreign worker’s qualifications, and are subject to changes as and when announced by the Singapore Government. As at the Latest Practicable Date, the levy rates for foreign workers employed in the construction sector are set out below:

Type of Work Pass	Worker Category	Monthly levy rate (S\$)			
		Effective 1 July 2017	Effective 1 July 2018	Effective 1 July 2019	Effective 1 July 2020
S Pass	Basic Tier/Tier 1 (up to 10% of the total workforce)	330	330	330	To be announced in 2020
	Tier 2 (10% to 20% of the total workforce)	650	650	650	As above
Work Permit	Higher skilled and on MYE	300	300	300	300
	Basic skilled and on MYE	700	700	700	700
	Higher skilled and MYE waiver	600	600	600	600

REGULATORY OVERVIEW

Type of Work Pass	Worker Category	Monthly levy rate (\$\$)			
		Effective 1 July 2017	Effective 1 July 2018	Effective 1 July 2019	Effective 1 July 2020
	Basic skilled and MYE waiver	950	950	950	950

Minimum percentage of Higher-Skilled workers

From 1 January 2018, at least 10% of a construction company's Work Permit holders must be Higher-Skilled or R1 construction workers before the company can hire any new Basic-Skilled or R2 construction workers or renew the Work Permits of existing Basic-Skilled or R2 construction workers.

Basic-Skilled or R2 construction workers may be upgraded to Higher-Skilled or R1 construction workers if they satisfy the requirements for one of the four upgrading schemes, namely, Construction Registration of Tradesmen, the Multi-Skilling Scheme, the Direct R1 Pathway and the Markets-Based Recognition Framework. Each of the aforesaid upgrading schemes vary in qualifying criteria which include, among others, minimum years of experience, certain skills or certification and minimum fixed monthly salary.

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

As at the Latest Practicable Date, approximately 54.4% of the work permit holders hired by our Group are Higher-Skilled or R1 construction workers.

Work Permit conditions

Other Work Permit conditions which employers employing foreign workers are also required to comply with include, among others, (i) ensuring that the foreign worker performs only those construction activities specified in the conditions; (ii) ensuring that the foreign worker is not sent to work for any other person, except as provided for in the conditions; (iii) providing safe working conditions for their foreign workers; and (iv) purchasing and maintaining the FW Medical Insurance except as the Controller of Work Passes may otherwise provide by notification in writing.

Apart from the Employment of Foreign Manpower Act, an employer of foreign workers is also subject to, amongst others, the provisions set out in (i) the Employment Act, as discussed above; and (ii) the Immigration Act and the regulations issued pursuant to the Immigration Act.

REGULATORY OVERVIEW

Housing for foreign workers

Employers are required to ensure acceptable housing for their foreign workers and to provide the foreign workers’ residential addresses to the MOM. The operation of foreign workers’ dormitories has to comply with relevant applicable laws and regulations, including but not limited to the Building Control Act, the Control of Vectors and Pesticides Act (Chapter 59 of the laws of Singapore), the Environmental Public Health Act, the Fire Safety Act (Chapter 109A of the laws of Singapore), the Planning Act (Chapter 232 of the laws of Singapore) and the Foreign Employee Dormitories Act 2015 (No. 3 of 2015) (in the case of dormitories housing 1,000 or more foreign workers).

The Urban Redevelopment Authority grants planning permission for the operation of, among others, ancillary workers’ dormitories by an applicant subject to, among others, the applicant obtaining clearances from the relevant authorities and the consent of the relevant landowner. The number of workers can be housed in the workers’ dormitory will be subject to the technical requirements of the relevant authorities such as Land Transport Authority, Public Utilities Board, National Environmental Agency and compliance with, among others, the relevant fire safety regulations, prevailing living space standards and amenity provision guidelines for workers’ dormitories, subject to the use not causing any amenity problems.

Employers may be prosecuted if they fail to provide acceptable housing for their foreign workers, and they could also be banned from Work Permit applications or renewals. Further, employers are required to register their foreign workers’ residential address with the MOM before the issuance or renewal of the Work Permits as well as to update the MOM with the residential addresses of their foreign workers within five calendar days of any change in residential address, by way of the online portal “Online Foreign Worker Address Service”.

CENTRAL PROVIDENT FUND

Pursuant to the Central Provident Fund Act (Chapter 36 of the laws of Singapore) employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore under a contract of service (save for employees who are employed as a master, a seaman or an apprentice in any vessel, subject to an exception for owners who have not been exempted from the relevant provisions of the Central Provident Fund Act).

CPF contributions are required for both ordinary wages and additional wages (subject to an ordinary wage ceiling and a yearly additional wage ceiling) of employees at the applicable prescribed rates which are dependent on, among others, the amount of monthly wages and the age of the employee. An employer must pay both the employer’s and employee’s share of the monthly CPF contribution. However, an employer can recover the employee’s share of CPF contributions from their wages when the contributions are paid for that month.

REGULATORY OVERVIEW

WORKPLACE SAFETY AND HEALTH

Workplace Safety and Health Act

Under the Workplace Safety and Health Act, 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 those persons 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 those persons 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.

Under Section 41 of the Workplace Safety and Health Act, inspectors appointed by the Commissioner for Workplace Safety and Health ("**WSH Commissioner**") may, among others, make such examination and inquiry as may be necessary to ascertain whether the provisions of the Workplace Safety and Health Act are complied with, so far as regards any workplace and any person at work.

Under Section 21 of the Workplace Safety and Health Act, the WSH Commissioner may serve a remedial order or 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 work or process 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 Workplace Safety and Health Act; or (iii) any person has done any act, or has refrained from doing any act which, in his opinion, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The MOM has also implemented a single-stage demerit points system for the construction industry. All main contractors and subcontractors will be issued with demerit points for breaches or infringements under the Workplace Safety and Health Act and its relevant subsidiary legislation. The number of demerit points issued depends on the severity of the breach or infringement, and the accumulation of a minimum of 25 demerit points within a period of 18 months would immediately trigger debarment for the contractor. Applications from the company for all types of work passes for foreign employees will be rejected by the MOM. The accumulation of more demerit points will result in longer periods of debarment.

During the Track Record Period and up to the Latest Practicable Date, we have not been issued any demerit points under the demerit points system. As at the Latest Practicable Date, our Group has not accumulated any demerit points under the demerit points system.

REGULATORY OVERVIEW

Additional specific duties imposed by the MOM on employers are laid out in the various regulations subsidiary to the Workplace Safety and Health Act, including without limitation, the Workplace Safety and Health (Construction) Regulations 2007, Workplace Safety and Health (Scaffolds) Regulations 2011 and Workplace Safety and Health (Risk Management) Regulations.

Workplace Safety and Health (Construction) Regulations 2007

The Workplace Safety and Health (Construction) Regulations 2007 sets out specific duties relating to, among others, the appointment of a workplace safety and health co-ordinator in respect of every worksite to assist in identifying any unsafe condition in the worksite or unsafe work practice which is carried out in the worksite and recommend and assist in the implementation of reasonably practicable measures to remedy the unsafe condition or unsafe work practice.

Workplace Safety and Health (Scaffolds) Regulations 2011

The Workplace Safety and Health (Scaffolds) Regulations 2011 sets out specific duties on employers relating to, among others, the construction, erection, installation, re-positioning, alteration, maintenance, repair or dismantling of a scaffold in a workplace including, among others, ensuring that any scaffold shall be erected or installed under the supervision of an authorised scaffold erector, comply with such standards or specifications as prescribed, and ensuring that there are signboards prominently displayed, stating the maximum permissible weight of tools and materials and the maximum number of persons permissible on each bay of the scaffold.

Workplace Safety and Health (Risk Management) Regulations

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

Work Injury Compensation Act

The Work Injury Compensation Act (Chapter 354 of the laws of Singapore) applies to all employees (other than those set out in the Fourth Schedule of the Work Injury Compensation Act) engaged under a contract of service or apprenticeship, in respect of injury suffered by them in the course of their employment and sets out, among others, the amount of compensation they are entitled to and the method(s) of calculating such compensation. The amount of compensation payable is computed in accordance with the Third Schedule of the Work Injury Compensation Act, subject to minimum and maximum limits prescribed therein.

REGULATORY OVERVIEW

ENVIRONMENTAL LAWS AND REGULATIONS

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

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

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

SINGAPORE TAXATION

Corporate Tax

The prevailing corporate tax rate in Singapore is 17% with effect from Year of Assessment 2010. In addition, the partial tax exemption scheme applies on the first S\$300,000 of normal chargeable income, and specifically 75% of up to the first S\$10,000 of a company's normal chargeable income, and 50% of up to the next S\$290,000 is exempt from corporate tax. Starting from Year of Assessment 2020, the partial tax exemption scheme applies on the first \$200,000 of a company's normal chargeable income, and specifically 75% of up to the first S\$10,000 of a company's normal chargeable income, and 50% of up to the next S\$190,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17%. For the Years of Assessment 2018 and 2019, companies will be granted a corporate income tax rebate of 40% and 20% respectively of the tax payable for the year, subject to a cap of S\$15,000 and S\$10,000 respectively per year of assessment.

REGULATORY OVERVIEW

Dividend distributions

Singapore adopts the one-tier corporate tax system. Under the one-tier corporate tax system, the tax collected from corporate profits is a final tax and the after-tax profits of the company resident in Singapore can be distributed to the shareholders as tax-exempt dividends. Such dividends are tax-exempt in the hands of the shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident. Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

Goods and Services Tax

Goods and Services Tax in Singapore is a consumption tax that is levied on import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 7%.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our Group is a Singapore-based contractor specialising in structural engineering works and wet architectural works. During the Track Record Period, we engaged in structural engineering works comprising (i) reinforced concrete works which include steel reinforcement works, formwork erection and concrete works; and (ii) precast installation works. We also engaged in wet architectural works, comprising (i) masonry building works; (ii) plastering and screeding works; (iii) tiling works; and (iv) waterproofing works.

Our business history can be traced back to March 2006 when CTD was incorporated in Singapore by Mr. Xu Junjie (the father of Mr. XP Xu who is the chairman of our Board, the chief executive officer of our Group, our executive Director and one of our Controlling Shareholders, and Mr. TC Xu who is our executive Director and one of our Controlling Shareholders) who possessed over 10 years of experience in the construction industry in Singapore and Mr. Sun Hongbo (an Independent Third Party).

CTD commenced business in 2006 by providing structural engineering works. Shortly after the incorporation of CTD, in January 2007, Mr. Xu Junjie transferred his entire shareholding in CTD to Mr. XP Xu as he intended to focus on his other business. Since then, Mr. XP Xu became a shareholder of 52% of the interest in CTD while Mr. Xu Junjie has been a consultant of CTD, providing advice to CTD as and when necessary. In March 2009, for the purposes of diversifying the business risk and operation efficiency, Mr. TC Xu incorporated CTR in Singapore which also engaged in the provision of structural engineering works and Mr. XP Xu became a director of CTR in June 2010. In February 2011, Mr. Sun Hongbo disposed of his entire shareholding in CTD to Mr. XP Xu as he intended to pursue other business opportunities. Since then, Mr. XP Xu became the sole owner of CTD.

After co-managing CTR for about one year as directors of CTR, Mr. XP Xu and Mr. TC Xu decided to jointly manage and own both CTD and CTR with a view to maximising the synergies between CTD and CTR and better allocating and utilising the internal resources between the two companies. To reflect such intention and as a matter of family arrangement, in June 2011, Mr. TC Xu became a director of CTD and Mr. XP Xu transferred 40% and 20% of his interest in CTD to Mr. TC Xu and Ms. Gou (mother of Mr. XP Xu and Mr. TC Xu), respectively, while Mr. TC Xu transferred 40% and 20% of his interest in CTR to Mr. XP Xu and Ms. Gou, respectively. Since then, CTD and CTR were both owned as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively, and have been our principal operating subsidiaries.

HISTORY, DEVELOPMENT AND REORGANISATION

BUSINESS MILESTONES

The key milestones in our Group's development to date are set out below:

Year	Event
2006	CTD was incorporated and commenced business in Singapore.
2009	CTR was incorporated and commenced business in Singapore.
2010	We obtained the bizSAFE Level 3 certificate issued by the Workplace Safety and Health Council.
2012	We were accredited the BS OHSAS 18001:2007 certificate issued by Certification International (Singapore) Pte. Ltd. for the provision of general building construction works.
2013	We were accredited the ISO 9001:2008 and ISO 14001:2004 certificates issued by Certification International (Singapore) Pte. Ltd. for the provision of general building construction works.
2014	We obtained the "Asia Top Outstanding Enterprise" award from Asia 1 Enrich, a media consultancy in Singapore.
2015	We obtained the Singapore SME 1000 Company award from DP Information Group, a veteran information and credit bureau in Singapore. We were awarded the contract for structural engineering works in respect of the building of MRT station.
2016	We were awarded the first contract with a total contract sum of over S\$10 million for structural engineering works in respect of the building of MRT station.
2017	The number of employees in our Group reached 300.
2018	We obtained the SB(PC) Licence issued by the BCA. The number of employees in our Group reached 450. We were awarded the first contract with a total contract sum of over S\$20 million during the Track Record Period for structural engineering works in respect of the building of health campus.

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Event
2019	We were awarded a contract for structural engineering works in respect of an industrial project with an estimated total contract sum of approximately S\$38.4 million, which was our largest project in terms of total contract sum during the Track Record Period.

OUR CORPORATE HISTORY

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 October 2018. Pursuant to the Reorganisation as more particularly described in “Reorganisation” below in this section, our Company has become the holding company of our Group for the purposes of the [REDACTED] and holding the entire interest in our operating subsidiaries, namely CTD and CTR, through our investment holding company, Pinnacle Shine.

CTD

CTD was incorporated in Singapore as an exempt private company limited by shares on 22 March 2006. On the date of its incorporation, CTD had an issued and paid-up share capital of S\$2 comprising two shares of S\$1 each. On the same day, CTD allotted and issued one share to each of Mr. Xu Junjie (the father of Mr. XP Xu and Mr. TC Xu) and Mr. Sun Hongbo (an Independent Third Party) at a consideration of S\$1 per share. On the same day, Mr. Xu Junjie and Mr. Sun Hongbo were also appointed as the directors of CTD. On 9 June 2006, CTD further allotted and issued 51,999 and 47,999 shares to Mr. Xu Junjie and Mr. Sun Hongbo at a consideration of S\$51,999 and S\$47,999, respectively, and the issued share capital of CTD was increased to S\$100,000 comprising 100,000 shares of S\$1 each.

On 3 January 2007, Mr. Xu Junjie transferred 52,000 shares, representing 52% of the issued share capital of CTD and his entire shareholding in CTD, to Mr. XP Xu at a nominal consideration of S\$1 as Mr. Xu Junjie intended to focus on his other business. Since then, Mr. XP Xu became a shareholder of 52% of the interest in CTD while Mr. Xu Junjie has resigned as a director and has been a consultant of CTD, providing advice to CTD as and when necessary. On 1 February 2011, Mr. Sun Hongbo transferred 48,000 shares, representing 48% of the issued share capital of CTD and his entire shareholding in CTD, to Mr. XP Xu at a consideration of S\$48,000 (i.e. S\$1 per share) as Mr. Sun Hongbo intended to pursue other business opportunities. On the same day, Mr. Sun Hongbo also resigned as a director. Upon completion of the above share transfers, Mr. XP Xu became the sole owner of CTD. Since then, Mr. Sun Hongbo has ceased to be involved in our Group’s business. To the best of our Directors’ knowledge, information and belief, at the time Mr. Sun Hongbo ceased to be a shareholder and director of CTD, he was not subject to any non-compliances and investigations.

HISTORY, DEVELOPMENT AND REORGANISATION

In June 2010, Mr. XP Xu became a director of CTR, our other operating subsidiary incorporated by Mr. TC Xu. After co-managing CTR for about one year as directors of CTR, Mr. XP Xu and Mr. TC Xu decided to jointly manage and own both CTD and CTR with a view to maximising the synergies between CTD and CTR and better allocating and utilising the internal resources between the two companies. To reflect such intention and as a matter of family arrangement, on 17 June 2011, Mr. TC Xu became a director of CTD and Mr. XP Xu transferred 40,000 shares and 20,000 shares, representing 40% and 20% of the interest in CTD, to Mr. TC Xu and Ms. Gou (the mother of Mr. XP Xu and Mr. TC Xu) at a consideration of S\$32,000.0 and S\$16,000.0, respectively. The considerations paid by Mr. TC Xu and Ms. Gou were determined with reference to the net assets value of CTD as at 28 February 2010 and 28 February 2011, respectively. Upon completion of the above share transfers, CTD became owned as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively.

As advised by our Singapore Legal Advisers, the above allotments, issuances and transfers of shares of CTD were properly and legally completed and settled.

As at the Latest Practicable Date and during the Track Record Period, CTD provided labour assistance to CTR for structural engineering works and wet architectural works taken up by CTR.

CTR

CTR was incorporated in Singapore as an exempt private company limited by shares on 30 March 2009. On the date of its incorporation, CTR had an issued and paid-up share capital of S\$2.0 comprising two shares of S\$1 each, which were allotted and issued to Mr. TC Xu at a consideration of S\$1 per share. Between April 2009 and March 2010, CTR allotted and issued in aggregate 103,998 shares to Mr. TC Xu at an aggregate consideration of S\$103,998.0.

In June 2010, Mr. XP Xu became a director of CTR. After Mr. XP Xu and Mr. TC Xu had co-managed CTR for about one year as directors of CTR, and to reflect the intention of Mr. XP Xu and Mr. TC Xu to jointly manage and own both CTR and CTD and as a matter of family arrangement, on 17 June 2011, Mr. TC Xu transferred 41,600 and 20,800 shares, representing 40% and 20% of the interest in CTR, to Mr. XP Xu and Ms. Gou (the mother of Mr. XP Xu and Mr. TC Xu), at a consideration of S\$24,960.0 and S\$12,480.0, respectively. The considerations paid by Mr. XP Xu and Ms. Gou were determined with reference to the net assets value of CTR as at 28 February 2010 and 28 February 2011, respectively. Upon completion of the above share transfers, CTR became owned as to 40%, 40% and 20% by Mr. TC Xu, Mr. XP Xu and Ms. Gou, respectively.

Between October 2012 and October 2014, CTR allotted and issued in aggregate 358,400 shares, 358,400 shares and 179,200 shares to Mr. TC Xu, Mr. XP Xu and Ms. Gou at an aggregate consideration of S\$358,400.0, S\$358,400.0 and S\$179,200.0, respectively, and the issued share capital of CTR was increased to S\$1,000,000 divided into 1,000,000 shares of S\$1.0 each. Upon completion of the above share allotments, CTR continued to be owned as to 40%, 40% and 20% by Mr. TC Xu, Mr. XP Xu and Ms. Gou, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

As advised by our Singapore Legal Advisers, the above allotments, issuances and transfers of shares of CTR were properly and legally completed and settled.

As at the Latest Practicable Date and during the Track Record Period, CTR engaged in the provision of structural engineering works and wet architectural works and was our Group’s principal operating subsidiary for taking up our Group’s projects.

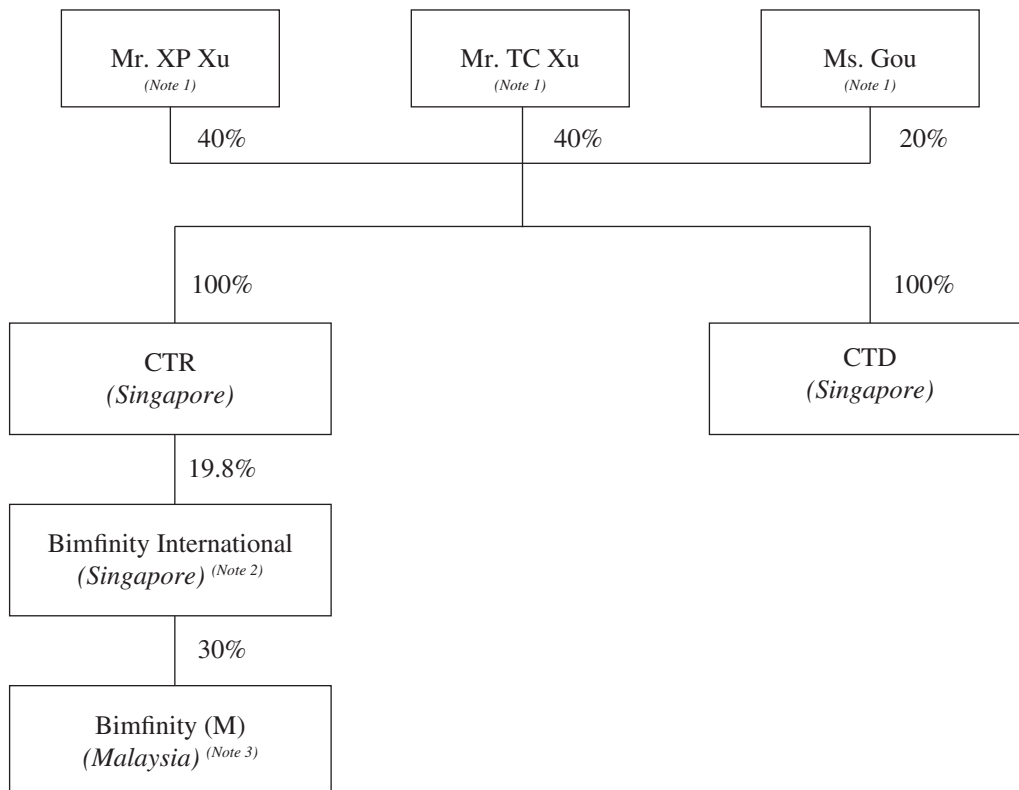
Pinnacle Shine

On 20 August 2018, Pinnacle Shine was incorporated in BVI with limited liability as part of the Reorganisation. For details, please refer to “Reorganisation – Incorporation of Pinnacle Shine” and “Reorganisation – Acquisition of Pinnacle Shine by our Company from Mr. XP Xu, Mr. TC Xu and Ms. Gou” below in this section.

As at the Latest Practicable Date, the principal business of Pinnacle Shine was investment holding.

REORGANISATION

The following chart sets forth our Group’s shareholding and corporate structure immediately before the Reorganisation:



HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

1. Mr. XP Xu, Mr. TC Xu and Ms. Gou entered into the Acting In Concert Confirmation And Undertaking. For details, please refer to "Relationship with Controlling Shareholders – Acting In Concert Confirmation And Undertaking" in this document.
2. Immediately before the Reorganisation, CTR held 55,440 shares in Bimfinity International, representing 19.8% of the issued share capital of Bimfinity International. Bimfinity International principally engaged in the provision of hardware and software consultancy services immediately before the Reorganisation.
3. Immediately before the Reorganisation, Bimfinity International held 30,000 shares in Bimfinity (M), representing 30% of the issued share capital of Bimfinity (M). Bimfinity (M) principally engaged in the provision of software consultancy services immediately before the Reorganisation.

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

The Reorganisation involved the following steps:

Incorporation of Pinnacle Shine

On 20 August 2018, Pinnacle Shine was incorporated in BVI with limited liability. Pinnacle Shine is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each.

On 27 August 2018, (i) four shares with a par value of US\$1.00 each were allotted and issued, fully paid, to Mr. XP Xu; (ii) four shares with a par value of US\$1.00 each were allotted and issued, fully paid, to Mr. TC Xu; and (iii) two shares with a par value of US\$1.00 each were allotted and issued, fully paid, to Ms. Gou. Upon completion of the above allotment and issue of shares, Pinnacle Shine had an issued share capital of US\$10.00 divided into 10 shares of US\$1.00 each, and was owned as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively.

Transfer of shares of CTR and CTD from Mr. XP Xu, Mr. TC Xu and Ms. Gou to Pinnacle Shine

On 31 August 2018, Mr. XP Xu, Mr. TC Xu and Ms. Gou (as transferors) and Pinnacle Shine (as transferee) signed a share transfer form for the transfer of shares in CTR (the "CTR Share Transfer"). Pursuant to the share transfer form, (i) Mr. XP Xu transferred 400,000 ordinary shares in CTR to Pinnacle Shine for a consideration of S\$1; (ii) Mr. TC Xu transferred 400,000 ordinary shares in CTR to Pinnacle Shine for a consideration of S\$1; and (iii) Ms. Gou transferred 200,000 ordinary shares in CTR to Pinnacle Shine for a consideration of S\$1, representing, in aggregate, the entire issued share capital of CTR. The certificate of stamp duty in relation to the CTR Share Transfer was issued on 14 September 2018.

On the same day, Mr. XP Xu, Mr. TC Xu and Ms. Gou (as transferors) and Pinnacle Shine (as transferee) also signed a share transfer form for the transfer of shares in CTD

HISTORY, DEVELOPMENT AND REORGANISATION

(the "**CTD Share Transfer**"). Pursuant to the share transfer form, (i) Mr. XP Xu transferred 40,000 ordinary shares in CTD to Pinnacle Shine for a consideration of S\$1.0; (ii) Mr. TC Xu transferred 40,000 ordinary shares in CTD to Pinnacle Shine for a consideration of S\$1.0; and (iii) Ms. Gou transferred 20,000 ordinary shares in CTD to Pinnacle Shine for a consideration of S\$1, representing, in aggregate, the entire issued share capital of CTD. The certificate of stamp duty in relation to the CTD Share Transfer was issued on 14 September 2018.

Upon completion of the CTR Share Transfer and the CTD Share Transfer, each of CTR and CTD became a wholly-owned subsidiary of Pinnacle Shine.

As advised by our Singapore Legal Advisers, the above transfers of shares of CTR and CTD were properly and legally completed and settled.

Disposal of Bimfinity International by CTR

On 27 September 2018, CTR entered into a share transfer form with one of the existing shareholders of Bimfinity International (the "**Purchaser**"), whose shareholding was 60.2% before the transfer for CTR to sell and for the Purchaser to purchase 55,440 shares in Bimfinity International, representing 19.8% of the issued share capital of Bimfinity International for a consideration of S\$55,440 ("**Disposal of Bimfinity**"). The consideration of S\$55,440 received by CTR was based on negotiation between CTR and the Purchaser with reference to the historical financial performance of Bimfinity International. The certificate of stamp duty in relation to the Disposal of Bimfinity was issued on 27 September 2018.

The reason for the Disposal of Bimfinity was to delineate the principal business from the other businesses operated by our Group prior to the Reorganisation. Bimfinity International was not loss-making at the time of the Disposal of Bimfinity.

As advised by our Singapore Legal Advisers, the above transfer of shares of Bimfinity International were properly and legally completed and settled.

Incorporation of Brave Ocean

On 28 September 2018, Brave Ocean was incorporated in BVI with limited liability. Brave Ocean is authorised to issue a maximum of 50,000 no par value shares of a single class.

On 19 October 2018, (i) four shares were allotted and issued at US\$4.00, fully paid, to Mr. XP Xu; (ii) four shares were allotted and issued at US\$4.00, fully paid, to Mr. TC Xu; and (iii) two shares were allotted and issued at US\$2.00, fully paid, to Ms. Gou. Upon completion of the above allotment and issue of shares, Brave Ocean was owned as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

Incorporation of our Company

On 24 October 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, the authorised share capital of our Company was US\$50,000 divided into 5,000,000 Shares with a par value of US\$0.01 each.

On 24 October 2018, one subscriber Share with a par value of US\$0.01 was allotted and issued, fully paid, to an initial subscriber. On the same day, the subscriber Share held by the initial subscriber was transferred to Brave Ocean at par value of US\$0.01. Upon completion of the above transfer, our Company was wholly owned by Brave Ocean.

Acquisition of Pinnacle Shine by our Company from Mr. XP Xu, Mr. TC Xu and Ms. Gou

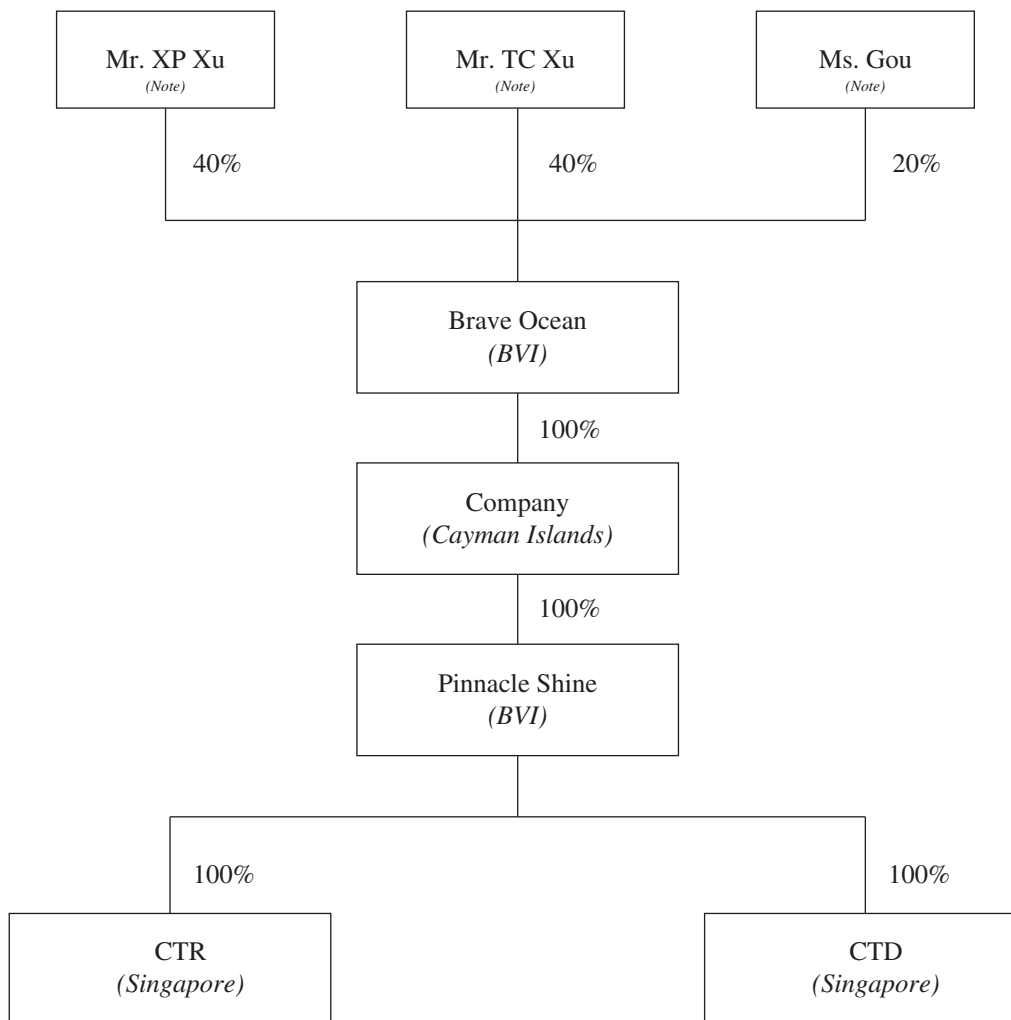
On [•], our Company acquired (i) four ordinary shares in Pinnacle Shine from Mr. XP Xu; (ii) four ordinary shares in Pinnacle Shine from Mr. TC Xu; and (iii) two ordinary shares in Pinnacle Shine from Ms. Gou, representing, in aggregate, the entire issued share capital of Pinnacle Shine (the “**Acquisition of Pinnacle Shine**”).

In consideration of the Acquisition of Pinnacle Shine, on [•], our Company allotted and issued 99 shares, credited as fully paid, to Brave Ocean, as directed by Mr. XP Xu, Mr. TC Xu and Ms. Gou.

Upon completion of the Acquisition of Pinnacle Shine, (i) Pinnacle Shine became a wholly-owned subsidiary of our Company; and (ii) Brave Ocean held 100 Shares, representing the entire issued share capital of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth our Group’s shareholding and corporate structure immediately after the Reorganisation but before the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon exercise of the [REDACTED] and the options that may be granted under the Share Option Scheme):



Note: Mr. XP Xu, Mr. TC Xu and Ms. Gou entered into the Acting In Concert Confirmation And Undertaking. For details, please refer to “Relationship with Controlling Shareholders – Acting In Concert Confirmation And Undertaking” in this document.

INCREASE OF AUTHORISED SHARE CAPITAL OF OUR COMPANY

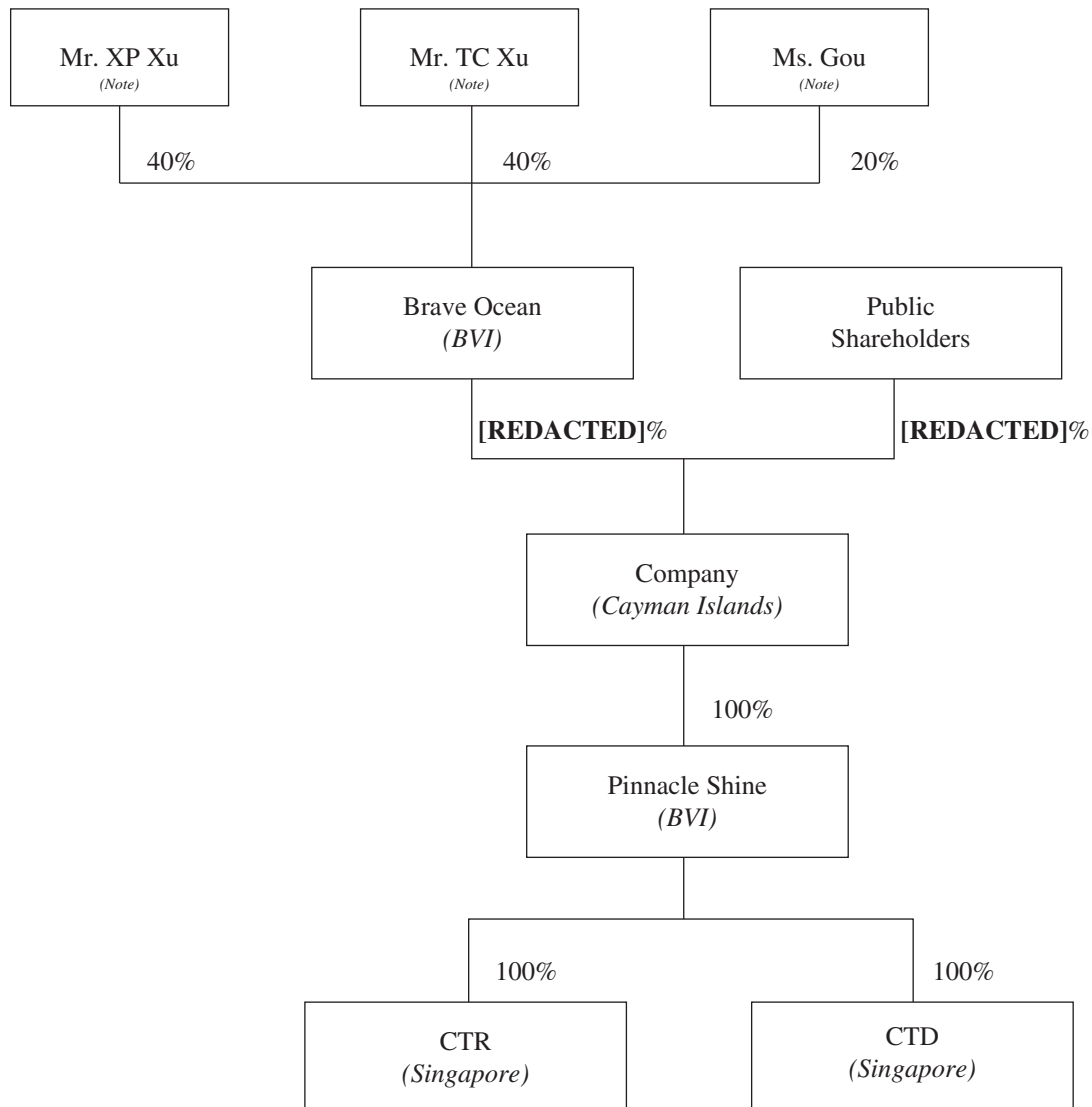
On [•], our Company increased our authorised share capital from US\$50,000 divided into 5,000,000 Shares with a par value of US\$0.01 each to US\$[50,000,000] divided into [5,000,000,000] Shares by the creation of [4,995,000,000] new Shares.

HISTORY, DEVELOPMENT AND REORGANISATION

[REDACTED] AND [REDACTED]

Conditional upon the crediting of our Company’s share premium account as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors are authorised to capitalise an amount of US\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum towards to pay up in full at par a total of [REDACTED] Shares for allotment and issue, immediately prior to the [REDACTED], to our sole Shareholder, namely Brave Ocean.

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



Note: Mr. XP Xu, Mr. TC Xu and Ms. Gou entered into the Acting In Concert Confirmation And Undertaking. For details, please refer to “Relationship with Controlling Shareholders – Acting In Concert Confirmation And Undertaking” in this document.

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OVERVIEW

We are a Singapore-based contractor specialising in structural engineering works and wet architectural works. During the Track Record Period, we engaged in structural engineering works comprising (i) reinforced concrete works which include steel reinforcement works, formwork erection and concrete works; and (ii) precast installation works. We also engaged in wet architectural works, comprising (i) masonry building works; (ii) plastering and screeding works; (iii) tiling works; and (iv) waterproofing works. For FY2016/17, FY2017/18 and FY2018/19, our revenue was approximately S\$26.5 million, S\$54.5 million and S\$64.4 million, respectively.

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

	FY2016/17				FY2017/18				FY2018/19			
	Revenue		Gross profit		Revenue		Gross profit		Revenue		Gross profit	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Structural engineering works ^(Note)	21,299	80.5	5,861	27.5	43,610	80.0	9,358	21.5	54,887	85.3	14,147	25.8
Wet architectural works	5,154	19.5	2,496	48.4	10,871	20.0	2,320	21.3	9,466	14.7	2,479	26.2
Total	<u>26,453</u>	<u>100.0</u>	<u>8,358</u>	<u>31.6</u>	<u>54,481</u>	<u>100.0</u>	<u>11,678</u>	<u>21.4</u>	<u>64,353</u>	<u>100.0</u>	<u>16,625</u>	<u>25.8</u>

Note: During the Track Record Period, we were awarded one project as a main contractor.

For details of our projects, please refer to “Our Projects – Major projects” in this section.

During the Track Record Period, we participated in both public and private sector projects, and our customers were main contractors of building and infrastructure projects in Singapore engaged by project employers including (i) the Singapore Government departments, statutory bodies or Government-controlled entities under the public sector; or (ii) property developers under the private sector. Our public sector projects include the building of hospitals and MRT stations, whereas our private sector projects include the building of residential estates, office buildings and data centres.

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The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by reference to the sector of projects during the Track Record Period:

	FY2016/17				FY2017/18				FY2018/19			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Public sector projects	21,668	82.1	6,460	29.8	30,773	56.5	5,940	19.3	27,569	42.8	7,445	27.0
Private sector projects	4,785	17.9	1,898	39.7	23,708	43.5	5,739	24.2	36,784	57.2	9,180	25.0
Total	26,453	100.0	8,358	31.6	54,481	100.0	11,678	21.4	64,353	100.0	16,625	25.8

For details of our projects, please refer to "Our Projects – Major projects" 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 required for performing our structural engineering works and wet architectural works such as ready mixed concrete, reinforcement bars and timber formwork; and (iii) suppliers of other miscellaneous services such as rental of equipment, and rental of dormitories for workers. For further information regarding our suppliers, please refer to "Our Suppliers" below in this section. The major cost components of our Group's operations include subcontracting charges and direct material costs, which in aggregate accounted for approximately 44.3%, 65.7% and 65.7% of our total construction costs for FY2016/17, FY2017/18 and FY2018/19, respectively.

Our Group currently holds a GB1 Licence, GB2 Licence and SB(PC) Licence issued by BCA under the LBS, which enable us to undertake general building works and pre-cast concrete works as a specialist builder in Singapore. In addition, we are registered with BCA under the CRS and currently operate under the C1 Grade for "General Building" (CW01) workhead and single grade for "Minor Construction Works" (CR01) workhead. For further details, please refer to "Licences, Registrations and Certifications" below in this section.

OUR COMPETITIVE STRENGTHS

We have established a reputation with proven track record in the construction industry in Singapore

Founded in 2006, our Group has been involved in different types of building and infrastructure projects, which include residential estates, MRT stations, office buildings, hospitals and mixed development projects. Through our participation in these projects of various nature, scales and complexity, our Directors believe that we have established a reputation in Singapore as a contractor specialising in structural engineering works and wet architectural works. During the Track Record Period, we had undertaken 39 projects with an aggregate contract sum of approximately S\$280.9 million and in particular, had participated in 10

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large-scale building and infrastructure projects each with a contract sum of over S\$10 million. As at the Latest Practicable Date, the outstanding contract value for our projects on hand with revenue yet to be recognised amounted to approximately S\$147.4 million.

Our Directors consider that our capability of handling structural engineering works and wet architectural works for building and infrastructure projects with different nature, scale and complexity in both public and private sectors could diversify our source of income, develop business relationships with key industry players and strengthen our market presence in the construction industry. Our Directors believe that we stand out among our competitors as our clients can handily approach us regardless of different nature, scale and complexity of structural engineering works and wet architectural works for building and infrastructure projects. Our Directors believe that our established presence in the construction industry in Singapore together with our proven track record have enabled us to develop a good reputation in the construction industry in Singapore, earn our customers' trust in our ability to deliver quality works in a timely and satisfactory manner, and secure our continuous project flow, which are crucial to the sustainability and future business development of our Group.

We have a large skilled and efficient in-house labour force for our projects

Our Directors consider that main contractors in Singapore prefer subcontractors who possess sufficient manpower to carry out the works on schedule and on short notice. Our Directors believe that the ability to do so requires a relatively sizeable pool of suitable and trained workers who are readily available for deployment.

Over the years of our business operation, our Group has gradually built a strong labour force. As at the Latest Practicable Date, we had 555 employees in respect of project management and supervision, and site workers. With a sizeable pool of skilled workers, our Directors believe that we are well-positioned to cater for the manpower needs from construction projects of varying scales and complexity, which in turn strengthens our industry position. Our Directors also believe that our ability to maintain a sizeable pool of workers enables our customers to reduce their recurring overhead costs by not having to maintain a full team of direct labours on their own all the time, which would increase our Group's competitiveness when bidding for sizeable projects that require a strong work force. Furthermore, we believe that having a large work force enables us to participate in more sizeable projects at the same time and allows us more flexibility in allocating our workers to different projects. Our Directors also believe that reducing reliance on subcontractors can better control our on-site workplace safety and occupational health and safety measures and our quality standards as our direct labours are in general more familiar with standards imposed by our Group.

We maintain good relationships with our major customers and suppliers

Our Group values the relationships with our customers as we believe that maintaining good relationships with them is crucial to the success of our business. We believe that such good relationships help us understand the demands of our customers in a timely manner and also increase our visibility in the construction industry in Singapore. More importantly, we believe

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maintaining good relationships with our customers would increase our chance of being invited to tender or quote for the forthcoming projects, which is conducive to securing a steady stream of projects for us.

We strive to monitor manpower, machinery and material distribution in all projects in response to our customers' demands. As at the Latest Practicable Date, we had maintained business relationships with some of our major customers (including Hexacon Construction Pte. Ltd., Gammon Group and Customer Group B, as referred to in "Our Customers – Top five customers" below in this section) ranging from five to six years.

Furthermore, maintaining stable relationships with our suppliers is also essential to the smooth operation of our business, as our Directors believe that timely delivery of construction materials and provision of labour assistance can enable us to meet the schedules of our customers. As at the Latest Practicable Date, we had maintained business relationships with some of our major suppliers (including Supplier A, Supplier B and Supplier C, as referred to in "Our Suppliers – Top five suppliers (including subcontractors)" below in this section) for over four years.

We have an experienced management team

The management team of our Group has extensive technical and business knowledge in the fields of structural engineering works and wet architectural works. Our executive Directors, Mr. XP Xu and Mr. TC Xu, possess over 12 and 10 years of practical experience in the construction industry, respectively. Our senior management personnel, including Mr. Liu Jianzhong (our general manager), Mr. Liu Honggeng (our project director) and Mr. Tan Chooi Ing (our senior project manager), each possesses over 16 years experience in the construction industry. For details and biographies of our executive Directors and senior management, please refer to "Directors and Senior Management" in this document. Our tender team, comprising our executive Directors, senior management personnel and other management staff, considers the commercial and technical specifications of projects before submitting tenders or quotations. Our Directors consider our management team's extensive expertise and experience, and knowledge of structural engineering works and wet architectural works of different building and infrastructure projects to be our Group's valuable assets which form the foundation of our Group's continued success.

OUR BUSINESS STRATEGIES

Expand our market share by undertaking more sizeable projects

According to the CK Report, the structural engineering and wet architectural industries are estimated to grow at a CAGR of 7.0% and 2.7% in terms of industry revenue from 2018 to 2022, respectively. By 2022, the market size of the structural engineering and wet architectural industries are estimated to reach S\$13.5 billion and S\$3.0 billion, respectively. In light of the expected growth in the structural engineering and wet architectural industries in Singapore, our Directors believe that we can take advantage of emerging opportunities driven by the forecasted

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growth in the industries. According to the CK Report, the estimated aggregate market size of the structural engineering and wet architectural industries in 2017 was approximately S\$12.3 billion. The estimated total revenue of our Group in FY2017/18 was S\$54.5 million. Based on these figures, it is estimated that our Group's market share in the structural engineering and wet architectural industries in Singapore is approximately 0.4%. We intend to expand our market share through undertaking more sizeable projects with contract sum ranging from approximately S\$20 million to S\$30 million per project with an aim to generate strong revenue stream. With our established reputation and proven track record in the structural engineering and wet architectural industries, we believe we are well-positioned to undertake more sizeable projects in Singapore to cater for the emerging business opportunities driven by the forecasted growth in the industry. Our Directors take the view that we can achieve this through (i) strengthening our financial position; and (ii) strengthening our workforce.

With a strengthened financial position, our Directors believe that we are in a better position to tender for more sizeable projects with large contract sums given that (i) we can easily satisfy project upfront costs requirements of sizeable projects from new customers; and (ii) we will be able to adopt a more competitive pricing strategy in tendering for projects from new customers to capture new business opportunities even when there are performance bond requirements, thereby further expanding our market share amid the growing structural engineering and wet architectural industries. With such flexibility in allocating our financial resources, we believe we can effectively implement the tender and pricing strategies which our management has formulated from time to time. On the other hand, with an expanded workforce, we will have more capacity to take up more sizeable contracts from both existing and new customers.

Strengthen our financial position

We believe it is of paramount importance to maintain financially sound and stable in order to take on extra sizeable projects as the upfront costs will tie up our resources. Our Directors believe that if we could strengthen our financial position, we could reserve cash for our projects and minimise our reliance on debt financing.

The upfront costs of our projects generally include staff costs, subcontracting charges and materials costs. We target to undertake sizeable projects with contract sum over S\$20 million with an aim to generate strong revenue stream. However, these sizeable projects are generally cash flow demanding. Based on our operation history during the Track Record Period, certain sizeable projects with total contract sum each ranging from approximately S\$10 million to over S\$20 million generally requires us to pay upfront costs representing an average of approximately 9% of the total contract sum before such costs can be recovered from our customers after a period of an average of approximately six months. Furthermore, our customers generally make the first payment to us around three months after we incur initial cash outlay. Without additional funding, our Directors consider that our capacity to undertake sizeable projects would be constrained by our financial resources on hand. We believe [REDACTED] from the [REDACTED] will strengthen our available financial resources to satisfy the requirements for the upfront costs of our projects in the future and allow us to undertake more sizeable projects.

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During the Track Record Period, we were reliant on our amount due to directors for financing our business operations. As at 28 February 2017, 28 February 2018 and 28 February 2019, our amount due to directors were approximately S\$4.3 million, S\$8.3 million and nil, respectively.

Strengthen our workforce

As at the Latest Practicable Date, we had 606 employees, of which 142 were from our project management and supervision department and 413 were site workers. Limited by the manpower of our current project management team, in particular project managers and site supervisors who supervise our site workers and subcontractors at the project sites, we believe it is crucial to expand our in-house staff team in order to cater for a larger number of sizeable projects to be undertaken by us.

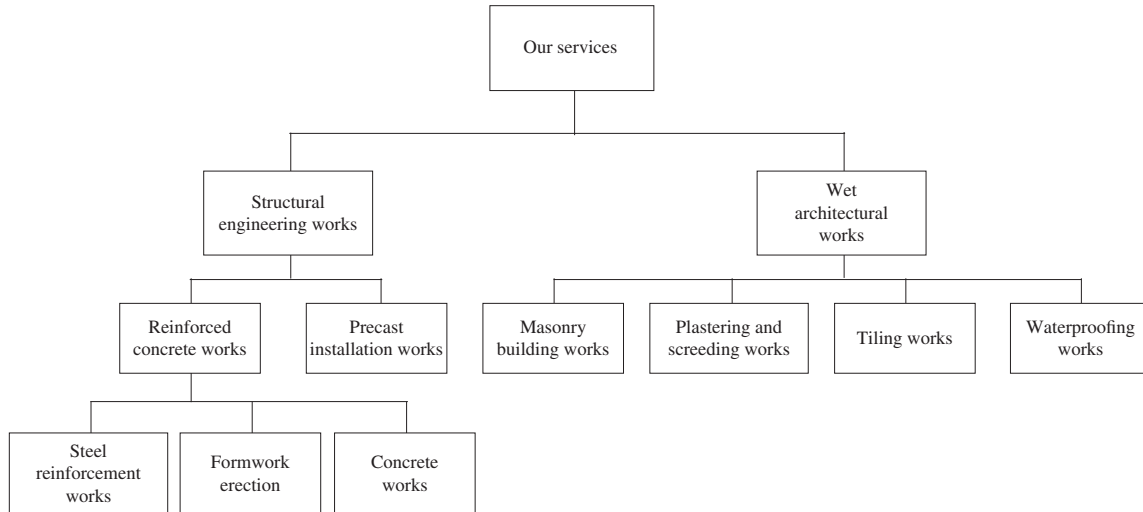
In addition, although we have engaged subcontractors to carry out on-site construction works when our own manpower was fully occupied during the Track Record Period, our Directors consider that going forward, in view of the increasing number of sizeable projects which our Group had undertaken during the Track Record Period, the anticipated overlapping of construction schedules and the competitiveness in hiring general workers, we intend to execute the projects by our own direct labour resources to the extent possible without substantial use of subcontractors. Our Directors also consider that we may be able to achieve a higher profit margin for our projects through using our own labour resources rather than through subcontracting because (i) a profit markup is generally factored in with the fees charged by our subcontractors; and (ii) our Group can perform in the same or higher level of efficiency with our direct labour for our works that were used to be subcontracted out if we have sufficient direct labour. Furthermore, given our plan to participate in more sizeable projects, the administrative support required to carry out our business operation will be increased. In order to better coordinate the administrative work among our Group, we intend to hire additional office staff to cope with our expansion plan. For the cost-benefit analysis on expanding our in-house staff team as compared to subcontracting, please refer to "Future Plans and [REDACTED] – [REDACTED]" in this document.

Please refer to "Future Plans and [REDACTED]" in this document for further details.

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OUR SERVICES

Our Group is a contractor specialising in structural engineering works and wet architectural works. The diagram below illustrates the major types of works and services provided by our Group during the Track Record Period:



Structural engineering works

According to CK Report, structural engineering is a core element in all construction activities, and as such, all construction projects, be it a building or an infrastructure, will require structural engineering works to be undertaken. In layman terms, structural engineering creates the ‘bones and muscles’ that form shape and support manmade structures.

(i) *Reinforced concrete works*

According to CK Report, reinforced concrete is one of the most commonly used building materials for construction. It is a combination of steel reinforcements works, formwork erection and concrete works, to ensure that relatively low tensile strength of the concrete is counteracted by the reinforcement bars’ higher tensile strength, thus improving the reinforced concrete’s resistance to tension and compression.

Steel reinforcement works

Steel reinforcement works involve the installation of reinforcement bars, rods or mesh, tied together in position according to structural engineering drawings. Steel reinforcement works are used as a tensioning device to reinforce concrete structures to improve the resistance to tension and compression.

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Formwork erection

Formwork is the "shell" that concrete is molded in until it hardens. For the purpose of formwork erection, falsework is often required. Falsework is a system of temporary framework structures which holds the formwork in the desired position in a stable and safe manner until the formwork becomes self-supporting.

There are mainly two types of formwork systems, namely, conventional formwork and system formwork. The features of these two types of formwork systems are set out below:

(1) Conventional formwork

Conventional formwork, most commonly plywood and timber, involves tying framed panels together with walings on site. Conventional formwork is mainly used in the construction of buildings of simple construction and smaller scales as conventional formwork can only be reused for a maximum of 50 times.

(2) System formwork

System formwork is made from a combination of metal and timber, and is designed for speed and efficiency in construction. As system formwork is prefabricated, it is easier and safer to use, and produces more accurate and consistent end result. High-rise buildings may utilise system formworks for expeditious construction as it is sturdier and can be reused for a hundred or more times.

Concrete works

Concrete works involve the mixing, curing and pouring of the concrete into the formwork moulds supported by reinforcement bars.

(ii) Precast installation

Precast concrete is a construction product produced offsite in controlled environments, these premade components are then transported to the construction site and assembled onsite by precast installation contractors. The construction duration, material wastage and manpower needed on site can be reduced as the precast elements are manufactured and tested in the factories prior to installation, and we generally are responsible for installing the ready-made precast.

Wet architectural works

Wet architectural works take place after the completion of structural engineering works and refer to works that involves the use of dry building materials mixed with water. The wet architectural works we provide to our customers include (i) masonry building works which is the building of walls with materials such as blocks, panels and bricks; (ii) plastering and screeding

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works which plastering is the application of plaster on walls with tools like trowels, to decorate and increase the durability of the walls and screeding refers to work undertaken to form sturdy subfloors for the completion of the final floor or staircase using a mixture of cement, graded aggregates and water; (iii) tiling works involves the laying of wall and floor tiles; and (iv) waterproofing works.

OUR PROJECTS

During the Track Record Period, we engaged in structural engineering works comprising (i) reinforced concrete works which include steel reinforcement works, formwork erection and concrete works; and (ii) precast installation works. We also engaged in wet architectural works, comprising (i) masonry building works; (ii) plastering and screeding works; (iii) tiling works; and (iv) waterproofing works. For FY2016/17, FY2017/18 and FY2018/19, our revenue was approximately S\$26.5 million, S\$54.5 million and S\$64.4 million, respectively.

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

	FY2016/17				FY2017/18				FY2018/19			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Structural engineering works ^(Note)	21,299	80.5	5,861	27.5	43,610	80.0	9,358	21.5	54,887	85.3	14,147	25.8
Wet architectural works	5,154	19.5	2,496	48.4	10,871	20.0	2,320	21.3	9,466	14.7	2,479	26.2
Total	26,453	100.0	8,358	31.6	54,481	100.0	11,678	21.4	64,353	100.0	16,625	25.8

Note: During the Track Record Period, we were awarded one project as a main contractor.

During the Track Record Period, we recognised a significant amount of our revenue from structural engineering works. Our revenue recognised from structural engineering works increased from approximately S\$21.3 million in FY2016/17 to approximately S\$43.6 million in FY2017/18, representing an increase of 104.8%. Such increase was mainly due to (i) an increase in the number of structural engineering projects; and (ii) an increase in revenue recognised from some sizeable projects taken by our Group, such as Project 10 and Project 7. Our revenue recognised from structural engineering works further increased from approximately S\$43.6 million in FY2017/18 to approximately S\$54.9 million in FY2018/19, representing an increase of 25.9%. Such increase was mainly due to an increase in revenue recognised from some sizeable projects taken by our Group, such as Project 13 and Project 14. The increase in gross profit from structural engineering works was primarily due to the reasons for the increase in revenue as mentioned above.

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Our revenue recognised from wet architectural works increased from approximately S\$5.2 million in FY2016/17 to approximately S\$10.9 million in FY2017/18, representing an increase of 110.9%. Such increase was mainly due to the increase in the number of wet architectural projects that our Group had undertaken in FY2017/18. Our revenue recognised from wet architectural works remained steady from FY2017/18 to FY2018/19.

Our gross profit margin for structural engineering works remained stable during the Track Record Period while our gross profit margin for wet architectural works decreased from 48.4% in FY2016/17 to 21.3% in FY2017/18 and 26.2% in FY2018/19 mainly due to the use of more subcontractors instead of our own direct labours during FY2017/18 and FY2018/19.

During the Track Record Period, we participated in both public and private sector projects, and our customers were main contractors of building and infrastructure projects in Singapore engaged by project employers including (i) the Singapore Government departments, statutory bodies or Government-controlled entities under the public sector; or (ii) property developers under the private sector. Our public sector projects include the building of hospitals and MRT stations, whereas our private sector projects include the building of residential estates, office buildings and data centres.

The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by reference to the sector of projects during the Track Record Period:

	FY2016/17				FY2017/18				FY2018/19			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Public sector projects	21,668	82.1	6,460	29.8	30,773	56.5	5,940	19.3	27,569	42.8	7,445	27.0
Private sector projects	4,785	17.9	1,898	39.7	23,708	43.5	5,739	24.2	36,784	57.2	9,180	25.0
Total	26,453	100.0	8,358	31.6	54,481	100.0	11,678	21.4	64,353	100.0	16,625	25.8

During the Track Record Period, we recognised revenue from both public sector projects and private sector projects. The revenue and gross profit from public sector projects remained relatively stable throughout the Track Record Period. The revenue recognised from private sector projects increased from S\$4.8 million in FY2016/17 to S\$23.7 million in FY2017/18 and further increased to S\$36.8 million in FY2018/19, while the gross profit from private sector projects also increased throughout the Track Record Period.

The gross profit margin from public sector projects decreased from 29.8% in FY2016/17 to 19.3% in FY2017/18, then increased to 27.0% in FY2018/19. Also, the gross profit margin from private sector projects decreased from 39.7% in FY2016/17 to 24.2% in FY2017/18, then remained relatively stable in FY2017/18 to FY2018/19. Our Directors consider that the decrease

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of gross profit margin in FY2017/18 was mainly due to the competitive pricing strategy adopted for certain projects, such as Project 11.

When deciding whether or not our Group to undertake a particular project, our Directors usually take consideration of (i) the price of the project; (ii) the reputation of the project’s owner or main contractor, which are our clients; (iii) the nature of the project, such as complexity, location, accessibility; and (iv) the timing of the project, to ensure we have enough resources to undertake the project at that period of time. Our Directors have no preference on public or private sector. The fluctuation in proportion of public sector projects and private sector projects our Group undertook is basically due to market factors. Our Group has not made any strategic change on tender bidding or project undertaking.

For details of our projects, please refer to “Business – Our Projects – Major projects” in this document.

Types of projects our Group engaged in during the Track Record Period

The following table sets forth a breakdown of our revenue by property type during the Track Record period:

	FY2016/17		FY2017/18		FY2018/19	
	S\$’000	%	S\$’000	%	S\$’000	%
Infrastructure ^(Note 1)	8,923	33.7	14,570	26.8	19,202	29.8
Industrial ^(Note 2)	740	2.7	16,579	30.4	30,137	46.8
Mixed Development ^(Note 3)	8,610	32.5	11,734	21.5	7,951	12.4
Healthcare ^(Note 4)	7,847	29.9	11,446	21.0	5,507	8.6
Residential ^(Note 5)	314	1.1	32	0.1	–	–
Commercial ^(Note 6)	–	–	–	–	–	–
Others ^(Note 7)	17	0.1	120	0.2	1,556	2.4
Total	26,453	100.0	54,481	100.0	64,353	100.0

Notes:

1. Infrastructure projects involving the building of MRT stations and transmission cable tunnel.
2. Industrial projects involving the building of warehouses and/or factories.
3. Mixed development projects represent the building of more than one type of property, which include residential-commercial complex, industrial-commercial complex and recreational-commercial complex.
4. Healthcare projects involving the building of hospitals or healthcare-related buildings.
5. Residential projects involving the building of condominiums and/or apartments.
6. Commercial projects involving the building of office buildings and/or shopping malls.
7. Others mainly include training centre and bird park.

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During the Track Record Period, our Group engaged in the construction of various types of properties. Depending on the projects awarded to us, there may be fluctuations in the revenue recognised from different property types. In FY2016/17, the largest proportion of our revenue was recognised from the building of infrastructure, which was mainly driven by the revenue contributed by Project 7 and Project 9. In FY2017/18, the largest proportion of our revenue was recognised from the building of industrial properties, which was mainly driven by the revenue contributed by Project 11 and project 12. In FY2018/19, the largest proportion of our revenue was recognised from the building of industrial properties, which was driven by the revenue contributed by Project 14 and Project 18. Our Directors have no preference on types of project in tender bidding or project undertaking. Our Directors consider that the reason that infrastructure and industrial projects contribute the largest proportion of our Group’s revenue is that demand of structural engineering works and wet architectural works from these two types of projects is higher in Singapore.

Movement in the number of our projects

The following table sets forth the movement in the number of our projects with revenue contribution and those that had been awarded to us but not yet commenced work during the Track Record Period, with breakdown of new projects awarded to us during the year and projects completed during the relevant year:

	FY2016/17	FY2017/18	FY2018/19
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Projects brought forward	13	15	18
New projects awarded to us during the year	6	11	11
Less: Projects completed during the year	4	8	13
Projects carried forward	15	18	16

Note: As at 28 February 2019, we had 16 structural engineering works and wet architectural works projects in our backlog. For details of our structural engineering works and wet architectural works projects in our backlog, please refer to “Our Projects – Backlog” below in this section.

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Number of projects by range of revenue recognised

For FY2016/17, FY2017/18 and FY2018/19, we engaged in 17, 25 and 25 projects, respectively, with revenue contribution of approximately S\$26.5 million, S\$54.5 million and S\$64.4 million, respectively. The following table sets forth a breakdown of such projects based on their respective range of revenue recognised during the Track Record Period:

	FY2016/17	FY2017/18	FY2018/19
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
<i>Revenue Recognised</i>			
S\$5,000,001 or above	1	4	5
S\$2,000,001 to S\$5,000,000	3	4	1
S\$500,001 to S\$2,000,000	7	6	9
S\$500,000 or below	6	11	10
Total	<u>17</u>	<u>25</u>	<u>25</u>

Number of projects by range of total contract sum

The following table sets forth a breakdown of the number of projects with revenue recognised during the Track Record Period by range of total contract sum, taking into account variation orders:

	FY2016/17	FY2017/18	FY2018/19
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
<i>Total Contract Sum</i>			
S\$20,000,001 or above	–	–	2
S\$10,000,001 to S\$20,000,000	5	5	4
S\$5,000,001 to S\$10,000,000	1	4	7
S\$1,000,001 to S\$5,000,000	8	12	7
S\$1,000,000 or below	3	4	5
Total	<u>17</u>	<u>25</u>	<u>25</u>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Average contract sum per project	<u>5,872</u>	<u>5,257</u>	<u>7,329</u>

The average duration of our projects with revenue recognised during the Track Record Period was approximately 25 months. Our Directors confirmed we did not experience any material loss-making contracts during the Track Record Period.

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Major projects

The following tables set forth particulars of our five largest projects for FY2016/17, FY2017/18 and FY2018/19 in terms of revenue contribution:

For FY2016/17

Project	Customer	Sector of project	Type of works	Actual/ expected project period ^(Note 1)	Total contract sum ^(Note 2)	Revenue recognised for the year	Percentage of our revenue for the year %
					S\$'000	S\$'000	
Project 6	Customer Group B	Public	Structural engineering works	February 2016 to May 2018	16,006	7,642	28.9
Project 1	Hexacon Construction Pte. Ltd.	Public	Structural engineering works	July 2014 to March 2017	11,774	3,760	14.2
Project 7	Customer F	Public	Structural engineering works	September 2015 to December 2019	11,706	2,727	10.3
Project 8	Customer G	Private	Wet architectural works	May 2016 to December 2017	3,582	2,434	9.2
Project 9	Customer Group B	Public	Structural engineering works	November 2015 to April 2017	1,818	1,630	6.2

For FY2017/18

Project	Customer	Sector of project	Type of works	Actual/ expected project period ^(Note 1)	Total contract sum ^(Note 2)	Revenue recognised for the year	Percentage of our revenue for the year %
					S\$'000	S\$'000	
Project 10	Hexacon Construction Pte. Ltd.	Private	Structural engineering works	August 2016 to January 2019	11,548	8,702	16.0
Project 6	Customer Group B	Public	Structural engineering works	February 2016 to May 2018	16,006	7,709	14.1
Project 7	Customer F	Public	Structural engineering works	September 2015 to December 2019	11,706	7,565	13.9
Project 11	Customer Group B	Private	Structural engineering works	August 2017 to October 2018	6,761	6,658	12.2
Project 12	Gammon Group	Private	Structural engineering works	June 2017 to October 2018	6,730	4,745	8.7

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For FY2018/19

Project	Customer	Sector of project	Type of works	Actual/expected project period ^(Note 1)	Total contract sum ^(Note 2)	Revenue recognised for the year	Percentage of our revenue for the year
					S\$'000	S\$'000	%
Project 14	Customer K	Private	Structural engineering works	May 2018 to June 2019	24,888	15,809	24.6
Project 13	Gammon Group	Public	Structural engineering works	January 2016 to October 2019	14,917	10,720	16.7
Project 18	Customer K	Private	Structural engineering works	May 2018 to April 2019	9,899	9,411	14.6
Project 15	Customer L	Private	Wet architectural work	May 2017 to July 2019	10,157	6,694	10.4
Project 16	Customer M	Public	Structural engineering work	May 2017 to May 2019	7,525	5,082	7.9

Notes:

1. The project start date is determined based on the date of the letter of award or contract or first invoice to customer or based on our Directors' estimation. The project completion date is determined based on the date we submitted our payment application to our customer for 100% of our work done or based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) as at the Latest Practicable Date and in the future.
2. The total contract sum represents the original estimated contract sum stated in the letter of intent or contract taking into account subsequent adjustments due to variation orders.

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Backlog

As at 28 February 2017, 28 February 2018, 28 February 2019 and the Latest Practicable Date, we had a total of 15, 18, 16 and 16 structural engineering works and wet architectural works projects in our backlog (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) with revenue derived or expected to be derived from such projects as follows:

	As at 28 February 2017	As at 28 February 2018	As at 28 February 2019	As at the Latest Practicable Date
Number of projects in our backlog	15	18	16	16
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Total estimated contract sum (Note)	93,112	110,557	225,458	205,842
Total revenue attributable to such projects recognised on or before the date indicated	<u>(41,552)</u>	<u>(73,627)</u>	<u>(80,727)</u>	<u>(60,615)</u>
Total revenue attributable to such projects yet to be recognised as at the date indicated	<u>51,559</u>	<u>36,930</u>	<u>144,730</u>	<u>145,227</u>

Note: The total contract sum represents the original estimated contract sum stated in the contract, or where applicable, taking into account subsequent adjustments due to variation orders.

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Projects on hand

Our projects on hand represent projects that have commenced but not completed and projects that have been awarded to us while works have not yet been commenced. As at the Latest Practicable Date, we had a total of 16 projects on hand. The following table sets forth the details of our projects on hand as at the Latest Practicable Date (in descending order by contract sum):

Project	Customer	Sector of project	Type of works	Actual/ expected project period ^(Note 1)	Total contract sum ^(Note 2)	Revenue	Expected
						Track Record during the Period	revenue to be recognised from 1 March 2019
					SS'000	SS'000	SS'000
Project 26	Customer Group B	Private	Structural engineering works	June 2019 to August 2020	38,400	–	38,400
Project 27	Customer P	Public	Structural engineering works and wet architectural works	September/October 2019 to October 2020	31,000	–	31,000
Project 28	Hexacon Construction Pte. Ltd.	Private	Structural engineering works	August/September 2019 to August 2021	25,000	–	25,000
Project 17	Customer N	Public	Structural engineering works	July 2018 to November 2019	22,463	4,248	18,215
Project 13	Gammon Group	Public	Structural engineering works	January 2016 to October 2019	14,917	14,208	583
Project 7	Customer F	Public	Structural engineering works	September 2015 to December 2019	11,706	11,347	44
Project 15	Customer L	Private	Wet architectural works	May 2017 to July 2019	10,157	7,986	2,171
Project 19	Customer Group B	Public	Structural engineering works	April 2018 to November 2020	10,037	1,512	8,531
Project 30	Customer Group B	Private	Structural engineering works	May 2019 to September 2019	9,180	–	9,180
Project 31	Customer D	Public	Structural engineering works	July 2019 to December 2020	8,105	–	8,105
Project 20 ^(Note 3)	Hexacon Construction Pte. Ltd.	Public	Erection of storage warehouse	February 2019 to February 2020	7,567	58	7,509
Project 29	Hexacon Construction Pte. Ltd.	Private	Structural engineering works	November 2018 to August 2021	7,500	–	7,500
Project 21	Customer Group B	Private	Wet architectural works	September 2016 to September 2019	4,688	4,547	141
Project 22	Sinohydro-Sembcorp Joint Venture	Public	Structural engineering works	April 2016 to June 2020	4,499	4,296	203

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Project	Customer	Sector of project	Type of works	Actual/ expected project period ^(Note 1)	Total contract sum ^(Note 2) S\$'000	Revenue	Expected
						Track Record Period S\$'000	revenue to be recognised from 1 March 2019 S\$'000
Project 25	Customer M	Public	Wet architectural works	December 2017 to July 2019	473	281	192
Project 34	Customer K	Private	Structural engineering works	May 2019 to October 2019	148	-	148

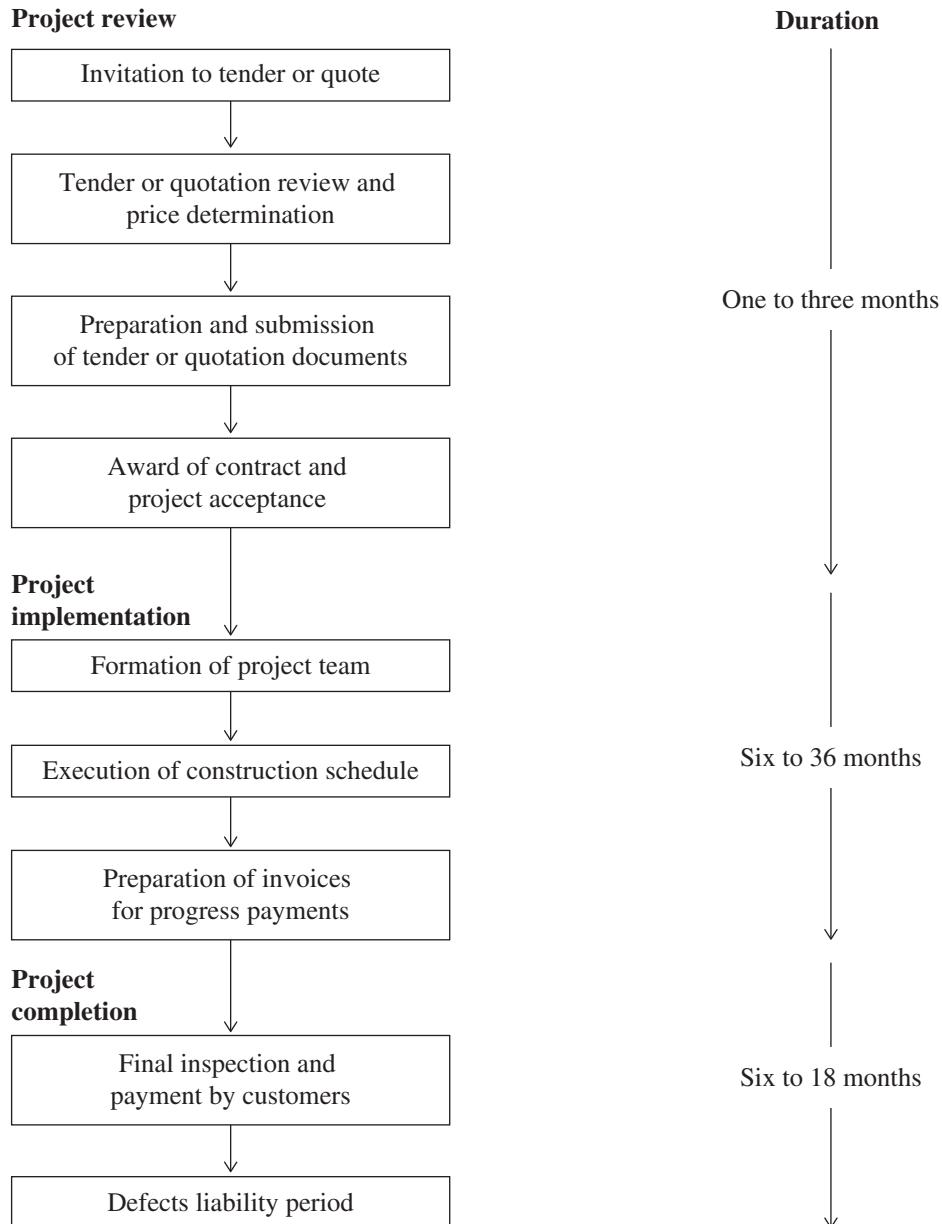
Notes:

1. The project start date is determined based on the date of the letter of award, contract, first invoice to customer or based on our Directors' estimation. The project completion date is determined based on the date we submitted our payment application to our customer for 100% of our work done or based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) as at the Latest Practicable Date and in the future.
2. The total contract sum represents the original estimated contract sum stated in the letter of intent or contract taking into account subsequent adjustments due to variation orders.
3. Project 20 is a construction project of which we are the main contractor.

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OPERATION PROCESS

Our operation process is summarised diagrammatically as follows:



Note: The time frame is for illustrative purposes only. The actual frame of a given project may vary significantly as it depends on various factors, including (i) change of designs; (ii) adjustment to the scope of work; and (iii) inclement weather conditions.

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Project review

Invitation to tender or quote; tender or quotation review and price determination

We are typically invited by our existing customers or potential customers, which are primarily main contractors of building and infrastructure projects, to submit a tender or provide a quotation for their projects.

Upon receipt of an invitation to tender or quote for a project and prior to submitting a bid for the said project, our tender team, consisting of our executive Directors, senior management personnel and other management staff, examines the documents and construction drawings provided, work programmes, contract requirements and specifications, site environment, site constraints, anticipated difficulties such as the scale and complexity of projects, and other relevant information to ascertain the feasibility and potential competition of the project.

To decide whether we will submit a tender or quote and the price, our tender team will take into consideration, among others, the following factors, (i) our ability and capacity to meet the project requirements; (ii) our business relationship with the customer, including whether or not there were any previous successful tenders; (iii) the customer's reputation and track records; (iv) the project's scale, complexity and location; (v) whether the project is technically achievable; and (vi) the prevailing market conditions and possible prices offered in our competitive bids.

For further details of our pricing strategy, please refer to "Our Customers – Pricing strategy" below in this section.

Tender or quotation preparation and submission

Once a decision to proceed with the tender or quotation has been made, our tender team will prepare the tender or quotation submission documents as required for the particular project. Such documents will be prepared with due consideration of the commercial and technical specifications of the project, and usually involve a review of the contract schedule, preparation of the bill of quantities which sets out the scope of works required, determination on the resources that will be drawn upon, review of the general and specific requirements and associated costs, calculation of the man-hours as well as determination of the number of site workers required to perform the project at each stage of site works.

Once the decision to submit the tender or quotation is made, the tender or quotation package is formally submitted to our customer. During the negotiation process with our customer, the tender or quotation document may be revised and resubmitted.

Tenders and quotations submitted during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period, our projects were generally obtained through tenders or quotations. Generally, our tender or quotation submissions were made in response to invitations.

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

	FY2016/17	FY2017/18	FY2018/19	From 1 March 2019 to the Latest Practicable Date
Number of tenders or quotations submitted	13	41	46	18
Number of tenders or quotations awarded ^(Note 1)	4	10	11	1
Success rate (%) ^(Note 1)	<u>30.8%</u>	<u>24.4%</u>	<u>23.9%</u> ^(Note 2)	<u>5.6%</u> ^(Note 3)

Notes:

1. In the above table, success rate for a financial year is calculated based on the number of tenders/quotations awarded (whether awarded in the same financial year/period or subsequently) in respect of the tenders/quotations submitted during that financial year/period.
2. Out of the 46 tenders/quotations submitted during FY2018/19, the results of 16 tenders/quotations were pending as at the Latest Practicable Date.
3. Out of the 18 tenders/quotations submitted during the period from 1 March 2019 to the Latest Practicable Date, the results of 15 tenders/quotations were pending as at the Latest Practicable Date.

During the Track Record Period, our Group had from time to time received invitations for tenders or quotations when our available resources were occupied by other projects on hand. Nonetheless, our Directors consider that it was our strategy to respond to our customers' invitations by submitting tenders or quotations instead of turning them down. In such circumstances, our Directors would take a more prudent approach in costs estimation by factoring a higher profit margin even though it may cause our fee quotation or tender price to become less competitive than those submitted by our competitors. Our Directors believe that actively responding to our customers' invitations allows us to (i) maintain our relationship with our customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends.

During FY2017/18 and up to the Latest Practicable Date, our strategy remained stable, in order to expand our market share and in view of the completion of major projects brought forward from FY2016/17, our Directors considered to adopt a more competitive pricing strategy and submitted a larger number of tenders and quotations starting from FY2017/18 in order to secure more sizable projects so that we can maximise our revenue from the projects awarded to us with our available capacity. As a result of our competitive pricing strategy, we were able to secure five contracts each with total contract sum of over S\$20 million from 1 March 2018 to the Latest Practicable Date.

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Award of contract and project acceptance

Upon acceptance of our tender or quotation, our customers normally confirm the award by way of a letter of award or enter into a formal contract with us. Our contracts department reviews the contract award documentation against the original tender or quotation documents to identify any change, variation or discrepancy. Upon agreement of contractual terms, the contract will be signed and executed.

Once our engagement is confirmed, we commence the implementation of the project, such as the formation of the project team and various issues including deployment of manpower, allocation of resources and engagement of subcontractors and suppliers.

Project implementation

Formation of project team

A project team is formed for each project, which typically comprises the following key personnel: quantity surveyor, project manager, project engineer, and site supervisor.

Execution of construction schedule

Upon execution of the contract of the project, our project manager formulates works execution processes including a project schedule, planning and allocation of manpower and resources and other pertinent matters for the smooth completion of the works. The personnel in our project team will each carry out their respective roles in the project implementation. Our project manager bears the overall responsibility in managing the project.

Our project team is responsible for allocating all resources and manpower in accordance with the work schedule. In the event that we need to subcontract part of our work in the course of a project, we undergo the selection process for subcontractors from our list of approved subcontractors. We also have to procure construction materials and rent equipment for our construction works. Our project manager along with our health, safety and environmental department seek to ensure the proper execution of safety measures as well as the fulfilment of safety requirements.

Our project managers communicate with our customers from time to time to ensure the works performed meet our customers' requirements, and are completed on schedule, within budget and in compliance with applicable statutory requirements.

Preparation of invoices for progress payments

Our quantity surveyor submits the monthly progress claim to our customers for evaluation. Our customers would generally issue a payment response within 21 days upon receipt of the monthly progress claim. However, when dealing with final accounts or final certificates, the

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customers might take longer time to evaluate our overall works, which generally takes an average of six months based on historical records during the Track Record Period.

Upon receipt of the payment certificate or payment response, our finance department will prepare and present an invoice to our customer for payment. The credit term granted by us to our customers is generally within 35 days of the issue of payment certificates or invoices, depending on the contract terms.

The customer normally retain a sum of 10% of each claim but subject to a maximum of 5% of the initial contract value as the retention monies.

Variation orders (if any)

Depending on the terms of the contracts, our customers may from time to time order variation by amending the specification and scope of works from that originally contracted. Our quantity surveyor monitors and updates all claim records and variation orders to ensure accurate submission of monthly progress claim.

Project completion

Final inspection and payment by customers

Upon completion of the project work, our project team prepares for the handing over of the completed works to our customer's representatives, which involves assisting the customer's representatives in the preparation of as-built drawings. Should our customer be satisfied with the completed works, our project team will hand over the site to our customer. All temporary structures and facilities at site shall be demolished and removed.

Upon agreement on the final accounts with our customers, our quantity surveyor submits the penultimate claim and seeks the release of part of the retention monies. Upon receipt of a payment response or payment certificate from our customer agreeing to our claim amount, we will issue an invoice to our customer, who then makes the settlement in accordance with the credit term.

Defects liability period

The defects liability period typically lasts for 12 to 18 months from the certified date of completion of the works under the main contract. When the defects liability period ends, our contracts manager and our quantity surveyor will request the discharge of the performance bond (if any) and collect the original of the said document from our customer.

Upon discharge of the performance bond (if any), our contracts manager and our quantity surveyor will submit the final claim to our customer's representatives, including seeking the release of the remaining half of the retention monies.

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LICENCES, REGISTRATIONS AND CERTIFICATIONS

Licences and registrations

Our Group holds a number of licences and registrations which enable us to carry on our business. The table below sets out the licences and registrations of our Group during the Track Record Period and as at the Latest Practicable Date:

Issuing authority	Group member/ company	Relevant list/ category	Registration/ licence/grading	Date of expiry	Tendering limit
BCA	CTR	General Builder Class 1	GB1 Licence	29 December 2020	Unlimited
BCA	CTD	General Builder Class 2	GB2 Licence	3 October 2020	S\$6 million
BCA	CTR	Specialist Builder (Pre-cast Concrete Work)	SB(PC) Licence	26 June 2021	Unlimited
BCA	CTR	CW01, General Building	C1	1 May 2021	S\$4 million
BCA	CTD	CR01, Minor Construction Work	Single grade	1 June 2020	Unlimited

As confirmed by our Singapore Legal Advisers, as a subcontractor in Singapore carrying out structural engineering works and wet architectural works and a main contractor in the construction industry, our Group has obtained all requisite material licences, permits, consents and/or approvals for carrying out our business in Singapore during the Track Record Period and as at the Latest Practicable Date, and all such licences, permits, consents and/or approvals are valid as at 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 “Risk Factors – Risk relating to our business – Inability to renew our existing licences and workheads registration, or the cancellation or suspension of such licences and registration may affect our operations and financial performance” in this document for details of the associated risks in this regard.

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

Our Singapore Legal Advisers advised that they do not presently foresee any legal impediments in the renewal of the above licences and registrations by our Group.

Certifications

Over the years of our operations, we have also obtained the following certifications in recognition of our work processes.

Issuing authority/ organisation	Relevant list/category	Qualification/ licence/grading	Date of expiry
SOCOTEC Certification Singapore Pte. Ltd.	Quality management system for general building construction	ISO 9001:2015	5 July 2021
CIS Certification Pte. Ltd.	Environmental management system for general building construction	ISO 14001:2015	5 July 2021
CIS Certification Pte. Ltd.	Occupational health & safety management system for general building construction	BS OHSAS 18001:2007	5 July 2021
Workplace Safety and Health Council	bizSAFE	Level Star	11 March 2021

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OUR CUSTOMERS

Characteristics of our customers

Our customers are the main contractors of various building and infrastructure projects in Singapore. During the Track Record Period, our major customers and projects were located in Singapore and our service fees were denominated in Singapore dollars. For FY2016/17, FY2017/18 and FY2018/19, our revenue amounted to approximately S\$26.5 million, S\$54.5 million and S\$64.4 million, respectively.

For FY2016/17, FY2017/18 and FY2018/19, the percentage of our Group's aggregate revenue attributable to our largest customer for the Track Record Period, namely, Customer Group B, was approximately 41.8%, 34.0% and 5.1% for the corresponding periods, respectively, while the percentage of our Group's aggregate revenue attributable to our five largest customers, in terms of revenue, was approximately 90.3%, 86.6% and 86.0%, respectively.

Principal terms of engagement with our customers

We provide structural engineering works and wet architectural works to our customers on a project-by-project basis, instead of entering into long-term contracts. Our Directors consider such arrangement is in line with the construction industry practice in Singapore.

The typical principal terms of our engagement with major customers during the Track Record Period are summarised as follows:

Duration

Our contracts usually stipulate the expected commencement date and completion date.

Scope of work

Our contracts normally specify the type and scope of work we are required to provide.

Contract sum

Our contracts are generally remeasurement contracts, the initial contract value of which is an estimate of the work to be done and the final contract sum will be determined based on the actual quantities of work done according to the agreed unit price or rate.

Some of our contracts are fixed price contracts under which the initial contract value is expressed as a lump sum and no allowance is provided for remeasurements if the actual quantities of work and materials differ from any estimates available at the time of contracting, except for variations ordered by our clients.

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Bills of quantities/schedule of rates

Description of the type of work and the specification of the works together with the quantity and the unit price are usually provided in our contracts.

Payment terms

We would submit monthly progress claims to our customers with reference to the amount of works completed. Our customers would then issue a payment response within 21 days upon receipt of the monthly progress claim. The credit term granted by us to our customers is generally within 35 days of the issue of payment certificates or invoices, depending on the contract terms.

Retention monies

Our contracts generally provide a sum to be retained by our customer at each interim payment. Typically, the amount to be held up is 10% of each progress payment and up to a maximum limit of 5% of the initial contract value. Normally, half of the retention monies is released after the completion of our work or whole project while the remaining half is usually to be released to us upon expiration of the defects liability period as stipulated in the main contract.

Performance bonds

We may be required to have a stipulated value (typically 5% or 10% of the contract value) of performance bonds with a bank or an insurance company made in favour of the particular customer for the due performance and observance of all the terms and conditions of the contract, which is usually upon or after completion of the project.

During the Track Record Period, 15 of our contracts required us to take out performance bonds with an insured sum of approximately S\$9.5 million in total, the percentage of performance bonds ranged from 3% to 14%. During the Track Record Period and up to Latest Practicable Date, no claim had been made on any performance bonds.

Insurance

The project-based insurance policies are generally taken out by the main contractor. For details of the insurance policies taken out by our Group, please refer to "Insurance" below in this section.

Variation orders

Our customers may from time to time order variation by amending the specification and scope of works from that originally contracted. The value of the variation orders is normally determined with reference to (i) the pre-agreed rates and prices in the bills of

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quantities or schedule of rates in the contract; or (ii) any rates and prices or separate quotation to be agreed upon.

Employment of foreign workers

We are responsible for ensuring that no illegal immigrants are engaged in the execution of the project.

Defects liability period

Our contracts generally include a defects liability period for 12 to 18 months from the date of completion of the works under the main contract. For details, please refer to "Operation Process – Project completion – Defects liability period" above in this section.

Liquidated damages

Our contracts typically include a liquidated damages clause, under which if we fail to substantially complete the work scope within the stipulated time and/or cause unnecessary delay to the entire project that results in liquidated damages imposed on our customer, we are liable to pay our customer the liquidated damages, which are generally calculated on the basis of a fixed sum per day and/or according to certain damages calculating mechanism as stipulated under the contract on per working day basis.

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

Termination

Our customers are typically entitled to terminate our contracts if, among others, we:

- fail to proceed with the agreed scope of works in accordance with the conditions as contracted;
- refuse or neglect to carry out the customer's instructions;
- fail to remove defective materials or make good defective work after being directed to do so; or
- commit an event of default under the contract.

The effects of termination are also set out in the termination clause in our contracts. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group did not experience any early termination of contracts by our customers.

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Top five customers

The tables below set out a breakdown of our revenue by our top five customers during the Track Record Period, together with their background information:

For FY2016/17

Rank	Customer	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from customer	
					S\$'000	%
1	Customer Group B	A construction contractor based in Japan, the shares of which are listed on the Tokyo Stock Exchange, and one of its subsidiaries in Singapore.	2013	35 days; by cheque	11,047	41.8
2	Hexacon Construction Pte. Ltd.	A construction contractor in Singapore.	2014	35 days; by cheque	6,175	23.3
3	Customer F	A joint venture formed by a subsidiary of a company listed on the Australian Securities Exchange, and a subsidiary of a company listed on the Stock Exchange and Shanghai Stock Exchange. The principal activities of the joint venture include bridge, tunnel, viaduct and elevated highway construction works in Singapore.	2015	35 days; by bank transfer	2,727	10.3
4	Customer G	A subsidiary of a company, the shares of which are listed on the Singapore Exchange. The principal activities of such subsidiary include building construction works in Singapore.	2016	35 days; by cheque or bank transfer	2,434	9.2
5	Sinohydro-Sembcorp Joint Venture	A joint venture formed by Customer D and a subsidiary of a company, the shares of which are listed on the Shanghai Stock Exchange. The principal activity of the joint venture is to undertake a project from Land Transport Authority of Singapore.	2016	35 days; by cheque	1,504	5.7
Five largest customers in aggregate					23,887	90.3
All other customers					2,566	9.7
Total revenue for the year					<u>26,453</u>	<u>100.0</u>

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For FY2017/18

Rank	Customer	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from customer	
					S\$'000	%
1	Customer Group B	A construction contractor based in Japan, the shares of which are listed on the Tokyo Stock Exchange, and one of its subsidiaries in Singapore.	2013	35 days; by cheque	18,493	34.0
2	Hexacon Construction Pte. Ltd.	A construction contractor in Singapore.	2014	35 days; by cheque	8,842	16.2
3	Gammon Group	Subsidiaries of a company, the shares of which are listed on the London Stock Exchange, Singapore Exchange and Bermuda Stock Exchange. The principal activities of such subsidiaries include building construction works in Singapore.	2013	35 days; by cheque	7,670	14.1
4	Customer F	A joint venture formed by a subsidiary of a company listed on the Australian Securities Exchange, and a subsidiary of a company listed on the Stock Exchange and Shanghai Stock Exchange. The principal activities of the joint venture include bridge, viaduct and elevated highway construction works in Singapore.	2015	35 days; by bank transfer	7,565	13.9
5	Customer J	Subsidiary of a company, the shares of which are listed on the Singapore Exchange. The principal activities of such subsidiary include building construction works in Singapore.	2017	35 days; by cheque	4,599	8.4
Five largest customers in aggregate					47,169	86.6
All other customers					7,312	13.4
Total revenue for the year					<u>54,481</u>	<u>100.0</u>

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For FY2018/19

Rank	Customer	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from customer	
					S\$'000	%
1	Customer K	A Singapore company being a wholly-owned subsidiary of a group headquartered in Germany, the principal activities of which include design, engineering and construction.	2018	35 days; by bank transfer	25,220	39.2
2	Gammon Group	Subsidiaries of a company, the shares of which are listed on the Singapore Exchange, London Stock Exchange and Bermuda Stock Exchange. The principal activities of such subsidiaries include building construction works in Singapore.	2013	35 days; by cheque	13,835	21.5
3	Customer L	Subsidiary of a company, the shares of which are listed on the Australian Securities Exchange. The principal activities of such subsidiary include building construction works.	2017	35 days; by bank transfer	6,694	10.4
4	Customer M	Subsidiary of a company, the shares of which are listed on the Australian Securities Exchange. The principal activities of such subsidiary include water and gas pipe-line and sewer construction works.	2017	30 days; by cheque	5,362	8.3
5	Customer N	A construction contractor in Singapore, being jointly owned by a subsidiary of a company listed on the Singapore Exchange, a company listed on the Korea Exchange, and a private company in Korea indirectly owned by the Government of Dubai.	2018	35 days; by cheque	4,248	6.6
					55,359	86.0
					8,994	14.0
					64,353	100.0
					64,353	100.0

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As at the Latest Practicable Date, our Directors confirm that none of our Directors, their close associates or our Shareholders who owned more than 5% of our issued share capital, had any interest in any of our Group's top five customers during the Track Record Period.

Customers' concentration

For FY2016/17, FY2017/18 and FY2018/19, the percentage of our Group's aggregate revenue attributable to our five largest customers, in terms of revenue, was approximately 90.3%, 86.6% and 86.0%, respectively. Our Directors are of the view that such customer concentration is not uncommon for construction companies in Singapore, and that such customer concentration neither affects our Group's business sustainability nor renders our Company unsuitable for [REDACTED] in view of the following:

- (i) it is not uncommon for a single project to have a relatively large contract sum such that a small number of projects can contribute to a substantial amount of our revenue. In addition, our major customers during the Track Record Period are reputable main contractors in Singapore. According to the CK Report, owing to the competitive landscape of the structural engineering and wet architectural industries in Singapore, the number of sizeable projects are limited with relatively small construction market in Singapore. Therefore, if we decide to undertake a certain project with large contract sum, the relevant customer may easily become our largest customer in terms of revenue contribution to us;
- (ii) it is our priority to work with reputable and sizeable main contractors, which in turn tend to undertake large-scale building or infrastructure projects. All of our top five customers during the Track Record Period (except Hexacon Construction Pte. Ltd., Customer K and Customer N) are either listed companies or joint ventures or subsidiaries of listed companies in various stock markets. We believe that working with these main contractors, which have extensive past working experience and relatively better financial strength, would reduce our credit risk, promote future business opportunities with them and bolster our business profile. Some of our major customers (including Gammon Group, Hexacon Construction Pte. Ltd. and Customer Group B), which are renowned main contractors, had long-standing business relationship with us ranging from five to six years as at the Latest Practicable Date. As such, we would try to accommodate their demands for our services as far as our resources at the relevant time are available;
- (iii) we believe that our technical expertise, industry experience of the management and proven track record as a quality contractor in handling structural engineering works and wet architectural works are essential to the execution of our major customers' projects in terms of delivery time as well as quality of works, which in turn solidify our business relationship with our major customers;

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- (iv) as Singapore construction industry is still facing the challenge of labour shortage, our Directors believe that our customers may not have abundant supply of structural engineering and wet architectural subcontractors which are capable of handling scalable projects. Our Directors are further of the view that our strong technical skills, especially our ability to mobilise a large team of experienced workforce and provide structural engineering and wet architectural works, are attractive to leading main contractors;
- (v) our Group has been trying to diversify our customer base and the percentage of our Group's aggregate revenue attributable to our five largest customers has been decreasing during the Track Record Period. The ranking and combination of our top five customers for each of FY2016/17, FY2017/18 and FY2018/19 during the Track Record Period were different. This suggests that we did not place undue reliance on any particular one of them throughout the Track Record Period for revenue generation;
- (vi) we are an active player in the construction industry in Singapore. During the Track Record Period, we continuously respond to and submit tenders and quotations for the invitations we received from our customers. Our Directors consider that our active participation in our potential customers' tendering process may reinforce our presence in the industry from our potential customers' perspectives. Our Directors believe that in the event that our project engagement from any of our major customers substantially reduced, our Group would have the capacity to handle projects from other customers in view of the expected growth in market size of the structural engineering and wet architectural industries from 2018 to 2022, according to the CK Report; and
- (vii) we undertake jobs of considerably different scales. If we undertake a project with large contract sum, it may contribute a substantial amount to our revenue in a particular period, resulting in the relevant customer becoming one of our top customers in terms of revenue contribution to us.

Contra-charge arrangements with our customers

According to the CK Report, it is not uncommon in the construction industry in Singapore that a main contractor may pay on behalf of and subsequently claim back from its subcontractor certain expenses for a construction project. Such expenses are typically deducted from its payments to that subcontractor in settling its service fees for the project. Such payment arrangement is referred to as the "contra-charge arrangement" and the amounts involved are referred to as the "contra-charge".

During the Track Record Period, we had contra-charge arrangements with our customers, making them our Group's suppliers at the same time. Such contra-charge mainly consisted of material costs where our customers provided materials for our works and subcontracting charges. Hence, our customers under contra-charge arrangements with our Group are also suppliers of our Group. The costs incurred by our customers in advance will be settled by way of contra-charge

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to the account with such customer. Effectively, the payments due to us from our customer will be settled after netting off such contra-charge amounts. For FY2016/17, FY2017/18 and FY2018/19, our contra-charge incurred amounted to approximately S\$3.3 million, S\$8.0 million and S\$1.0 million, respectively.

During the Track Record Period, as confirmed by our Directors, our Group had no material dispute with our customers regarding the contra-charge arrangements as well as the contra-charge amounts incurred. In addition, as we settled the contra-charge by netting off with the payments due from our customers, both cash inflows from the projects work done and cash outflows from the purchase of construction materials or other miscellaneous expenses were reduced by the same amount. As such, the contra-charge arrangement had no material impact on our cash flow positions during the Track Record Period.

During the Track Record Period, there were seven overlapping customers and suppliers. All of them were customers under contra-charge arrangements with our Group. Our Directors considered that only three of them were material to our construction costs while the remaining four of them each with contra-charge of less than S\$100,000. For FY2016/17, FY2017/18 and FY2018/19, the total revenue derived from our overlapping customers and suppliers were S\$20.7 million, S\$47.3 million and S\$43.3 million, representing 78.3%, 86.8% and 67.3% of our Group's total revenue, respectively. For FY2016/17, FY2017/18 and FY2018/19, the weighted average gross profit margin from the overlapping customers and suppliers were 32.7%, 21.1% and 21.7%, whereas, our weighted average gross profit margin from all customers were approximately 31.6%, 21.4% and 25.8%, respectively. The average gross profit margin from our overlapping customers and suppliers were comparable to the gross profit margin of our Group during the same periods. Our Directors confirmed that the terms of engagement with such overlapping customers and suppliers were similar to those with our other customers and suppliers.

The table below sets out the information of our contra-charge arrangements with our customers of which the contra-charges were material to our construction costs during the Track Record Period:

	FY2016/17		FY2017/18		FY2018/19	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Customer Group B ^(Note 1)						
Revenue derived and approximate % of revenue	11,047	41.8	18,493	33.9	3,312	5.1
Contra-charge and approximate % of total construction costs	2,975	16.5	6,610	15.5	383	0.8

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	FY2016/17		FY2017/18		FY2018/19	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Customer J <i>(Note 2)</i>						
Revenue derived and approximate % of revenue	–	–	4,599	8.4	1,204	1.9
Contra-charge and approximate % of total construction costs	–	–	1,198	2.8	467	1.0
Hexacon Construction Pte. Ltd. <i>(Note 3)</i>						
Revenue derived and approximate % of revenue	6,175	23.3	8,842	16.2	1,775	2.8
Contra-charge and approximate % of total construction costs	344	1.9	49	0.1	2	0.0

Notes:

1. Customer Group B was one of our top five customers in FY2016/17 and FY2017/18. We had contra-charge arrangements with Customer Group B mainly for Project 6, Project 11, Project 14 and Project 19 for the purchase of raw material including concrete and reinforcement bars and payment of subcontracting charges.
2. Customer J was one of our top five customers in FY2017/18. We had contra-charge arrangements with Customer J for Project 32 and Project 33 for the purchase of raw material including concrete and reinforcement bars.
3. Hexacon Construction Pte. Ltd. was one of our top five customers in FY2016/17 and FY2017/18. We had contra-charge arrangements with Hexacon Construction Pte. Ltd. mainly for Project 1 for the purchase of raw material including concrete, hollow sections and payment of subcontracting charges.

Sales and marketing

During the Track Record Period, we mainly source our projects by tenders or quotations. Our business opportunities arose mainly from tender or quotation invitations by word of mouth, which are considered by our Directors to be attributable to our reputation and established track record, rather than advertising and promotion. Our Directors will continue to network and maintain good relations with other main contractors in Singapore.

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Furthermore, our executive Directors adopt a hands-on approach in project management and monitor closely the fulfilment of our commitments to customers, with a view to maintaining our Group's reputation, relationships with other industry participants and potential for project referrals. Due to the above reasons, the business development role is played by our executive Directors, thereby obviating the need for a sales and marketing team.

Pricing strategy

Our tender or quotation price is determined by our tender team with the assistance of our quantity surveyors on a project-by-project basis. Our submission of tender prices usually has taken into account a number of factors, including the scale of the project, complexity of the project, our existing manpower and resources, the cost of construction materials, whether the project is technically achievable, the schedule of completion of the work, our relationship with the customers, the prevailing market conditions and possible prices offered in our competitive bids.

Our Group's contracts can be classified into two types: (i) remeasurement contracts; and (ii) fixed price contracts. For our remeasurement contracts, the initial contract value of which is an estimate of the value of work to be done and the final contract sum will be determined based on the actual quantities of work according to the agreed unit price or rate. For our fixed price contracts, the initial contract value is expressed to be a lump sum and no allowance is provided for remeasurements if the actual quantities of work and materials differ from any estimates available at the time of contracting, except for variation orders initiated by our clients. During the Track Record Period, majority of our revenue were derived from remeasurement contracts. For details on our contracts, please refer to "Principal terms of engagement with our customers" in this section.

Seasonality

Our Directors believe that our business is not subject to any significant seasonality.

OUR SUPPLIERS

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) our subcontractors; (ii) suppliers of materials required for performing our structural engineering works and wet architectural works such as ready mixed concrete, reinforcement bars and timber formwork; and (iii) suppliers of other miscellaneous services such as rental of equipment, and rental of dormitories for workers.

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

	FY2016/17		FY2017/18		FY2018/19	
	S\$'000	%	S\$'000	%	S\$'000	%
Subcontracting services	3,402	34.5	15,276	49.2	19,156	53.2
Construction materials	4,608	46.7	12,835	41.3	12,221	34.0
Miscellaneous services ^(Note)	1,858	18.8	2,959	9.5	4,589	12.8
Total	9,868	100.0	31,070	100.0	35,966	100.0

Note: These miscellaneous services mainly included rental of equipment, and rental of dormitories for workers

Please refer to “Financial Information – Key Factors Affecting our Results of Operations and Financial Condition – Fluctuation in our construction costs” in this document for a discussion of the fluctuation in our construction costs as well as the relevant sensitivity analyses in this connection.

As at the Latest Practicable Date, there were approximately 50 suppliers (including subcontractors) on our list of approved suppliers, which is reviewed and updated regularly. During the Track Record Period, we did not experience any material shortage or delay in the supply of goods and services that we required. Our Directors consider that we are generally able to pass on any substantial increase in purchase costs to our customers as we generally take into account our overall cost of providing our services to customers when determining our pricing.

Principal terms of engagement with our suppliers

Subcontractors

We may engage subcontractors to perform our works when we do not have sufficient labours. We have not entered into any long-term agreement or committed to any minimum purchase amount with our subcontractors. Our subcontractors generally charge us for a fixed price based on a schedule of rates.

Suppliers of construction materials

We generally place orders for construction materials such as ready mixed concrete, reinforcement bars or timber formwork depending on the project needs. We have not entered into any long-term agreement or committed to any minimum purchase amount with our suppliers of construction materials. In general, our suppliers charge us based on the quantity and specification of the subject matter of our purchase.

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Suppliers for miscellaneous services

Our miscellaneous services required include rental of equipment and rental of dormitories for foreign workers. We have not entered into any long-term agreement or committed to any minimum purchase amount with our suppliers of miscellaneous services except for the tenancy agreements for rental of dormitories specified below.

The tenancy agreements for rental of dormitories generally have a term of one year. The monthly rent and other service charges are specified in the tenancy agreement. The tenancy agreement may be terminated by the landlord if our Group fails to perform or observe any condition or obligation under the agreement. The landlord may also terminate the agreement by giving one month's prior written notice to our Group.

Basis of selecting suppliers (including subcontractors)

Before engaging a new supplier, we will evaluate the background and track record of the supplier, including the type(s) of material or service to be provided, BCA registration grade and BCA contractor licensing information. We will also check if the supplier has any reportable fatal incident during the last 12 months and any MOM demerit points. Qualified suppliers will be included in the approved list of supplier.

The list of approved suppliers is periodically reviewed and updated based on our assessment of their performance. We evaluate the performance of our suppliers and select suppliers based on a range of factors such as their background, reputation, experience, quality of materials or services provided, our relationship with the suppliers, price quotation and timeliness of delivery.

In the event that we need to subcontract part of our works in the course of a construction project due to shortage of manpower, we will sign contracts with the subcontractors we select. The subcontractors have the responsibility to ensure that all works performed must satisfy the requirements of the relevant contract.

Control over subcontractors

In order to monitor the work of our subcontractors, apart from conducting regular inspection of their work, we typically have the following requirements of our subcontractors:

- (i) employ workers with at least one year of working experience in Singapore;
- (ii) provide personal protective equipment such as safety helmets, safety shoes and safety rests to workers. Our Group has the right to dismiss workers from our site if they are found to be incompetent or uncooperative during their course of work; and
- (iii) participate in our on-site toolbox meetings so that they can be aligned with our projects department on potential workplace safety and health issues and project-related matters.

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Top five suppliers (including subcontractors)

For FY2016/17, FY2017/18 and FY2018/19, purchases from our top five suppliers (including our subcontractors) accounted for approximately 48.0%, 40.2% and 36.1% of our total purchases, respectively, whereas, the purchases from our top supplier, Customer Group B, accounted for approximately 30.2%, 21.3% and nil of our total purchases, respectively.

The tables below set out a breakdown of our total purchases incurred from our top five suppliers (including subcontractors) during the Track Record Period and their background information:

For FY2016/2017

Rank	Supplier	Background of supplier	Type of purchase/ service from the supplier	Year in which business relationship with our Group commenced	Typical credit terms and payment method	Total purchases S\$'000	Approximate percentage of our total purchases attributable to the supplier
1	Customer Group B	A construction contractor based in Japan, the shares of which are listed on the Tokyo Stock Exchange, and one of its subsidiaries.	Supply of construction materials including reinforcement bars, concrete and cement	2013	N/A ^(Note)	2,975	30.2
2	Supplier B	A construction contractor based in Singapore.	Labour assistance in reinforced concrete works	2015	15 days; by cheque	583	5.9
3	Supplier F	A construction contractor based in Singapore.	Labour assistance in reinforced concrete and wet architectural works	2016	14 days; by cheque	432	4.4
4	Supplier G	A system formwork solutions provider based in Singapore.	Rental of formwork	2016	Payment on delivery; by cheque	380	3.8
5	Supplier C	A construction contractor headquartered in Germany engaging in formwork and scaffolding works.	Rental of scaffolding systems	2014	30 days; by cheque	369	3.7
Five largest suppliers in aggregate						4,739	48.0
All other suppliers						5,129	52.0
Total purchases for the year						<u>9,868</u>	<u>100.0</u>

Note: The purchase or service from the supplier has arisen due to the contra-charge arrangement with our customer. The contra-charge was deducted from our customer's payment to us in settling our contract fee for the relevant construction project. Please refer to "Our Customers – Contra-charge arrangement with our customers" above in this section for further details.

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For FY2017/18

Rank	Supplier	Background of supplier	Type of purchase/ service from the supplier	Year in which business relationship with our Group commenced	Typical credit terms and payment method	Total purchases S\$'000	Approximate percentage of our total purchases attributable to the supplier
1	Customer Group B	A construction contractor based in Japan, the shares of which are listed on the Tokyo Stock Exchange, and one of its subsidiaries.	Supply of construction materials including reinforcement bars, concrete and cement	2013	N/A ^(Note)	6,610	21.3
2	Supplier B	A construction contractor based in Singapore.	Labour assistance in reinforced concrete works	2015	15 days; by cheque	1,605	5.2
3	Supplier Group H	3 construction contractors based in Singapore, which are under a same team of management.	Labour assistance in reinforced concrete and wet architectural works	2017	14 days; by cheque	1,462	4.7
4	Supplier I	A construction contractor based in Singapore.	Labour assistance in wet architectural works	2016	14 days; by cheque	1,414	4.5
5	Supplier F	A construction contractor based in Singapore.	Labour assistance in reinforced concrete and wet architectural works	2016	14 days; by cheque	1,414	4.5
Five largest suppliers in aggregate						12,505	40.2
All other suppliers						18,565	59.8
Total purchases for the year						<u>31,070</u>	<u>100.0</u>

Note: The purchase or service from the supplier has arisen due to the contra-charge arrangement with our customer. The contra-charge was deducted from our customer's payment to us in settling our contract fee for the relevant construction project. Please refer to “Our Customers – Contra-charge arrangement with our customers” above in this section for further details.

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For FY2018/19

Rank	Supplier	Background of supplier	Type of purchase/ service from the supplier	Year in which business relationship with our Group commenced	Typical credit terms and payment method	Total purchases S\$'000	Approximate percentage of our total purchases attributable to the supplier
1	Supplier K	A subsidiary of a company, the shares of which are listed on Singapore Exchange. The principal activities of such subsidiary include distribution and manufacture of steel products.	Supply of construction materials including steel bars	2018	30 days; by cheque	4,446	12.4
2	Supplier Group J	Subsidiaries of a company, the shares of which are listed on the Stock Exchange. The principal activities of such subsidiaries include manpower outsourcing and ancillary services to building and construction contractors.	Labour assistance in reinforced concrete and wet architectural works	2016	14 days; by cheque	3,308	9.2
3	Supplier N	A manufacturer of cement, lime and plaster in Singapore.	Supply of ready-mixed concrete	2018	30 days; by cheque	2,034	5.7
4	Supplier Group H	3 construction contractors based in Singapore, which are under a same team of management.	Labour assistance in reinforced concrete and wet architectural works	2017	14 days; by cheque	1,648	4.6
5	Supplier B	A construction contractor based in Singapore.	Labour assistance in reinforced concrete works	2015	14 days; by cheque	1,539	4.3
Five largest suppliers in aggregate						12,975	36.1
All other suppliers						22,991	63.9
Total purchases for the year						<u>35,966</u>	<u>100.0</u>

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As at the Latest Practicable Date, none of our Directors, their close associates or our Shareholders who owned more than 5% of our issued share capital, had any interest in any of our Group’s top five suppliers (including subcontractors) during the Track Record Period.

For details of our measures in relation to quality control and occupational health and safety, please refer to “Quality Control” and “Occupational Health and Safety” below in this section.

INVENTORY

In general, construction materials are procured by us on a project-by-project basis in accordance with the project specifications. Our Group maintained a low level of inventories as the construction materials are generally delivered directly to work site for installation.

AWARDS AND ACCREDITATION

Throughout our operating history, our Group has received a number of awards and accreditation in recognition of our performance as well as our commitment to safety management. The table below sets out the major awards we had been granted up to the Latest Practicable Date:

Year of grant	Award	Granted by
2012	Skilled Builders & BIM Competition – Runner-up, System Formwork Installation	BCA
2014	Recognition Award – Achieving 1 Million Safe Manhours	Gammon Group
2014	Asia Top Outstanding Enterprise 2014	Asia 1 Enrich (a media consultancy in Singapore)
2015	Singapore SME 1000 Company 2015	DP Information Group (a veteran information and credit bureau in Singapore)
2017	Best Safety Performance Subcontractor Award	Gammon Group
2018	Outstanding Recognition Award – Building Structural Works	Gammon Group

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QUALITY CONTROL

We have in place a quality control policy to comply with and to improve our quality management system. This ensures that we provide quality building and construction services that consistently meet legal requirement, safety standards and our customers’ expectations. We have obtained ISO 9001 certification since 2013. We have a quality management system in place, following the QEHS Manual, which is in accordance with the standard under ISO 9001.

A few key employees of our Group are involved in quality control of our projects. They are responsible for ensuring our service quality in various aspects, including operational planning, control on production and service provision and customer satisfaction. Our general manager, Mr. Liu Jianzhong, has over 16 years of industry experience. Our project director, Mr. Liu Honggeng, has over 18 years of industry experience. Our Head of HR and HSE, Mr. KF Xu, has over seven years of industry experience.

ENVIRONMENTAL PROTECTION

We are subject to certain laws and regulations in relation to environmental protection. For details, please refer to “Regulatory Overview – Environmental Laws and Regulations” in this document. We have implemented an environmental management system according to ISO 14001 requirements, following the QEHS Manual. We first obtained the ISO 14001 certificate in 2013. In order to ensure compliance with environmental laws and regulations, a set of procedures is established, implemented and maintained, to identify on a continual basis those laws and regulations that must be adhered to.

For each of FY2016/17, FY2017/18 and FY2018/19, we incurred approximately S\$92,000, S\$99,000 and S\$102,000 respectively, in relation to compliance with applicable environmental laws and regulations, which primarily consisted of construction waste disposal charges. We estimate that our annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with our business growth.

During the Track Record Period and up to the Latest Practicable Date, we had not been in breach of any environmental-related laws in Singapore.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and work safety measures

We are required to comply with all occupational health and safety requirements as well as other statutory requirements applicable to our works as may be required by the relevant government authorities. For details, please refer to “Regulatory Overview – Workplace Safety and Health” in this document. We have established an occupational health and safety management system following the QEHS Manual, which is in accordance with the standard under BS OHSAS 18001. We strive to adopt safe working practices to provide all employees, customers and subcontractors with a safe and healthy work environment. Our human resources

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and health, safety and environment departments are responsible for the overall implementation of the safety system of our Group. For each of our construction projects, a site safety coordinator is assigned to take charge of the safety issues.

We take workplace safety and health seriously. Our customers, which mainly include main contractors, have generally established workplace safety and health procedures which we will comply with on-site. We can be required to submit to our customer risk assessment and safe work procedures, evaluating the risk levels of the work tasks as well as measures to prevent injuries and accidents. Our site safety team will also ensure that our employees comply with the safe work procedures. As a main contractor, we will also ensure occupational health and work safety within our work sites.

System of recording and reporting accidents

If an accident occurs, the injured worker (including our employees and our subcontractor's employees) or the person who witnessed the accident is required to report their direct supervisor or department manager in-charge. The department manager in-charge will investigate into the accident and will submit an incident report form to the safety officer within 2 working days. For serious incidents such as fatal accidents, amputation cases or dangerous occurrences, the safety officer will form an incident investigation team to investigate the accident so as to identify the root causes of the incident and propose and implement effective preventative and corrective measures to prevent the recurrence of the incident. The investigation procedures include interviewing the injured and / or the witnesses, taking photos and analysing the facts gathered. Any reportable cases have to be notified to the MOM within 10 days after the accident occurred.

Workplace accidents during the Track Record Period

During the Track Record Period and up to the Latest Practicable Date, we recorded four workplace accidents resulting in injury to our workers. Two of them involved falling while walking and falling from heights which were covered by insurance maintained by our customers. The third accident was a traffic accident which was covered by our insurance. The fourth accident involved an injury to the finger of our worker while using a drilling machine which was covered by insurance maintained by our customer. The aforesaid workplace accidents were reported to MOM. The claims involving falling while walking, falling from height and the traffic accident were settled, and the remaining one involving an injury to the finger was on-going as at the Latest Practicable Date. As advised by our Singapore Legal Advisers, the on-going claim would likely be fully settled and covered by the insurance policies maintained by our customers.

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Our Group's liability in respect of the claims from employees of our Group and our Group's subcontractors arising out of and in the course of their employment will be covered by the insurance policy taken out by our Group or the main contractor. Our Directors confirmed that during the Track Record Period, all our projects were covered and protected by the work injury compensation insurance and contractor's all-risks insurance taken out by our Group or the main contractors, and such insurance policies covered all employees of main contractors and subcontractors of all tiers working in the relevant construction site and the works performed by them in the relevant construction site. Accordingly, any potential work injury claims arising from workplace accidents are expected to be fully covered by the insurance policies either maintained by our Group or our main contractors, and will not result in any material impact on the operations, financial results or financial position of our Group.

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

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The following table sets out a comparison of injury, fatality and accident severity rate between our Group and the industry averages for the calendar years of 2016, 2017 and 2018:

	Construction industry <i>(Note 1)</i>	Our Group (including our subcontractors)
From 1 January to 31 December 2016		
Workplace injury rate per 100,000 employed persons <i>(Note 2)</i>	467	460
Workplace fatal injury rate per 100,000 employed persons <i>(Note 3)</i>	4.9	–
Accident severity rate <i>(Note 4)</i>	159	4
From 1 January to 31 December 2017		
Workplace injury rate per 100,000 employed persons <i>(Note 2)</i>	417	588
Workplace fatal injury rate per 100,000 employed persons <i>(Note 3)</i>	2.6	–
Accident severity rate <i>(Note 4)</i>	104	16
From 1 January to 31 December 2018		
Workplace injury rate per 100,000 employed persons <i>(Note 2)</i>	N/A <i>(Note 5)</i>	289
Workplace fatal injury rate per 100,000 employed persons <i>(Note 3)</i>	3.1	–
Accident severity rate <i>(Note 4)</i>	115	40

Notes:

1. The data about the construction industry in Singapore are based on the Workplace Safety and Health Report issued by the Workplace Safety and Health Institute, Singapore.
2. Workplace injury rate is calculated as the occurrence of accidents which are subject to regulatory reporting requirement recorded divided by the total number of workmen employed during the year multiplied by 100,000.
3. Workplace fatal injury rate is calculated as the occurrence of fatal accidents which are subject to regulatory reporting requirement recorded divided by the total number of workmen employed during the year multiplied by 100,000.
4. Accident severity rate is calculated as number of man days lost to workplace accidents divided by the total number of man-hours worked multiplied by 1,000,000. Man-hours worked are assumed to be 3,650 hours per year per worker.
5. The workplace injury rate of the construction industry in 2018 is not publicly available.

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The workplace injury rate of our Group (including our subcontractors) increased from 460 for the calendar year of 2016, a level similar to the industry's workplace injury rate, to 588 for the calendar year of 2017, which is approximately 41.0% higher than the industry's workplace injury rate. Our Directors consider that the main reason for the increase in workplace injury rate of our Group for the calendar year of 2017 is that our Group had taken part in a number of construction projects below ground level during that year.

To promote work safety and health, we had increased the number of staff in the health, safety and environment department of our Group to five as at 28 February 2018 and further increased to six as at the Latest Practicable Date. Our health, safety and environment department is responsible for the implementation of the safety system and strengthening safety awareness, while our site safety team helps enforce safety rules on site and ensures that the site workers of our Group and our subcontractors comply with the safe work procedures. The workplace injury rate of our Group (including our subcontractors) decreased significantly to 289 for the calendar year of 2018.

INSURANCE

As a subcontractor, project-based insurance policies, such as the contractors' all risks policy, are taken out by our main contractor. During the Track Record Period, we have taken out the insurance policies as set out in the following paragraphs. When we act as the main contractor, we are required to procure contractors' all risks insurance and work injury compensation insurance for the benefit of our customer, our Group (as main contractor) and our subcontractor. Our Directors consider that our insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice.

Work injury compensation insurance

Pursuant to the Work Injury Compensation Act, employers are required to maintain work injury compensation insurance for all employees doing manual work regardless of salary level, and all employees doing non-manual work and earning S\$1,600 or less a month, who are engaged under contracts of service (unless exempted). We maintain work injury compensation policies as required under the Work Injury Compensation Act for our workers.

Foreign worker medical insurance

Under the EFM Regulations, employers are required to provide and maintain medical insurance for their foreign employees' in-patient care and day surgery with coverage of at least S\$15,000 per 12-month period. Our Group maintains foreign worker medical insurance policies for our foreign employees with sufficient coverage.

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Other insurances

We also maintained fire insurance for our office fixtures, fittings, plant and machinery and insurance for our motor vehicles.

Uninsured risks

Certain risks disclosed in "Risk Factors" in this document, such as risks in relation to our ability to obtain new contracts, our ability to retain and attract personnel, and 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 "Risk Management and Internal Control" below in this section for further details regarding how our Group manages certain uninsured risks.

For FY2016/17, FY2017/18 and FY2018/19, we incurred total insurance expenses as part of our construction costs of approximately S\$49,000, S\$19,000 and S\$38,000, respectively.

PROPERTIES

Owned properties

As at the Latest Practicable Date, our Group owned six properties, of which three were used as our office and the others were investment properties. The details of our owned properties are set out in the table below:

Address	Owner	Approximate saleable area	Use of the property	Tenure
21 Woodlands Close #08-10 Primz Bizhub Singapore 737854	CTD	110.0 m ²	Office	Leasehold estate (60 years commencing 27 September 2011)
21 Woodlands Close #08-11 Primz Bizhub Singapore 737854	CTR	88.0 m ²	Office	Leasehold estate (60 years commencing 27 September 2011)
21 Woodlands Close #08-12 Primz Bizhub Singapore 737854	CTR	123.0 m ²	Office	Leasehold estate (60 years commencing 27 September 2011)
25 Mandai Estate #06-09 Innovation Place Singapore 729930	CTD	145.0 m ²	Investment property (Office/Shop) ^(Note 1)	Estate in perpetuity

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Address	Owner	Approximate saleable area	Use of the property	Tenure
98 Kaki Bukit Industrial Terrace Singapore 416174	CTD	Lot area: 429.0 m ² Gross floor area: 727.0 m ² (Note 2)	Investment property (Industrial) (Note 3)	Leasehold estate (60 years commencing 9 January 1995)
21 Woodlands Close #08-29 Primz Bizhub Singapore 737854	CTD	107.0 m ²	Vacant (Note 4)	Leasehold estate (60 years commencing 27 September 2011)

Notes:

- As at the Latest Practicable Date, we leased the property to two Independent Third Parties under two tenancy agreements at monthly rents of S\$1,284 and S\$1,500, respectively. The property was used as office and shop.
- The lot area of 429.0 m² only represents the area of land, while the gross floor area of 737.0 m² represents the total area of the building including four stories and a basement.
- As at the Latest Practicable Date, we leased a portion of the property to an Independent Third Party at a monthly rent of S\$8,000. The property was used for industrial purposes.
- As at the Latest Practicable Date, the property remained vacant. Our Directors intend to use the property as warehouse.

For FY2016/17, FY2017/18 and FY2018/19, the aggregate rental income derived from the above properties were approximately S\$0.1 million, S\$0.2 million and S\$0.2 million. Our Directors intend to continue leasing out the two investment properties after the [REDACTED].

Leased properties

As at the Latest Practicable Date, we leased 44 units of three buildings in Singapore as dormitories for our foreign workers, the lease terms of which are summarised as follows:

Address	Number of units leased	Monthly rent	Use of the property	Duration
Mandai Lodge 1, 460 Mandai Road, Singapore 729760	42	S\$1,800 to S\$2,520 per unit	Foreign workers' dormitory	One year for each unit; the earliest one commenced on 22 July 2018 and the last one will expire on 19 June 2020
654C Jurong West Street 61, #14-470, Singapore 643654	1	S\$2,100	Foreign workers' dormitory	1 April 2019 to 31 March 2020

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Address	Number of units leased	Monthly rent	Use of the property	Duration
#11-210, 520 Old Choa Chu Kang Road, Singapore 698909	1	S\$1,080	Foreign workers’ dormitory	4 July 2019 to 3 July 2020

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered one trade mark in Singapore and had registered one domain name. Details of our intellectual property rights are set out in “Statutory and General Information – B. Further Information about the Business of our Group – 2. Intellectual property rights” in Appendix V to this document.

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

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 606 employees (including our executive Directors), of which approximately 10.4% were Singapore citizens and approximately 89.6% were foreigners. The table below sets out a breakdown of our employees by function as at 28 February 2017, 28 February 2018, 28 February 2019 and the Latest Practicable Date:

	As at 28 February 2017	As at 28 February 2018	As at 28 February 2019	As at the Latest Practicable Date
General management	2	2	2	2
Accounts and finance	4	5	8	8
Administration and human resources	15	21	24	24
Contracts department	8	8	10	11
Health, safety and environment	4	5	5	6
Project management and supervision	47	71	104	142
Site workers	236	301	324	413
Total	316	413	477	606

BUSINESS

Recruitment policies and foreign workers

Our Group generally recruits our non-manual staff through referral. As for the recruitment of foreign workers, we usually source or recruit them through recruiting agency. As at the Latest Practicable Date, we employed foreign employees from different countries including the PRC, Bangladesh and India. The employment of foreign workers is subject to various rules and regulations in Singapore, including (i) the dependency ceilings based on the ratio of local to foreign workers; (ii) the quotas based on MYE 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 "Regulatory Overview – Employment Matters – Employment of foreign employees in Singapore" in this document.

Our human resources and health, safety and environment departments are 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, employers must obtain a valid work pass from the MOM for their foreign employees. Prior to the commencement of employment with our foreign workers, our human resources and health, safety and environment department will usually conduct reference checks of such foreign workers by checking the workers' past employment details via the MOM database, and inspects and takes copies of the originals of the identification documents and work permits of such foreign workers and ensure that the requisite security bonds have been furnished for 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 incident 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.

(ii) Dependency ceilings and MYE

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 holding work permits. Based on the latest information available from the MOM database as at the Latest Practicable Date, one of our operating subsidiaries, CTR, had utilised 321 of the quota balance for foreign workers. Based on the ratio of one full-time local worker to seven foreign workers holding work permits, the maximum number of foreign workers CTR can hire is 364, which means that we still have available quota to hire 43 additional foreign workers through CTR based on the dependency ceilings.

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As at the Latest Practicable Date, our other operating subsidiary, CTD, had utilised 222 of the quota balance for foreign workers. Based on the ratio of one full-time local worker to seven foreign workers holding work permits, the maximum number of foreign workers CTD can hire is 224, which means that we still have available quota to hire 2 additional foreign workers through CTD based on the dependency ceilings. Our Directors consider that our existing quota balance for foreign workers are sufficient to cater to the employment of our existing foreign workers and those who are planned to be recruited by us after the [REDACTED].

To facilitate our compliance with the dependency ceiling quota requirement, we maintain a list of our employees which sets out their personal information including nationality, position, skill levels (i.e. higher/basic-skilled workers, if applicable) and date of joining our Group, etc. 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.

Apart from complying with the dependency ceiling requirement, when we act as a main contractor, we also have to comply with the MYE requirement where the number of work permit holders from NTS countries and the PRC for each project is regulated.

(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 of R1 construction workers before the company can hire any new basic-skilled or R2 construction workers. As at the Latest Practicable Date, approximately 57.6% of the work permit holders hired by CTR and 51.2% of the work permit holders hired by CTD are higher-skilled construction workers.

To ensure the number of our higher-skilled construction workers constitutes at least 10% of our overall work permit holders, our human resources and health, safety and environment department would check the official records of the MOM's database at regular intervals to ascertain the proportion of our higher-skilled construction workers to our basic-skilled construction workers.

(iv) Security bonds requirements

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

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Employee training

Our employees received training depending on the department they worked for and the scope of work they dealt with. They receive on-site safety induction training before commencement of work and training during daily toolbox meeting. From time to time, we send our employees to attend courses relating to environmental and occupational safety, including safety orientation courses for workers, construction safety supervisor course, work-at-height course and occupational first aid course. In particular, with respect to our basic-skilled workers, we encourage them to upgrade themselves to higher-skilled workers by completing an upgrade course accredited by BCA.

Employee relations

Our Directors believe that the relationship between our management and our employees has been good and we expect such good relationship to continue. During the Track Record Period and up to the Latest Practicable Date, our Group did not have any material labour dispute and incident of strike, which would adversely affect our operations.

Retention of employees

We value our employees and use our best endeavours to maintain a good and cooperative relationship with them. The remuneration package we offer to our employees include basic salary and discretionary bonuses. In addition, we are required to make monthly CPF contributions in respect of our employees who are either citizens or permanent residents of Singapore. We review the performance of our employees on a periodical basis and make salary adjustment if necessary. During the Track Record Period, our Group did not experience any difficulties in the recruitment and retention of experienced staff.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that no member of our Group was involved in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors as pending or threatened against any member of our Group.

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Legal proceedings against our Group

During the Track Record Period and up to the Latest Practicable Date, our Group was involved in one reported case of contractual dispute, the details of which are set out below:

Date of the claim	Particulars of the dispute/claim	Status
25 January 2017	<p>It was claimed that in breach of a car rental agreement dated 7 June 2016 entered into between CTR and a car leasing company (the "Plaintiff"), CTR failed to return a motor vehicle leased from the Plaintiff in good order and condition upon the expiry of the 6-months hire period ended 6 December 2016.</p> <p>It was claimed that the Plaintiff incurred costs for repairing the canopy and undercarriage of the said motor vehicle and suffered from loss of use of the same for 10 days.</p>	<p>CTR paid S\$7,000 as repair fees to the Plaintiff on 15 February 2017. A notice of discontinuance was filed by the Plaintiff on 20 February 2017, according to which the Plaintiff wholly discontinued their claim against CTR.</p>

COMPLIANCE WITH LAWS AND REGULATIONS

Our Directors have confirmed that we had no material non-compliance of applicable laws and regulations in Singapore that would affect our Group's operation and financial position during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

In the course of conducting our business, our Group is exposed to various types of risks. Key risks relating to our business are set out in "Risk Factors" of this document. The following sets out the key measures adopted by our Group under our risk management and internal control systems relating to our business operations. Our executive Directors are responsible for overseeing and monitoring these measures and will assess the effectiveness regularly.

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Project risk management

Projects and customers

We recognise that new projects secured are critical to the financial performance as well as the business sustainability of our Group. In view of this, we maintain good working relationships with main contractors in Singapore. We will enhance our financial and operational capacities so as to increase the number of our customers and take on more projects.

Our Group has also established procedures for assessing and monitoring project risk. In our preparation of tendering or quotation of projects, our contracts department considers and evaluates our customers' payment records and the adequacy of our internal resources and capacity for the duration of the said project before a decision is made. Final approval from our tender team is required before any submission of tender or quotation. We are also mindful of not being over-reliant on any specific customer.

At any point in time, we undertake a number of projects at varying stages of completion with different progress claims made. As such, our Directors are of the view that as long as our projects are contracted on a budgeted positive gross profit margin, our operating cash outflow is unlikely to exceed our operating cash inflow. The credit period of within 35 days granted to our customers also helps reduce our financial risks. Further, our finance department monitors payment pattern of our customers regularly and closely. When there are signs of slowdown in securing projects and/or changes in the payment pattern of our existing customers, we will review the situation immediately and evaluate project opportunities with new or other customers.

Suppliers (including subcontractors)

To ensure that we provide timely and quality services to our customers, we aim to reduce our project risk by establishing good working relationships with our suppliers (including subcontractors), maintaining at least more than one supplier in a major category of materials or services, and constantly sourcing from approved suppliers. In addition, we maintain a list of approved suppliers, which is reviewed periodically.

Loss of key personnel

We will ensure that suitable and sufficient staff members are properly appointed and assigned to manage each of our projects. This is to ensure that adequate experience and technical knowledge are available within the project team and any loss of any team member will have limited impact on the continuity of project implementation.

Liquidity risk management

When undertaking our construction projects, there are often time lags between making payments to our suppliers (including subcontractors) and receiving payments from our customers, which would result in possible cash flow mismatch. Should we choose to make

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payments only after receiving payments from our customers, we will risk our reputation in being able to make timely payments, which would harm our ability to engage capable and quality suppliers and labour in the future.

In order to manage our liquidity position better, our finance department, led by Ms. Yap Hui Yan, our chief financial officer, will prepare an annual cash flow forecast about our overall business operations so as to ensure the sufficiency of our financial resources for the operation of our business. In the event that there is any expected shortage of internal financial resources based on the results from the forecast, we may refrain from undertaking the new project and/or consider different financing alternatives.

Credit risk management

At the end of Track Record Period, our maximum exposure to credit risk which will cause a financial loss to us due to default of 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.

In order to minimise the credit risk, we monitor the collection status and ageing analysis of out-standing payments on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual receivable at the end of the reporting period to monitor the overdue balances and consider to write off the bad debt if necessary. In this regard, we consider that our credit risk is significantly reduced.

Regulatory risk management

Our Group keeps abreast of any change in government policies, regulations, licensing requirements and permit and safety requirements and we are aware that any non-compliance of the above may impact on our business operations. We will ensure that all changes in government policies, regulations, licensing requirements and permit and safety requirements are closely monitored and communicated to our project directors, project managers and our executive Directors for proper implementation and compliance.

Foreign workers

We believe that inability to employ foreign workers may materially affect our business operations and financial performance. With a view to mitigating the impact of shortage of foreign workers arising from changes in relevant laws, rules and regulations in Singapore and/or other countries where the foreign workers originated, our management has adopted a policy of employing foreign workers from more than one country, including the PRC, Bangladesh, India, Myanmar and the Philippines. Please refer to “Employees – Recruitment policies and foreign workers” above in this section.

BUSINESS

Quality control system

Please refer to "Quality Control" above in this section.

Occupational health and safety

Please refer to "Occupational Health and Safety" above in this section.

Environmental protection system

Please refer to "Environmental Protection" above in this section.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Upon the completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon exercise of the [REDACTED] and the options that may be granted under the Share Option Scheme), our Company will be held as to [REDACTED]% by Brave Ocean. Brave Ocean is an investment holding company incorporated in the BVI with limited liability and is owned as to 40% by Mr. XP Xu, the chairman of our Board, the chief executive officer of our Group and our executive Director, 40% by Mr. TC Xu, our executive Director, and 20% by Ms. Gou, the mother of Mr. XP Xu and Mr. TC Xu.

As Brave Ocean will be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company, and Mr. XP Xu, Mr. TC Xu and Ms. Gou hold their interest in our Company through Brave Ocean, a common investment holding company, Brave Ocean, Mr. XP Xu, Mr. TC Xu and Ms. Gou will be regarded as a group of Controlling Shareholders upon the [REDACTED]. For more information about Mr. XP Xu and Mr. TC Xu, please refer to “Directors and Senior Management – Directors – Executive Directors” in this document.

ACTING IN CONCERT CONFIRMATION AND UNDERTAKING

On 28 November 2018, Mr. XP Xu, Mr. TC Xu and Ms. Gou entered into the Acting In Concert Confirmation And Undertaking, whereby they (i) confirmed that, since 17 June 2011, they have been parties acting in concert with one another in respect of all major affairs concerning each member of our Group, adopted a consensus building approach to reach decisions on a unanimous basis, voted as a group (by themselves and/or through companies controlled by them) in respect of all corporate matters relating to the financials and operations of our Group at the shareholder level of each member within our Group (where applicable), and have been given sufficient time and information to consider and discuss in order to reach consensus; and (ii) have undertaken that, upon the execution of the Acting In Concert Confirmation And Undertaking and during the period they (by themselves or together with their associates) remain in control of our Group until the Acting In Concert Confirmation And Undertaking is terminated by them in writing, they will maintain the above acting-in-concert relationship.

RULE 8.10 OF THE LISTING RULES

Each of our Directors and our Controlling Shareholders does not have any interest in a business apart from our Group’s business which competes or is likely to compete, either directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our business independent of and without undue reliance on our Controlling Shareholders and their respective close associates after the [REDACTED] based on the following reasons:

Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main function of our Board includes the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Group.

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Mr. XP Xu and Mr. TC Xu are our executive Directors. Mr. XP Xu, the sole director of Brave Ocean, is the overlapping director between our Company and Brave Ocean. Other than that, none of our other Directors nor members of our senior management holds any directorship or position in Brave Ocean.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. 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 Board meeting in respect of such transaction and shall not be counted in the quorum.

Our management team is led by a team of five senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies. Notwithstanding that Mr. KF Xu, our Head of HR and HSE and a member of our senior management, is a cousin of Mr. XP Xu and Mr. TC Xu, and a nephew of Ms. Gou, our Directors are satisfied that our senior management team will be able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors confirmed that our Group will not enter into any transaction with our connected persons and their close associates after the [REDACTED] that will affect our operational independence. Our Directors are of the view there is no operational dependence on our Controlling Shareholders and their respective close associates.

Financial independence

Our Group has our own accounting systems, accounting and finance personnel, independent treasury function for cash receipts and payments and we make financial decisions according to our own business needs. Our accounting and finance personnel is responsible for financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

During the Track Record Period, our Group had certain performance bonds issued by insurance companies and banking facilities issued by banks that were secured by personal guarantees by two of our Controlling Shareholders, Mr. XP Xu and Mr. TC Xu. Our Group will procure consent-in-principle from the relevant insurance companies and banks for their agreements to release all such personal guarantees provided by Mr. XP Xu and Mr. TC Xu and to replace all such personal guarantees by corporate guarantee of our Company upon the [REDACTED]. To demonstrate that our Group is able to operate independently from our Controlling Shareholders, in the event that our Group is unable to obtain the consent-in-principle from the relevant insurance companies, our Group will replace the performance bonds with those issued by other insurance companies which will agree to replace all such personal guarantees by corporate guarantee of our Company upon the [REDACTED].

During the Track Record Period, our Group had certain amounts due from/to Mr. XP Xu. Please refer to note 19 to the Accountants' Report in Appendix I to this document for further details. The amount due from/to directors were unsecured, interest-free, has no fixed term of repayment and of non-trade in nature. All outstanding balance will be fully settled before the [REDACTED].

Save as disclosed above, our Directors confirmed that, as at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loan, guarantee or pledge to our Group. Our Directors also confirmed that, as at the Latest Practicable Date, our Group did not provide any loan, guarantee or pledge to our Controlling Shareholders or their respective close associates.

Our Directors believe that, upon the [REDACTED], our Group will principally be relying on available internal financial resources and cash generated from our operations to carry out our business without the support of our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Independence of major suppliers

Our Directors confirmed that none of our Controlling Shareholders and their respective close associates, had 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 and up to the Latest Practicable Date.

Independence of major customers

Our Directors confirmed that none of our Controlling Shareholders and their respective close associates, had 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 and up to the Latest Practicable Date.

DEED OF NON-COMPETITION

Our Controlling Shareholders as covenantors (each a "**Covenantor**", collectively, the "**Covenantors**") [executed] the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries).

1. Non-competition

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the [REDACTED] and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be [REDACTED] on the Stock Exchange; (ii) the date on which the Covenantors and their close associates, individually or taken as a whole, cease to be a Controlling Shareholder; or (iii) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued share capital of our Company:

He/she/it will not, and will use his/her/its best endeavours to procure his/her/its close associates (together with the Covenantors, the "**Controlled Persons**") not to, either on his/her/its own or in conjunction with any person, body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, among other things, carry on, participate in, hold, engage in, be interested in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business or activity which, directly or indirectly, competes or is likely to compete with the business of our Company or any of our subsidiaries in Singapore and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time (the "**Restricted Business**"), or take any action which interferes with or disrupts or may interfere with or may disrupt the business carried on or contemplated to be carried on by our Company or any of our subsidiaries in Singapore and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time (the "**Business**"), including but not limited to the solicitation of any of the customers, suppliers or employees of any member of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Deed of Non-Competition does not apply if the Controlled Persons in aggregate own any interest not exceeding five per cent of the issued shares in any company conducting any Restricted Business (the "**Relevant Company**"), and the Relevant Company is listed on any recognised stock exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the Business, provided that (i) the shareholding of any one holder (and his/her/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Persons in aggregate at any time; (ii) the total number of the relevant Covenantors' representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/her/its shareholding in the Relevant Company; and (iii) the Controlled Persons, whether acting jointly or singly, are not entitled to appoint a majority of the directors of the Relevant Company or otherwise participate in or be involved in the management of the Relevant Company.

2. New business opportunity

If any Controlled Person is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the "**New Business Opportunity**"):

- (a) he/she/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and
- (b) he/she/it shall not, and shall procure that his/her/its close associates not to, invest or participate in any project and New Business Opportunity, unless such project and New Business Opportunity shall have been rejected by our Company and the principal terms of which the Controlled Persons invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage, and shall procure his/her/its close associates to only engage, in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Business (the "**Non-acceptance Notice**"); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Subject to the paragraph above, our Board (including our independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Controlled Person or whether or not the New Business Opportunity constitutes competition with the Business and such decisions will be made by our

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Board (including our independent non-executive Directors). The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders.

3. Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, each of the Covenantors jointly and severally, unconditionally and irrevocably undertakes that he/she/it will:

- (a) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless in certain circumstances as set out in our Articles of Association), and shall not be counted towards the quorum for such meeting;
- (b) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct annual examinations with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (c) procure our Company to disclose to the public either in the annual report of our Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it and, where applicable, the reason(s) why any New Business Opportunity referred to our Company by our Controlled Persons was not taken up;
- (d) ensure that our independent non-executive Directors shall make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the requirements of the Listing Rules; and
- (e) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify our Company (for itself and as trustee for its subsidiaries) against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-Competition.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (a) the Listing Committee of the Stock Exchange granting the [REDACTED] of, and the permission to deal in, the Shares, as described in this document, and (b) the [REDACTED] and dealings in the Shares on the Stock Exchange taking place.

The Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with the business of our Group.

DIRECTORS AND SENIOR MANAGEMENT

SUMMARY OF DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Our senior management consists of the Head of HR and HSE, chief financial officer, general manager, project director and senior project manager of our Group. The following table sets forth certain information in respect of our Directors and senior management:

Name	Age	Present position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Directors						
Mr. Xu Xuping (許旭平)	34	Chairman of our Board, executive Director and chief executive officer of our Group	24 October 2018	3 January 2007	Formulating and implementing company policy and business strategies of our Group	Brother of Mr. TC Xu and cousin of Mr. KF Xu
Mr. Xu Tiancheng (許添城)	32	Executive Director	24 October 2018	30 March 2009	Overseeing the accounts, information technology and operational matters of our Group	Brother of Mr. XP Xu and cousin of Mr. KF Xu
Mr. Kung Wai Chiu Marco (孔維釗)	45	Independent non-executive Director	[•]	[•]	Responsible for providing independent advice to our Board	Nil
Mr. Tang Chi Wang (鄧智宏)	41	Independent non-executive Director	[•]	[•]	Responsible for providing independent advice to our Board	Nil
Ms. Wang Yao (王瑤)	53	Independent non-executive Director	[•]	[•]	Responsible for providing independent advice to our Board	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of appointment as senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Directors						
Senior Management						
Mr. Xu Kunfu (許坤福)	34	Head of HR and HSE	1 February 2013	1 December 2011	Supervising the human resources and health, safety, environmental and operational matters of our Group	Cousin of Mr. XP Xu and Mr. TC Xu
Ms. Yap Hui Yan (葉慧妍)	30	Chief financial officer	2 July 2018	2 July 2018	Overseeing the financial reporting and management, internal control and compliance matters of our Group	Nil
Mr. Liu Jianzhong (劉建忠) ("Mr. JZ Liu")	48	General manager	1 August 2017	30 August 2010	Overseeing the general management of projects and operation of our Group	Nil
Mr. Liu Honggeng (劉洪耕) ("Mr. HG Liu")	52	Project director	5 September 2016	5 September 2016	Overseeing the management of projects of our Group	Nil
Mr. Tan Chooi Ing (陳水榮)	57	Senior project manager	1 August 2017	1 August 2017	Overseeing the management of our Group's operation from business development to project execution	Nil

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Xu Xuping (許旭平), aged 34, was appointed as a Director on 24 October 2018 and was designated as the chief executive officer of our Group, the chairman of our Board and an executive Director on 1 November 2018. He is responsible for formulating and implementing company policy and business strategies of our Group. Mr. XP Xu has over 12 years of experience in the construction industry in Singapore and in managing companies. He was appointed as a director of our subsidiaries, CTD and CTR, in January 2007 and in June 2010, respectively, and was appointed as a director of our investment holding company, Pinnacle Shine, in August 2018. Mr. XP Xu has been the managing director of CTR since March 2009. His main responsibilities as managing director of CTR include, among others, liaising with existing customers, meeting with potential customers and overseeing the management of projects.

Mr. XP Xu obtained a Diploma in Building & Property Management from Singapore Polytechnic in Singapore in May 2005 and a Bachelor of Applied Science degree in Construction Management with first class honours from the Royal Melbourne Institute of Technology in Australia (through distance learning) in August 2009.

Mr. XP Xu is one of our Controlling Shareholders and the brother of Mr. TC Xu, an executive Director and one of our Controlling Shareholders. Mr. XP Xu is also the cousin of Mr. KF Xu, a member of our senior management.

Mr. Xu Tiancheng (許添城), aged 32, was appointed as a Director on 24 October 2018 and was designated as an executive Director on 1 November 2018. He is responsible for overseeing the accounts, information technology and operational matters of our Group. He was appointed as a director of our subsidiaries, CTR and CTD, in March 2009 and in June 2011, respectively.

Mr. TC Xu has over 10 years of experience in the construction industry in Singapore. Since March 2009, Mr. TC Xu has been a director of our subsidiary, CTR, and is mainly responsible for overseeing the management of wet architectural projects of CTR. His duties include conducting site visits from time to time, planning the allocation of resources, and participating in the tender of projects involving wet architectural works. He is also responsible for accounts, information technology and operational matters of CTR.

Mr. TC Xu obtained a Diploma in Business Information Technology from Singapore Polytechnic in Singapore in March 2007. Mr. TC Xu also obtained a Bachelor of Science degree in Accounting and Finance with Honours from the University of London in the United Kingdom (through distance learning) in August 2011 while concurrently serving as directors of CTR and CTD.

Mr. TC Xu is one of our Controlling Shareholders and the brother of Mr. XP Xu, the chief executive officer of our Group, the chairman of our Board, an executive Director and one of our

DIRECTORS AND SENIOR MANAGEMENT

Controlling Shareholders. Mr. TC Xu is also the cousin of Mr. KF Xu, a member of our senior management.

Independent non-executive Directors

Mr. Kung Wai Chiu Marco (孔維釗), aged 45, was appointed as our independent non-executive Director on [•]. Mr. Kung is responsible for providing independent advice to our Board.

Mr. Kung has over 21 years of experience in the accounting and auditing field in Hong Kong. From June 1997 to August 2006, he worked at accounting firms in Hong Kong. Mr. Kung has been the sole proprietor of Marco Kung & Co., a Certified Public Accountants (Practising) firm since September 2006.

Mr. Kung also possesses experience in compliance, company secretary and financial management for listed companies. He worked at Sanai Health Industry Group Company Limited (previously known as Wuyi International Pharmaceutical Company Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 1889), from August 2006 to June 2016, in which he was once the financial controller and his last position was company secretary and authorised representative. He was the chief financial officer of Alpha Professional Holdings Limited (previously known as Z-Obee Holdings Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 948), from April 2017 to January 2019 and has been appointed as the company secretary and authorised representative of the same company since November 2017. Mr. Kung was appointed as the company secretary and authorised representative of Hailan Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2278) from September 2018 to April 2019.

Mr. Kung graduated from Lingnan College (currently known as the Lingnan University) in Hong Kong with a Bachelor of Business Administration degree in November 1997. He further obtained a Master’s degree in Business Administration from The University of Wollongong in Australia, in August 2005 and a Master’s degree in Corporate Governance from The Hong Kong Polytechnic University in October 2008. Mr. Kung was admitted as a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong in September 2005, February 2008 and July 2010, respectively. In addition, Mr. Kung was admitted as an associate of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries in February 2009. Mr. Kung was registered as a Certified Public Accountant (Practising) in January 2007 and was also registered as a Certified Tax Adviser in Hong Kong in July 2010. In September 2018, Mr. Kung became a Chartered Governance Professional of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

Mr. Tang Chi Wang (鄧智宏), aged 41, was appointed as an independent non-executive Director on [•]. He is responsible for providing independent advice to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tang has over 22 years of experience in building construction in Hong Kong. From September 1996 to July 1999, Mr. Tang worked at the Housing Department of the Government of Hong Kong, with his last position as works supervisor I. From September 2000 to September 2007, Mr. Tang worked at a surveyor company and other companies in the private sector and held various positions including assistant building surveyor, senior maintenance officer and projects manager. From September 2007 to September 2010, from September 2010 to March 2011 and from March 2011 to November 2011, Mr. Tang was a project manager of ISG Asia (Hong Kong) Limited, Green Solution Interior Design and Decoration Company Limited and S&techs (Hong Kong) Limited, respectively. Since April 2012, Mr. Tang has been a director of Advise Building Consultancy Limited, a company incorporated in Hong Kong, where he is primarily responsible for the overall management of its business operation. In addition, Mr. Tang has been an independent non-executive director of Thelloy Development Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1546), since September 2015.

Mr. Tang was admitted as a fellow of The Chartered Institute of Arbitrators, Hong Kong Institute of Arbitrators, Hong Kong Institute of Construction Managers, The Chartered Association of Building Engineers and The Hong Kong Institute of Surveyors in July 2007, July 2008, December 2012, February 2014 and November 2015, respectively. In January 2003 and October 2008, he was also respectively admitted as a member of The Chartered Institute of Building and the Royal Institution of Chartered Surveyors.

Mr. Tang obtained a Diploma in Building Studies from the Morrison Hill Technical Institute (now renamed the Hong Kong Institute of Vocational Education (Morrison Hill)) in Hong Kong in August 1996, a Higher Diploma in Surveying from the City University of Hong Kong in Hong Kong in November 1999, a Bachelor of Science (Honours) degree in Building Surveying from the University of Northumbria at Newcastle in the United Kingdom in June 2000, a Postgraduate Diploma in Arbitration from The College of Estate Management in the United Kingdom (through distance learning) in January 2005, a Bachelor of Laws (Honours) from the University of London in the United Kingdom in August 2008 and a Master of Public Administration degree from the Hong Kong Baptist University in Hong Kong in November 2011.

Mr. Tang was a director of the following company which was incorporated in Hong Kong prior to its dissolution:

Name of Company	Date of dissolution	Means of dissolution	Reasons for dissolution	Principal business activities prior to dissolution
Galaxy Strategy & Development Limited	1 April 2011	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance <i>(Note)</i>	Ceased to carry out business	Building consultancy

DIRECTORS AND SENIOR MANAGEMENT

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operations for more than three months immediately before the application for deregistration; and (c) such company has no outstanding liabilities.

Mr. Tang confirmed that there was no wrongful act on his part leading to the dissolution of Galaxy Strategy & Development Limited and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of Galaxy Strategy & Development Limited.

Ms. Wang Yao (王瑤), aged 53, was appointed as an independent non-executive Director on [•]. She is responsible for providing independent advice to our Board.

Ms. Wang has over 24 years of experience in the construction industry in Singapore and in the PRC. Ms. Wang worked at Shenyang Designing Institute of Building from May 1992 to February 1998 with her last position as structural (civil) engineer, where she participated in construction and structural design projects. Ms. Wang worked at Lee Yuen Engineering Pte. Ltd. (Singapore) from February 1998 to February 2007 with her last position as production manager. Subsequently, Ms. Wang worked as a project manager at United Reliance Engineering Pte. Ltd. from October 2008 to April 2009 where her duties included design development, sourcing and supervising sub-contractors and ensuring the implementation of proper quality assurance and quality control plan. Since November 2009 and October 2014, Ms. Wang has been a senior project manager at Wellbuilt Pte. Ltd. and Wellbuilt Construction Pte. Ltd., respectively. Wellbuilt Pte. Ltd. principally engages in the business of installation of structure steel, manufacture of steel structural component and fabrication of steel parts while the principal activities of Wellbuilt Construction Pte. Ltd. include the erection of steel structure. She was also a director at Wellbuilt Pte. Ltd. from November 2009 to January 2011 and has been a chief executive officer at Wellbuilt Construction Pte. Ltd. since October 2014.

Ms. Wang obtained a Bachelor's degree in Engineering, majoring in Agricultural Construction in July 1989 from Shenyang Agricultural University (瀋陽農業大學) in the PRC.

Disclosure of relationships and as required pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirms with respect to him/her that: (a) he/she had not held any directorship in the three years prior to the Latest Practicable Date in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he/she does not hold other positions in our Company or other members of our Group; (c) he/she is independent from and he/she does not have any relationship with any other Directors, senior management, substantial shareholders or Controlling Shareholders of our Company; (d) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 1. Disclosure of interests" in Appendix V to this document; (e) he/she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with us, which is discloseable under the Listing Rules; and (f) to

DIRECTORS AND SENIOR MANAGEMENT

the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, as at the Latest Practicable Date, there was no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Mr. Xu Kunfu (許坤福), aged 34, joined our Group in December 2011 as manager and was later appointed as a director of CTR, our subsidiary, in February 2013. He is also the Head of HR and HSE, responsible for supervising the human resources and health, safety, environmental, and operational matters of our Group.

Mr. KF Xu has over seven years of experience in the construction industry in Singapore. Prior to joining our Group, Mr. KF Xu worked as management trainee at Tractors Singapore Pte. Ltd. from June 2011 to December 2011.

Mr. KF Xu obtained a Diploma in Engineering Informatics from Nanyang Polytechnic in Singapore in March 2006 and a Bachelor of Science degree in Business Administration (magna cum laude) from the State University of New York at Buffalo in the United States in February 2011.

Mr. KF Xu is the cousin of Mr. XP Xu and Mr. TC Xu, our executive Directors and our Controlling Shareholders.

Ms. Yap Hui Yan (葉慧妍), aged 30, joined our Group as the chief financial officer in July 2018. She is primarily responsible for overseeing the financial reporting and management, internal control and compliance matters of our Group.

Ms. Yap has over eight years of experience in audit and financial management in Singapore. Prior to joining our Group, she worked at Zee 2 Zee Corporate Services Pte. Ltd. between April 2010 and May 2013 where she had taken up positions including accounts and administrative assistant and accounts executive. She then joined Paul Go & Co, a public accounting firm, from July 2013 to August 2015 with her last position as semi audit senior. Subsequently, she worked as an audit senior at Reanda Adept PAC, from December 2015 to January 2018. She was then employed as a project manager at One Investment & Consultancy Limited from January 2018 to June 2018.

Ms. Yap obtained a certificate issued by the Association of Chartered Certified Accountants for completing the Fundamentals Level of the Association of Chartered Certified Accountants examinations in December 2009. She further obtained a certificate issued by the Association of Chartered Certified Accountants for completing the Professional Level of the Association of Chartered Certified Accountants examinations in February 2013. Ms. Yap was admitted as a member of the Institute of Singapore Chartered Accountants in November 2017 and is qualified as a Chartered Accountant of Singapore.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Jianzhong (劉建忠), aged 48, joined our Group as a project manager in August 2010 and was later promoted to the position of general manager in August 2017. Mr. JZ Liu is responsible for overseeing the general management of projects and operation of our Group.

Mr. JZ Liu has over 16 years of experience in site management in the construction industry in Singapore. Prior to joining our Group, Mr. JZ Liu worked as a project engineer at Eng Lim Construction Co. (Pte) Ltd. from July 2002 to December 2008, with his last position as structural site manager. From February 2009 to February 2010, Mr. Liu worked as a carpenter supervisor at SD Construction Pte. Ltd. He then worked as a building construction supervisor and general foreman at ZhongYu Construction Group Co., Ltd. (Singapore branch) from January 2010 to January 2011.

Mr. JZ Liu has attended and completed various courses in relation to supervision and safety in the construction workplace. He obtained a Certificate of Completion of the “Formwork Safety Course for Supervisors” from Absolute Kinetics Consultancy Pte. Ltd., a course which is approved by the MOM, in August 2008. In June 2016, he obtained a certificate of successful completion of the “Construction Safety Course for Project Managers” from Ever Safe Consultants Pte. Ltd., a course which is approved by the Singapore Accreditation Council (SAC) for Construction Safety Course for Project Managers. He also obtained a certificate of successful completion of the “CET for CoreTrade Supervisor (Structural) course” issued by the Building and Construction Authority in Singapore in May 2018.

Mr. JZ Liu graduated from Chanxing Hongxingqiao Junior High School in the PRC in June 1986. He was also awarded a certificate of competence in January 1995 by the Ministry of Construction of PRC for passing the relevant training courses organised by Zhejiang Provincial Association for Construction Industry for project managers of construction enterprises in China.

Mr. Liu Honggeng (劉洪耕), aged 52, has been the project director of our Group since September 2016. Mr. HG Liu is responsible for overseeing the management of projects of our Group, including the planning and execution of projects from commencement until completion.

Mr. HG Liu has over 18 years of experience in project management in the construction industry in Singapore. Prior to joining our Group, Mr. HG Liu worked as a site engineer at Wee Hur Construction Pte. Ltd. between June 1997 and September 2005 and he rejoined Wee Hur Construction Pte. Ltd. as a project manager from March 2008 to September 2016.

Mr. HG Liu obtained his Bachelor’s degree of Engineering from the Shanghai Institute of Railway Technology (上海鐵道學院) (currently known as Tongji University (同濟大學) in the PRC) majoring in industrial and civil building in July 1988.

DIRECTORS AND SENIOR MANAGEMENT

Mr. HG Liu was a director of the following company which was incorporated in Singapore prior to its dissolution and subsequently struck off:

Name of Company	Date of dissolution	Means of dissolution	Reasons for dissolution	Principal business activities prior to dissolution
Zhongxin Crude Oil International Trading Pte. Ltd.	11 March 2015	Struck off	Ceased to carry out business	Service activities incidental to oil and gas extraction

Mr. HG Liu confirmed that there was no wrongful act on his part leading to the dissolution of Zhongxin Crude Oil International Trading Pte. Ltd. and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of Zhongxin Crude Oil International Trading Pte. Ltd.

Mr. Tan Chooi Ing (陳水榮), aged 57, has been the senior project manager of our Group since August 2017. Mr. Tan is responsible for overseeing the management of our Group’s operation from business development to project execution, including the procurement of contracts as well as value engineering the projects of our Group.

Mr. Tan has over 25 years of experience in the construction industry in Singapore. Mr. Tan was the director of Tian Fu Construction & Engineering Pte. Ltd., a building construction company in Singapore, from November 1991 to November 2016.

Mr. Tan obtained a Diploma in Business Administration from Singapore Chinese Chamber Institute of Business in Singapore in October 2001.

Mr. Tan obtained a certificate of successful completion of the “Supervise Construction Work for WSH” from the AA International Consultancy Pte. Ltd. in September 2017.

The senior management of our Group had not held any directorship in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Ms. Leung Hoi Yan (梁皓欣), aged 39, was appointed as the company secretary of our Company on 24 June 2019 and is responsible for our company secretarial affairs.

Ms. Leung has approximately 15 years of experience in the accounting field and over 8 years of experience in company secretarial and corporate governance matters of listed companies 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

DIRECTORS AND SENIOR MANAGEMENT

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, a wholly-owned subsidiary of Inno-Tech Holdings Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8202), with her last position as assistant company secretary. She has been working at BPO Global Services Limited since August 2018 and is currently a company secretarial manager at its listed company division. In June 2019, she was appointed as the company secretary and the authorised representative of each of (i) Shuang Yun Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1706); (ii) FSM Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1721); (iii) HKE Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1726); (iv) Shenzhen Mingwah Aohan High Technology Corporation Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8301); and (v) Khoon Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 924).

Ms. Leung obtained an Honours Diploma in Accounting from Hong Kong Shue Yan College in July 2003 and a degree of Bachelor of Commerce (Honours) in Accounting from Hong Kong Shue Yan University in November 2008. She was admitted as an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators both in December 2016.

During the three years preceding the Latest Practicable Date, Ms. Leung has not been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas.

BOARD COMMITTEES

Audit Committee

We established our Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code pursuant to a resolution of our Directors passed on [•]. The primary duties of our Audit Committee are, among other things, to make recommendations to our Board on the appointment, re-appointment and removal of external auditors, review the financial statements and provide material advice in respect of financial reporting, oversee our financial reporting process, internal control, risk management systems and audit process, and perform other duties and responsibilities assigned by our Board.

At present, our Audit Committee comprises Mr. Kung Wai Chiu Marco, Mr. Tang Chi Wang and Ms. Wang Yao, all being our independent non-executive Directors. Mr. Kung Wai Chiu Marco is the chairman of our Audit Committee.

Remuneration Committee

We established our Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code pursuant to a resolution of our Directors passed on [•]. The primary duties of our Remuneration Committee are to review

DIRECTORS AND SENIOR MANAGEMENT

and approve the management's remuneration proposals, make recommendations to our Board on the remuneration package of our Directors and senior management and ensure none of our Directors determines his/her own remuneration.

At present, our Remuneration Committee comprises Ms. Wang Yao, Mr. Kung Wai Chiu Marco and Mr. Tang Chi Wang, all being our independent non-executive Directors. Ms. Wang Yao is the chairman of our Remuneration Committee.

Nomination Committee

We established our Nomination Committee with written terms of reference in compliance with the Corporate Governance Code pursuant to a resolution of our Directors passed on [•]. The primary duties of our Nomination Committee are to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

At present, our Nomination Committee comprises Mr. Tang Chi Wang, Mr. Kung Wai Chiu Marco and Ms. Wang Yao, all being our independent non-executive Directors. Mr. Tang Chi Wang is the chairman of our Nomination Committee.

BOARD DIVERSITY

Our Company has adopted a board diversity policy which sets out the approach of which our Board could achieve a higher level of diversity. It is the duty of our Nomination Committee to review our board diversity policy, as appropriate, and review the measurable objectives that our Board has set for implementing our board diversity policy for nomination of Directors. When considering the nomination of a director, our Nomination Committee would consider the benefits of all aspects of diversity including the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and any other factors that our Board may consider relevant and applicable from time to time. We place emphasis on ensuring a balanced composition of skills and experience at our Board level in order to provide a range of perspectives, insights and challenge that enable our Board to discharge its duties and responsibilities effectively and support good decision making in view of the core businesses and strategy of our Group. Our Nomination Committee has to make disclosure of its review results and our board diversity policy or a summary of it in our corporate governance report on an annual basis.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

DIRECTORS AND SENIOR MANAGEMENT

Our Company is committed to the view that our Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Except for the deviation from provision A.2.1 of the Corporate Governance Code, our Company's corporate governance practices have complied with the Corporate Governance Code. Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. XP Xu is the chief executive officer of our Group and the chairman of our Board. In view of Mr. XP Xu has been operating and managing our Group since January 2007, our Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. XP Xu is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. Accordingly, our Company has not segregated the roles of our chief executive officer and chairman as required by paragraph A.2.1 of the Corporate Governance Code.

COMPLIANCE ADVISER

We have appointed Grande Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the term commencing on the [REDACTED] and ending on the date on which we despatch our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED]. Such appointment may be subject to extension by mutual agreement.

Pursuant to Rule 3A.23 of the Listing Rules, we shall seek advice from our compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate to a material extent from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of the Shares.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to our performance. We also reimburse them for expenses which are necessary and reasonably incurred in relation to all business and affairs

DIRECTORS AND SENIOR MANAGEMENT

carried out by us from time to time or for providing services to us or executing their functions in relation to our business and operations. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and our performance.

After the [REDACTED], our Directors and senior management may also receive options to be granted under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During FY2016/17, FY2017/18 and FY2018/19, the aggregate remuneration, including salaries and bonuses, directors' fees and contributions to retirement benefit scheme, paid to our Directors were approximately S\$487,000, S\$459,000 and S\$573,000, respectively.

For FY2016/17, FY2017/18 and FY2018/19, the aggregate remuneration, including salaries and bonuses, and contributions to retirement benefit scheme, paid to the five highest paid individuals (including our Directors) by our Group was approximately S\$872,000, S\$887,000 and S\$1.1 million, respectively.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for FY2019/20 will be approximately S\$0.6 million. Following the [REDACTED], our Remuneration Committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration to our Directors during the Track Record Period may not reflect the future levels of remuneration of our Directors.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which any of our Directors waived or agreed to waive any remuneration during the Track Record Period.

Please refer to the accountants' report set out in Appendix I to this document for further details of our Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Please refer to "Statutory and General Information – D. Share Option Scheme" in Appendix V to this document for further details of the Share Option Scheme.

SHARE CAPITAL

SHARE CAPITAL

Assuming the [REDACTED] is not exercised at all and without taking into account the options that may be granted under the Share Option Scheme, the share capital of our Company immediately following completion of the [REDACTED] and the [REDACTED] will be as follows:

<i>Authorised:</i>		US\$
[5,000,000,000] Shares of US\$0.01 each		[50,000,000]
<i>Issued or to be issued, fully paid or credited as fully paid:</i>		
[100] Shares in issue as at the Latest Practicable Date		[1.00]
[REDACTED] Shares to be issued pursuant to the [REDACTED]		[REDACTED]
<u>[REDACTED]</u> Shares to be issued pursuant to the [REDACTED]		<u>[REDACTED]</u>
<u>[REDACTED]</u> Shares		<u>[REDACTED]</u>

Assuming the [REDACTED] is exercised in full, and without taking into account any options that may be granted under the Share Option Scheme, the share capital of our Company immediately following the completion of the [REDACTED] and the [REDACTED] will be as follows:

<i>Authorised:</i>		US\$
[5,000,000,000] Shares of US\$0.01 each		[50,000,000]
<i>Issued or to be issued, fully paid or credited as fully paid:</i>		
[100] Shares in issue as at the Latest Practicable Date		[1.00]
[REDACTED] Shares to be issued pursuant to the [REDACTED]		[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]		[REDACTED]
[REDACTED] Shares to be issued pursuant to the exercise of the [REDACTED]		[REDACTED]
<u>[REDACTED]</u> Shares		<u>[REDACTED]</u>

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(b) of the Listing Rules, at the time of the [REDACTED] and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The [REDACTED] will rank pari passu in all respects with all Shares currently in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this document save for the entitlements under the [REDACTED].

SHARE OPTION SCHEME

Our Company [has conditionally adopted] the Share Option Scheme. A summary of its principal terms is set out in "Statutory and General Information – D. Share Option Scheme" in Appendix V to this document.

GENERAL MANDATE GRANTED TO OUR DIRECTORS

Subject to the [REDACTED] becoming unconditional, general mandates [have been] granted to our Directors to allot and issue Shares and to repurchase Shares. For details of such general mandates, please refer to "Statutory and General Information – A. Further Information about our Company – 5. Written resolutions of our sole Shareholder passed on [•] 2019" in Appendix V to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in "Summary of the Constitution of our Company and the Cayman Islands Company Law" in Appendix IV to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon exercise of the [REDACTED] and the options that may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares 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	Capacity/nature of interest	Number of Shares held in our Company as at the date of AP Vetting	Percentage of shareholding in our Company as at the date of AP Vetting	Percentage of shareholding in our Company immediately after completion of the [REDACTED] and the [REDACTED]	
				Number of Shares held in our Company immediately after completion of the [REDACTED] and the [REDACTED]	Percentage of shareholding in our Company immediately after completion of the [REDACTED] and the [REDACTED]
Brave Ocean	Beneficial owner ^(Note 2)	10 (L)	100%	[REDACTED] (L)	[REDACTED]%
Mr. XP Xu	Interest in a controlled corporation ^(Note 2) /Interests held jointly with another ^(Notes 3, 4)	10 (L)	100%	[REDACTED] (L)	[REDACTED]%
Ms. Le Thi Minh Tam	Interest of spouse ^(Notes 2, 3, 4)	10 (L)	100%	[REDACTED] (L)	[REDACTED]%
Mr. TC Xu	Interest in a controlled corporation ^(Note 2) /Interests held jointly with another ^(Notes 3, 5)	10 (L)	100%	[REDACTED] (L)	[REDACTED]%
Ms. Lin Qingling	Interest of spouse ^(Notes 2, 3, 5)	10 (L)	100%	[REDACTED] (L)	[REDACTED]%
Ms. Gou	Interests held jointly with another ^(Notes 2, 3, 6)	10 (L)	100%	[REDACTED] (L)	[REDACTED]%
Mr. Xu Junjie	Interest of spouse ^(Notes 2, 3, 6)	10 (L)	100%	[REDACTED] (L)	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. Our Company will be owned as to [REDACTED]% by Brave Ocean immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon exercise of the [REDACTED] and the options that may be granted under the Share Option Scheme). Brave Ocean is beneficially owned as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively. Under the SFO, Mr. XP Xu and Mr. TC Xu are deemed to be interested in the same number of Shares held by Brave Ocean.
3. Mr. XP Xu and Mr. TC Xu are sons of Ms. Gou. Mr. XP Xu, Mr. TC Xu and Ms. Gou hold their interest in our Group through Brave Ocean. Mr. XP Xu, Mr. TC Xu and Ms. Gou are persons acting in concert pursuant to the Acting In Concert Confirmation And Undertaking and accordingly each of them is deemed to be interested in the Shares held by the others. By the Acting In Concert Confirmation And Undertaking, each of Mr. XP Xu, Mr. TC Xu and Ms. Gou confirmed that, since 17 June 2011, they have been parties acting in concert with one another in respect of all major affairs concerning each member of our Group, adopted a consensus building approach to reach decisions on a unanimous basis, voted as a group (by themselves and/or through companies controlled by them) in respect of all corporate matters relating to the financials and operations of our Group at the shareholder level of each member company within our Group (where applicable), and will continue to do so.
4. Ms. Le Thi Minh Tam is the spouse of Mr. XP Xu. Under the SFO, Ms. Le Thi Minh Tam is deemed to be interested in the same number of Shares in which Mr. XP Xu is interested.
5. Ms. Lin Qingling is the spouse of Mr. TC Xu. Under the SFO, Ms. Lin Qingling is deemed to be interested in the same number of Shares in which Mr. TC Xu is interested.
6. Mr. Xu Junjie is the spouse of Ms. Gou. Under the SFO, Mr. Xu Junjie is deemed to be interested in the same number of Shares in which Ms. Gou is interested.

Save as disclosed herein, our Directors are not aware of any person who will, immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon exercise of the [REDACTED] and the options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or the underlying Shares of our Company 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, directly or indirectly, be interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

FINANCIAL INFORMATION

The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's combined financial information as at the end of and for each of FY2016/17, FY2017/18 and FY2018/19, including the notes thereto, included in Appendix I to this document. The combined financial information of the Group have been prepared in accordance with IFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth in "Risk factors" and elsewhere in this document.

OVERVIEW

We are a Singapore-based contractor specialising in structural engineering works and wet architectural works. During the Track Record Period, we engaged in structural engineering works comprising (i) reinforced concrete works which include steel reinforcement works, formwork erection and concrete works; and (ii) precast installation works. We also engaged in wet architectural works, comprising (i) masonry building works; (ii) plastering and screeding works; (iii) tiling works; and (iv) waterproofing works.

During the Track Record Period, our revenue represented income primarily derived from (i) the provision of structural engineering works services; and (ii) the provision of wet architectural works services. 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 required for performing our structural engineering works and wet architectural works such as ready mixed concrete, reinforcement bars and timber formwork; and (iii) suppliers of other miscellaneous services such as rental of equipment, and rental of dormitories for workers.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

Our tenders and quotations success rate on structural engineering works and wet architectural works projects

During the Track Record Period, we secured new businesses mainly through direct invitation for quotation or tender by customers. Our projects are typically awarded through a competitive tendering process. Our tender success rates for structural engineering works and wet architectural works contracts were approximately 30.8%, 24.4% and 23.9% for FY2016/17, FY2017/18 and FY2018/19, respectively. Our Directors consider that our tender success rate depends on various factors, such as our pricing and tender strategy, customers' tender evaluation standards, our competitors' pricing and tender strategy, and

FINANCIAL INFORMATION

the level of competition. The number of tender invitations or contracts available for bidding in the future and our tender success rate will affect our financial position and performance.

Our cash flows may fluctuate due to the payment practice applied to our projects

Our construction projects normally incur net cash outflows in the initial stage of carrying out our works when we are required to pay for the setting up, wages for workers, accommodation costs, purchase of construction materials and consumables, hiring of subcontractors, and commencement of works. As the works proceed, our customers settle the progress payments at various stages, which will move gradually from net cash outflows at the early stage to accumulative net cash inflows. Our Group undertakes a number of projects at any given period and therefore we could offset the cash inflow of certain projects against the cash outflow of other ones. Given the large labour force maintained by our Group, we incur substantial monthly cash outflows, should the mix of our projects be such that more payments are received in the later stage or should there be potential mismatch in time between receipt of progress payments from our customers and payments to our suppliers and subcontractors, our Group's corresponding cash flow position may be adversely affected.

Estimation of our project costs and determination of our tender price of our projects

Whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. To determine the tender price, our Directors confirm that we will take into account various factors including our existing manpower and resources, the cost of construction materials (where not provided for by main contractors), whether the work is within our expertise, the schedule of completion of the work, whether we have the capacity to accept the new tasks, our relationship with the customers, the prevailing market conditions and possible prices offered in our competitive bids. For further details, please refer to "Business – Our Customers – Pricing strategy" in this document. Our Directors believe that tender price is important, because once the items in the bills of quantities are under-estimated, the contractor generally will have to bear any additional costs incurred. In the event we fail to properly estimate the project costs or if there are any unforeseen factors or difficulties raised during the execution of projects leading to any increase in time, cost (such as additional subcontracting fee and materials costs), or any additional requirements of manpower, we may be subject to cost overruns, which will in turn result in lower profit margin or even a loss for a project.

Fluctuation in our construction costs

Our construction costs mainly comprise (i) staff costs; (ii) subcontracting charges; and (iii) direct material costs. Our main purchases include subcontracting services as well as direct materials. Please refer to the section headed "Business – Our Suppliers" in this document for further details on our suppliers and subcontractors.

FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of staff costs and subcontracting charges, and direct materials costs (being the major components of our construction costs) on our profit before tax during the Track Record Period. The hypothetical fluctuation rates for staff costs and subcontracting charges are set at 1.2% and 15.7%, which correspond to the approximate minimum and maximum percentage changes in the average monthly wages of construction workers in Singapore from 2014 to 2018 as stated in the CK Report (see "Industry overview – Price trend of major cost components – Manpower" in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis. The hypothetical fluctuation rates for direct materials costs are set at 1.6% and 15.8%, which correspond to the approximate minimum and maximum percentage changes in the average price of ready mixed concrete, reinforcement bars and timber formwork in Singapore from 2014 to 2018 as stated in the CK Report (see "Industry overview – Price trend of major cost components" in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis.

Hypothetical fluctuations in our staff costs and subcontracting charges	-1.2%	-15.7%	+1.2%	+15.7%
Increase/(decrease) in profit before tax (Note)	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
FY2016/17	139	1,817	(139)	(1,817)
FY2017/18	323	4,230	(323)	(4,230)
FY2018/19	370	4,843	(370)	(4,843)
Hypothetical fluctuations in our direct materials costs	-1.6%	-15.8%	+1.6%	+15.8%
Increase/(decrease) in profit before tax (Note)	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
FY2016/17	74	728	(74)	(728)
FY2017/18	205	2,028	(205)	(2,028)
FY2018/19	196	1,931	(146)	(1,931)

Note: Our profit before tax was approximately S\$4.4 million, approximately S\$6.5 million and approximately S\$8.5 million for each of FY2016/17, FY2017/18 and FY2018/19 respectively.

BASIS OF PRESENTATION AND PREPARATION OF FINANCIAL INFORMATION

Please refer to notes 2.1 and 2.2 of the accountants' report set out in Appendix I to this document.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with accounting policies which conform with IFRSs. The significant accounting policies adopted by our Group are set forth in detail in note 2.4 to the accountants’ report set out in Appendix I to this document.

Some of the accounting policies involve judgments, estimates, and assumptions made by our management. Further information regarding the key judgements made in applying our accounting policies are set forth in note 3 to the accountants’ report set out in Appendix I to this document.

Revenue recognition

Revenue recognition for construction contracts

Our Group adopts the input method and recognises revenue using the “Percentage of Completion” method. In making this judgement, our Group evaluates the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation.

Our Group recognises contract revenue to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, revenue from contracts is recognised in the profit or loss in proportion to the stage of completion, using the input measurement method. In applying the stage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and estimated costs to complete. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

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Income taxes

Our Group’s exposure to income taxes mainly arises from Singapore. Our Group recognises liabilities for expected amount to be paid to the tax authorities. Where the final tax outcome is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the Track Record Periods in which such determination is made.

Useful lives of property, plant and equipment

Our Group’s property, plant and equipment are depreciated on a straight-line basis over their respective useful lives. Our Directors estimate the useful lives of these property, plant and equipment to be between 3 to 60 years. Changes in the expected level of usage and technological developments could impact the estimated useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Impairment of non-financial assets

Our Group assess whether there are any indicators of impairment for all non-financial assets at each Track Record Periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, our Directors must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade and other receivables

Our Group recognises lifetime expected credit loss (“ECL”) for trade and other receivables, based on our Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to our Group in accordance with the contract and all the cash flows that our 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.

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SUMMARY OF RESULTS OF OPERATIONS

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

	FY2016/17	FY2017/18	FY2018/19
	S\$’000	S\$’000	S\$’000
Revenue	26,453	54,481	64,353
Construction costs	<u>(18,095)</u>	<u>(42,803)</u>	<u>(47,728)</u>
Gross profit	8,358	11,678	16,625
Other income	1,027	1,041	1,596
Administrative expenses	(4,958)	(6,200)	(9,752)
(Loss allowance provision)/write-back of loss allowance provision on financial assets measured at amortised cost	<u>(28)</u>	<u>(26)</u>	<u>25</u>
Profit before tax	4,399	6,493	8,494
Income tax expense	<u>(596)</u>	<u>(1,060)</u>	<u>(1,983)</u>
Profit and total comprehensive income for the year	<u><u>3,803</u></u>	<u><u>5,433</u></u>	<u><u>6,511</u></u>

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was primarily derived from (i) the provision of structural engineering works services; and (ii) the provision of wet architectural works services. For detailed breakdowns of our revenue during the Track Record Period by our types of works, by sector (private or public), by property type, number of projects by range of revenue recognised, please refer to the sections “Business – Overview” and “Business – Our projects” in this document.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our revenue during the Track Record Period.

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Construction costs

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

	FY2016/17		FY2017/18		FY2018/19	
	S\$'000	%	S\$'000	%	S\$'000	%
Staff costs	8,171	45.1	11,667	27.2	11,693	24.5
Subcontracting charges	3,402	18.8	15,276	35.7	19,156	40.1
Direct material costs	4,608	25.5	12,835	30.0	12,221	25.6
Rental of equipment	846	4.7	1,398	3.3	2,421	5.1
Rental of dormitories	636	3.5	1,097	2.6	1,522	3.2
Depreciation	56	0.3	66	0.1	69	0.1
Others	376	2.1	464	1.1	646	1.4
Total	18,095	100	42,803	100	47,728	100

Our construction costs during the Track Record Period comprised:

- (a) staff costs, which are salaries and benefits provided to our staff who are directly involved in carrying out our structural engineering works and wet architectural works;
- (b) subcontracting charges, which are costs for engaging subcontractors for labour assistance for site works. As disclosed in the paragraph headed "Business – Our suppliers – Principal terms of engagement with our suppliers" of this document, we may engage subcontractors to perform our works when we do not have sufficient labours;
- (c) direct material costs, which mainly represent costs for purchasing materials used for our structural engineering works and wet architectural works such as ready mixed concrete, reinforcement bars and timer formwork;
- (d) rental of equipment, which are rental expenses for equipment used such as scaffolding systems;
- (e) rental of dormitories, which are rental expenses for dormitories for our workers;
- (f) depreciation, which represents depreciation charges for our property, plant and equipment such as the depreciation charges in respect of our motor vehicles in relation to our construction services;
- (g) others, which include various miscellaneous expenses such as transportation fees incurred in relation to our construction services.

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

Other income

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

	FY2016/17	FY2017/18	FY2018/19
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Government grants	301	69	56
Rendering of services	478	667	1,202
Rental income	142	187	160
Interest income	37	46	101
Others	69	72	77
Total	<u>1,027</u>	<u>1,041</u>	<u>1,596</u>

Our other income during the Track Record Period mainly comprised:

- (a) government grants, which were granted pursuant to Productivity and Innovation Credit Scheme, Wage Credit Scheme, Special Employment Credit Scheme and Temporary Employment Credit;
- (b) rendering of services, which represented income derived from the provision of labour assistance to other construction contractors upon their request;
- (c) rental income, which represented income generated from the lease of our Group's investment properties;
- (d) interest income, which represented interest income derived from fixed deposits placed at banks;
- (e) others, which mainly included insurance compensation received.

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

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Administrative expenses

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

	FY2016/17		FY2017/18		FY2018/19	
	S\$'000	%	S\$'000	%	S\$'000	%
Depreciation of investment properties	136	2.8	141	2.3	142	1.5
Depreciation of property, plant and equipment	189	3.8	235	3.8	268	2.7
Entertainment and travelling expenses	176	3.6	342	5.5	474	4.9
Insurance	63	1.3	88	1.4	83	0.9
[REDACTED] expenses	–	–	–	–	[REDACTED]	[REDACTED]
Legal and professional fees	19	0.4	24	0.4	26	0.3
Management fees and office utilities	106	2.1	143	2.3	216	2.2
Repair and maintenance	189	3.8	291	4.7	334	3.4
Staff costs (including directors' emoluments)	3,714	74.9	4,570	73.7	5,543	56.8
Staff welfare and training	275	5.5	313	5.0	456	4.7
Others	91	1.8	53	0.9	88	0.9
	4,958	100.0	6,200	100.0	[REDACTED]	[REDACTED]

Our administrative expenses during the Track Record Period comprised:

- (a) depreciation of investment properties, which represent depreciation charges for investment properties held by our Group;
- (b) depreciation of property, plant and equipment, which represent depreciation charges for office units, computers, furniture and fixtures, office equipment, motor vehicles and renovation;
- (c) entertainment and travelling expenses, which mainly include the cost in relation to the relationship building with existing and potential customers;
- (d) insurance, which represent insurance premiums for insurance policies maintained by our Group;
- (e) [REDACTED] expenses, which represent the expenses in relation to the [REDACTED];

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- (f) legal and professional fees, which mainly include ISO certification fees and legal and other professional advisory services;
- (g) management fees and office utilities, which mainly include management fees for our office units, costs for printing, stationery, telephone and fax and other utilities;
- (h) repair and maintenance expenses, which mainly represent expenses incurred for general office maintenance and motor vehicle maintenance;
- (i) staff costs (including directors' emoluments), which include salaries, Central Provident Fund and benefits provided to our Directors and our administrative and back office staff;
- (j) staff welfare and training, which mainly include medical expenses and fees for training courses;
- (k) others, which mainly include loss on disposal of property, plant and equipment, bad debts written off. For details of our bad debts, please refer to the paragraph headed "Discussion on selected statement of financial position items" in this section.

(Loss allowance provision)/write-back of loss allowance provision on financial assets measured at amortised cost

Our loss allowance provision and write-back of loss allowance provision on financial assets measured at amortised cost include loss allowance provision on contract assets, trade receivables, other receivables and amount due from directors, and write-back of loss allowance provision on contract assets, trade receivables and amount due from directors. Our Group applies the simplified approach to provide for ECL prescribed by IFRS 9 which permits the use of lifetime expected loss providing for financial assets that do not contain a significant financing component. For details, please refer to the paragraph headed "Discussion on selected statement of financial position items" and "Indebtedness" in this section.

Income tax expense

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands. Singapore profits tax has been provided at the rate of 17% on the estimated assessable profits arising in Singapore for the Track Record Period.

Singapore corporate income tax rebate is computed based on 40% of the corporate tax payable subject to a cap of S\$15,000 for the Year of Assessment 2018 and 20% of the corporate tax payable subject to a cap of S\$10,000 for the Year of Assessment 2019.

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Tax exemption is computed based on 75% of the chargeable income cap at S\$10,000 and the next 50% of the chargeable income cap at S\$290,000 in Singapore for the Year of Assessment of 2018 and 2019. The tax exemption for the Year of Assessment of 2020 is computed based on 75% of the chargeable income cap at S\$10,000 and the next 50% of the chargeable income cap at S\$190,000.

Our Group is entitled to additional 300% tax deductions/allowances for qualified Productivity and Innovation Credit information technology and automation equipment and training expenses under the Product and Innovation Credit Scheme in Singapore for the Year of Assessment of 2018.

The taxation for the Track Record Period can be reconciled to the profit before tax as follows:

	FY2016/17 S\$'000	FY2017/18 S\$'000	FY2018/19 S\$'000
Profit before tax	<u>4,399</u>	<u>6,493</u>	<u>8,494</u>
Tax at the statutory tax rate of 17%	748	1,104	1,444
<i>Adjustments:</i>			
Non-deductible expenses	41	34	398
Income not subject to taxation	(6)	(3)	(3)
Effect of tax exemption*	(186)	(75)	(37)
(Over)/under provision of income tax in respect of prior years	<u>(1)</u>	<u>–</u>	<u>181</u>
	<u>596</u>	<u>1,060</u>	<u>1,983</u>

* Include corporate income tax rebate, tax exemption and tax deductions/allowances under the Productivity and Innovation Credit Scheme.

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Set out below is the reconciliation of movements of our Group's current tax liabilities, income tax expense and income tax payment during the Track Record Period:

	<i>Notes</i>	FY2016/17 <i>S\$'000</i>	FY2017/18 <i>S\$'000</i>	FY2018/19 <i>S\$'000</i>
Opening current tax liabilities as at beginning of the year		406	914	1,406
Current income tax expense for the year		586	1,050	1,983
Tax paid for financial years prior to the Track Record Period		(78)	(102)	–
Tax paid for FY2016/17	3	–	(456)	(313)
Tax paid for FY2017/18		–	–	(1,113)
		<u> </u>	<u> </u>	<u> </u>
Closing current tax liabilities as at end of the year	1	<u>914</u>	<u>1,406</u>	<u>1,963</u>
Actual net cash outflows for tax payment	2	<u>(78)</u>	<u>(558)</u>	<u>(1,426)</u>

Notes:

1. Closing current tax liabilities as at the end of the year are as shown in our combined statements of financial position set out in Appendix I to this document.
2. Actual net cash outflows for tax payment during the year are as shown in our combined statements of cash flows set out in Appendix I to this document.
3. The total tax paid for FY2016/17 was approximately S\$769,000 which exceeded the current income tax expense of approximately S\$586,000 mainly due to the expected tax refundable of approximately S\$180,000 recognised due to prior year adjustments which lowered the current income tax expense for FY2016/17.

Tax refiling of CTR pursuant to the prior year adjustments made

In preparation of the [REDACTED], the management of CTR noted that the previous accounting practice of recognition of revenue derived from variation orders do not substantially align with the prevailing generally accepted accounting principles for the preparation of financial statements to conform with the relevant accounting standards. The accounting team of CTR recognised revenue derived from variation orders in the financial year which were finalised and agreed, rather than in the financial year where the respective costs for those variation orders were incurred. Therefore, in preparation of the [REDACTED], certain projects' total revenue were adjusted in view of the finalised variation orders in subsequent financial years.

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Also, our Group’s revenue is recognised on the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract and billing is based on monthly progress claims. After each project was completed, the Company has revised the estimated total contract cost to the total actual cost that had been incurred. The amendment in total contract costs then affects the percentage of completion of the project, so as the revenue recognised in each financial year.

As a result, the management of CTR prepared the financial statements of FY2015/16, FY2016/17 and FY2017/18 using actual revenue (for completed projects) or estimated revenue (for ongoing projects which including variation orders performed in the same financial year), and actual total contract cost incurred (for completed projects) or estimated total contract cost incurred (for ongoing projects), and restated the comparative figures and its opening balances for financial statements of FY2018/19. The current auditor, Ernst & Young LLP Singapore, will reflect the rectified financial figures when issuing the audited statutory financial statements of CTR for FY2018/19 which is expected to be issued by the end of August 2019.

The additional tax payable/refundable was estimated based on each year’s revised tax computation (prepared in accordance with the revised management accounts after rectification of the prior year adjustments mentioned above) and compared with the original tax computation or notice of assessment issued from IRAS for the previous financial years. The additional tax payable/refundable of prior to FY2014/15, FY2014/15, FY2015/16 and FY2016/17 is as demonstrated below:

	Prior to FY2014/15	FY2014/15	FY2015/16	FY2016/17	Total
	S\$’000	S\$’000	S\$’000	S\$’000	S\$’000
Additional tax payable/(refundable)	54 ^(Note1)	181 ^(Note2)	224 ^(Note3)	(180) ^(Note3)	279

Notes:

1. Additional tax payable of S\$54,000 was not charge to the profit or loss accounts as our Directors considered the amount was immaterial.
2. Additional tax payable of S\$181,000 was charged to profit and loss accounts for FY2018/19.
3. Additional tax payable of S\$224,000 and tax refundable of S\$180,000 were charged to profit and loss accounts for FY2015/16 and FY2016/17, respectively.

In order to ensure the prior years’ tax position of CTR was appropriately rectified, CTR engaged an independent tax consultant (the “**Tax Consultant**”) to advise on the refileing procedures. According to the Tax Consultant, based on prevailing practice, it is not uncommon to file revised income tax computations for prior financial years due to restatements or adjustments in audited statutory financial statements. According to the Tax Consultant’s understanding, in filing its original corporate tax computations to the IRAS, CTR had relied upon the then statutory audited financial statements for the years in question, thus effectively recognising the audited revenue figures as the taxable revenue figures in its original corporate

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tax computations for the years in question. In this regard, CTR's tax computations submitted had followed the accounting results (represented by audited financial statements) as at the relevant points in time. Once it came to CTR's notice that its "Revenue" and "Cost of goods sold" for earlier financial years should be adjusted, it had provided for additional tax accordingly and will pay for such additional tax in due course. Considering the above, the Tax Consultant considers it reasonable that an argument can be made that CTR had (at the respective points in time) consistently adopted a "tax follows accounting" approach. CTR had simply reported its tax position based on a very widely-accepted source of objective financial information it had (as represented by audited financial statements) at the relevant point in time. As such, the Tax Consultant considers the risk of the IRAS imposing penalties on CTR for the adjustments to revenue and costs to be low.

As advised by the Tax Consultant, it is not advisable to initiate the revised income tax computations until the audited statutory financial statements become available. Once the audited statutory financial statements of FY2018/19 is issued, revised tax computations of CTR of previous financial years will be submitted together with its tax computations and audited statutory financial statements of FY2018/19. Our Directors considered the effect of the tax refiling of CTR has been properly accounted for in the Group's financial information for the Track Record Period.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2018/19 compared with FY2017/18

Revenue

Our revenue increased from approximately S\$54.5 million for FY2017/18 to approximately S\$64.4 million for FY2018/19, representing an increase of 18.2%. Such increase was mainly driven by the revenue contributed by some of our major projects undertaken or commenced during FY2018/19, including (a) an infrastructure project in public sector providing structural engineering works (i.e. Project 13 under the table of "Business – Our projects – Major projects" for FY2018/19) with revenue contribution of approximately S\$10.7 million during FY2018/19 (FY2017/18: approximately S\$2.7 million); and (b) an industrial project in private sector providing structural engineering works commenced in May 2018 (i.e. Project 14 under the table of "Business – Our projects – Major projects" for FY2018/19) with revenue contribution of approximately S\$15.8 million during FY2018/19 (FY2017/18: nil).

Construction costs

Our construction costs increased from approximately S\$42.8 million for FY2017/18 to approximately S\$47.7 million for FY2018/19, representing an increase of 11.4%, which was lower than the increase in our revenue by approximately 6.8 percentage points (and thus resulted in our slightly higher gross profit margin for FY2018/19). Our construction costs mainly include staff costs, subcontracting charges, direct material costs, rental of equipment, rental of dormitories and others. Depending on the scope of works to be performed or the number of units

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required for works to be performed, the volume and/or types of construction materials used may fluctuate, resulting in substantial fluctuations in the proportions of construction costs from project to project.

The following is a discussion of the changes in the key components of our construction costs for FY2017/18 compared to FY2018/19:

- (i) Our subcontracting charges increased from approximately S\$15.3 million for FY2017/18 to approximately S\$19.2 million for FY2018/19, representing an increase of approximately 25.5%. Such increase was mainly due to the increase in the use of subcontractors as a result of the lack of capacity of our own labour resources in view of our growth in business during FY2018/19 as illustrated by the increase in our revenue as discussed above, in particular the increase in the number of relatively larger scale projects undertaken or commenced during FY2018/19.
- (ii) Our direct material costs decreased from approximately S\$12.8 million for FY2017/18 to approximately S\$12.2 million for FY2018/19, representing a decrease of approximately 4.7%. Such decrease was mainly due to the different stage of the projects, in particular, in respect of Project 7 and Project 21, in which more material costs were incurred during FY2017/18 as compared to FY2018/19.
- (iii) Our rental of equipment increased from approximately S\$1.4 million for FY2017/18 to approximately S\$2.4 million for FY2018/19, representing an increase of approximately 71.4%. Such increase was mainly due to the greater need for scaffolding equipment in our sizeable projects such as Project 13 and 14 during FY2018/19.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2017/18 and FY2018/19 respectively were as follows:

	FY2017/18	FY2018/19
Revenue (S\$'000)	54,481	64,353
Gross profit (S\$'000)	11,678	16,625
Gross profit margin	21.4%	25.8%

Our gross profit amounted to approximately S\$11.7 million and approximately S\$16.6 million for FY2017/18 and FY2018/19 respectively, representing an increase of approximately 42.4%, primarily due to the increase in revenue as discussed above. Our gross profit margin increased from approximately 21.4% for FY2017/18 to approximately 25.8% for FY2018/19, mainly contributed by certain projects with higher gross profit margin such as (i) one of our five largest projects for FY2018/19 (i.e. Project 18); and (ii) an addition variation order on Project 25.

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Other income

Our other income increased from approximately S\$1.0 million for FY2017/18 to approximately S\$1.6 million for FY2018/19. Such difference was mainly due to the increase in rendering of services of approximately S\$535,000.

Administrative expenses

Our administrative expenses increased from approximately S\$6.2 million for FY2017/18 to approximately S\$9.8 million for FY2018/19, representing an increase of approximately 58.1%. Such increase was mainly due to (i) the increase in our staff costs (including salary and benefits paid to our Directors) as a result of increase in number of employees and (ii) the one-off [REDACTED] expenses of approximately S\$[REDACTED] incurred during FY2018/19.

Income tax expense

Our profit before tax increased from approximately S\$6.5 million for FY2017/18 to approximately S\$8.5 million for FY2018/19, mainly driven by the increase in our revenue. Our income tax expense increased from approximately S\$1.1 million for FY2017/18 to approximately S\$2.0 million for FY2018/19 as a result of the increase in profit before tax.

Profit and total comprehensive income for the year

As a result of the aforesaid, our profit and total comprehensive income for the year increased from approximately S\$5.4 million for FY2017/18 to approximately S\$6.5 million for FY2018/19, representing an increase of approximately 20.4%.

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FY2017/18 compared with FY2016/17

Revenue

Our revenue increased from approximately S\$26.5 million for FY2016/17 to approximately S\$54.5 million for FY2017/18, representing an increase of 106.0%. Such significant increase was mainly because:

- (i) There was an increase in the number of sizable projects with revenue contribution of S\$5,000,001 or above during FY2017/18, as demonstrated in the below table:

	FY2016/17	FY2017/18
	<i>Number of projects</i>	<i>Number of projects</i>
Revenue recognised		
S\$5,000,001 or above	1	4
S\$2,000,001 to below S\$5,000,000	3	4
S\$500,001 to below S\$2,000,000	7	6
S\$500,000 or below	8	12
	<u>19</u>	<u>26</u>

- (ii) In particular, the increase in the revenue was mainly driven by the revenue contributed by some of our major projects undertaken or commenced during FY2017/18, including (a) a private project providing structural engineering works (i.e. Project 10 under the table of "Business – Our projects – Major projects" for FY2017/18) with revenue contribution of approximately S\$8.7 million during FY2017/18 (FY2016/17: approximately S\$1.3 million); (b) a public project providing structural engineering works (i.e. Project 7 under the table of "Business – Our projects – Major projects" for FY2017/18) with revenue contribution of approximately S\$7.6 million for FY2017/18 (FY2016/17: approximately S\$2.7 million); and (c) a private project providing structural engineering works commenced in August 2017 (i.e. Project 11 under the table of "Business – Our projects – Major projects" for FY2017/18) with revenue contribution of approximately S\$6.7 million for FY2017/18 (FY2016/17: nil).

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- (iii) There was an increase in the number of projects with total contract sum ranged between S\$5,000,001 to S\$10,000,001 during FY2017/18, as demonstrated in the below table:

	FY2016/17	FY2017/18
	<i>Number of projects</i>	<i>Number of projects</i>
Total contract sum		
S\$10,000,001 to S\$20,000,000	5	5
S\$5,000,001 to S\$10,000,000	1	4
S\$1,000,001 to S\$5,000,000	10	12
S\$1,000,000 or below	3	5
	19	26
	19	26

Further, the number of our employees increased from 316 as at 28 February 2017 to 413 as at 28 February 2018 and our Directors consider that such increase enabled us to undertake more sizeable contracts. During FY2017/18 and up to the Latest Practicable Date, in order to expand our market share and in view of the completion of major projects brought forward from FY2016/17, we adopted a more competitive pricing strategy in FY2017/18 in order to secure more sizable projects so that we can maximise our revenue from the projects awarded to us with our available capacity. The increase in the amount of works undertaken during FY2017/18, including in particular works in relation to projects mentioned in paragraph (ii) above, contributed to the increase in our revenue during FY2017/18.

Construction costs

Our construction costs increased from approximately S\$18.1 million for FY2016/17 to approximately S\$42.8 million for FY2017/18, representing an increase of 136.5%, which was higher than the increase in our revenue (and thus resulted in our lower gross profit margin for FY2017/18). Our construction costs mainly include staff costs, subcontracting charges, direct material costs, rental of equipment, rental of dormitories and others. Depending on the scope of works to be performed or the number of units required for works to be performed, the volume and/or types of construction materials used may fluctuate, resulting in substantial fluctuations in the proportions of construction costs from project to project.

The following is a discussion of the changes in the key components of our construction costs in FY2016/17 compared to FY2017/18:

- (i) Our staff costs increased from approximately S\$8.2 million for FY2016/17 to approximately S\$11.7 million for FY2017/18, representing an increase of approximately 42.8%. Such increase was mainly due to the increase in the number of

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our staff directly involved in carrying out our structural engineering works and wet architectural works from 285 as at 28 February 2017 to 374 as at 28 February 2018 in order to cope with the increase in number of projects.

- (ii) Our subcontracting charges increased from approximately S\$3.4 million for FY2016/17 to approximately S\$15.3 million for FY2017/18, representing an increase of approximately 349.0%. Such significant increase was mainly due to the increase in the engagement of subcontractors for labour assistance for site works, as a result of our growth in business during FY2017/18 as illustrated by the significant increase in our revenue as discussed above.
- (iii) Our direct material costs increased from approximately S\$4.6 million for FY2016/17 to approximately S\$12.8 million for FY2017/18, representing an increase of approximately 178.5%. Such increase was mainly due to increase in our revenue as discussed above.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2016/17 and FY2017/18 respectively were as follows:

	FY2016/17	FY2017/18
Revenue (S\$'000)	26,453	54,481
Gross profit (S\$'000)	8,358	11,678
Gross profit margin	31.6%	21.4%

Our gross profit amounted to approximately S\$8.4 million and approximately S\$11.7 million for FY2016/17 and FY2017/18 respectively, representing an increase of approximately 39.7%, while our gross profit margin decreased from approximately 31.6% for FY2016/17 to approximately 21.4% for FY2017/18. The increase in our gross profit was primarily due to the increase in our revenue due to reasons discussed above. The decrease in our gross profit margin was mainly because (i) we adopted a more competitive pricing strategy in FY2017/18 in order to secure certain sizable projects such as Project 11 and Project 15; and (ii) we increased our use in subcontractors for labour assistance in respect of certain relatively sizeable projects in FY2017/18 such as Project 6 and Project 7, resulting in a lower gross profit margin for FY2017/18.

Other income

Our other income amounted to approximately S\$1.0 million for FY2016/17 and FY2017/18, which was relatively stable.

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Administrative expenses

Our administrative expenses increased from approximately S\$5.0 million for FY2016/17 to approximately S\$6.2 million for FY2017/18, representing an increase of approximately 25.1%. Such increase was mainly attributable to the increase in our staff costs due to our increase in number of employees.

Income tax expense

Our profit before tax increased from approximately S\$4.4 million for FY2016/17 to approximately S\$6.5 million for FY2017/18, mainly driven by the increase in our revenue. Our income tax expense increased from approximately S\$596,000 for FY2016/17 to approximately S\$1.1 million for FY2017/18 as a result of the increase in profit before tax.

Profit and total comprehensive income for the year

As a result of the aforesaid, our profit and total comprehensive income for the year increased from approximately S\$3.8 million for FY2016/17 to approximately S\$5.4 million for FY2017/18, representing an increase of approximately 42.9%.

LIQUIDITY AND CAPITAL RESOURCES

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

As at 31 May 2019, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and bank balances of approximately S\$9.1 million.

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Cash flows

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

	FY2016/17	FY2017/18	FY2018/19
	S\$'000	S\$'000	S\$'000
Net cash flows from operating activities	3,733	7,036	5,459
Net cash flows used in investing activities	(963)	(1,815)	(182)
Net cash flows from/(used in) financing activities	210	984	(8,296)
Net increase/(decrease) in cash and cash equivalents	2,980	6,205	(3,019)
Cash and cash equivalents at beginning of financial year	3,153	6,133	12,338
Cash and cash equivalents at end of financial year	6,133	12,338	9,319

Cash flows from operating activities

Our operating cash inflows is primarily derived from our revenue from the provision of services on structural engineering works and wet architectural works, whereas our operating cash outflows mainly includes payment for purchase of direct materials, subcontracting charges, staff costs, as well as other working capital needs. Net cash generated from operating activities primarily consisted of profit before tax adjusted for bad debts written off, depreciation for property, plant and equipment and investment properties, loss allowance provision on various receivables, loss on disposal of property, plant and equipment, interest income and the effect of changes in working capital such as changes in inventories, contract assets, trade receivables, other receivables and deposits, prepayments, amount due from directors, contract liabilities, trade payables and retention payables, other payables and accruals, interest received and income taxes paid.

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

	FY2016/17	FY2017/18	FY2018/19
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Profit before tax	4,399	6,493	8,494
Adjustments for:			
Bad debts written off	–	–	4
Depreciation of property, plant and equipment	245	301	337
Depreciation of investment properties	136	141	142
Loss allowance provision:			
– Contract assets	20	26	–
– Trade receivables	5	3	–
– Other receivables	1	–	2
– Amount due from directors	2	–	–
Write-back of loss allowance provision:			
– Contract assets	–	–	(13)
– Trade receivables	–	–	(14)
– Amount due from directors	–	(3)	–
Loss on disposal of property, plant and equipment	42	9	8
Interest income	(37)	(46)	(101)
Operating cash flows before changes in working capital	4,813	6,924	8,859
(Increase)/decrease in inventories	(453)	453	–
(Increase)/decrease in contract assets	(2,592)	(5,266)	742
(Increase)/decrease in trade receivables	(888)	(1,699)	1,511
Increase in other receivables and deposits	(301)	(4)	(31)
(Increase)/decrease in prepayments	(25)	13	(820)
(Increase)/decrease in amount due from directors	(148)	291	–
(Decrease)/increase in contract liabilities	(49)	1,976	(719)
Increase/(decrease) in trade payables and retention payables	2,289	4,320	(1,889)
Increase/(decrease) in other payables and accruals	1,128	543	(864)
Cash flows from operations	3,774	7,551	6,789
Interest received	37	43	96
Income taxes paid	(78)	(558)	(1,426)
Net cash flows from operating activities	3,733	7,036	5,459

FINANCIAL INFORMATION

For FY2016/17, FY2017/18 and FY2018/19, the respective differences between our profit before tax and net cash flows from operating activities were mainly due to the amount and timing of billing to and receipts from our customers and the amount and timing of payments to our suppliers.

Cash flows from investing activities

	FY2016/17	FY2017/18	FY2018/19
	S\$'000	S\$'000	S\$'000
Purchase of property, plant and equipment	(556)	(885)	(281)
Purchase of investment properties	(474)	–	–
Proceeds from disposal of property, plant and equipment	67	23	39
Proceeds from disposal of investment in an associate	–	–	55
Increase in fixed deposits pledged to a bank	–	(956)	–
Interest received from fixed deposits pledged to a bank	–	3	5
	<u>–</u>	<u>3</u>	<u>5</u>
Net cash flows used in investing activities	<u>(963)</u>	<u>(1,815)</u>	<u>(182)</u>

During the Track Record Period, our cash inflows from investing activities primarily includes proceeds from disposal of property, plant and equipment and investment in an associate and interest received from fixed deposits pledged to a bank, whereas our cash outflows from investing activities primarily includes purchase of property, plant and equipment and investment properties and increase in fixed deposits pledged to a bank.

For FY2016/17, we recorded net cash flows used in investing activities of approximately S\$1.0 million, which was primarily attributable to purchase of our investment properties and property, plant and equipment such as motor vehicles and office equipment.

For FY2017/18, we recorded net cash flows used in investing activities of approximately S\$1.8 million, which was primarily attributable to purchase of our property, plant and equipment such as motor vehicles and office units and the increase in fixed deposits pledged to a bank, net off with proceeds from disposal of property, plant and equipment and interest received from fixed deposits pledged to a bank.

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For FY2018/19, we recorded net cash used in investing activities of approximately S\$0.2 million, which was primarily attributable to purchase of our property, plant and equipment such as motor vehicles and office equipment net off with proceeds from disposal of investment in an associate and proceeds from disposal of property, plant and equipment.

Cash flows from financing activities

	FY2016/17	FY2017/18	FY2018/19
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Repayment of loans and borrowings	–	–	–
Dividends paid to the then shareholders	–	–	(3,000)
Increase/(decrease) in amount due to directors	210	984	(5,296)
	<u>210</u>	<u>984</u>	<u>(5,296)</u>
Net cash flows from/(used in) financing activities	<u>210</u>	<u>984</u>	<u>(8,296)</u>

During the Track Record Period, our cash inflows from financing activities primarily includes advance from directors, whereas our cash outflows from financing activities primarily includes dividends paid to the then shareholders, repayment to directors and repayment of loans and borrowings.

For FY2016/17 and FY2017/18, we recorded net cash flows from financing activities of approximately S\$0.2 million and S\$1.0 million, which was mainly attributable to advance from directors as illustrated in the breakdown of net cash from/(used in) financing activities above.

For FY2018/19, we recorded net cash flows used in financing activities of approximately S\$8.3 million, which was mainly attributable to the dividends paid to the then shareholders and repayment to directors.

FINANCIAL INFORMATION

Capital expenditures

For each of FY2016/17, FY2017/18 and FY2018/19, our Group incurred capital expenditures of approximately S\$0.6 million, S\$0.9 million and S\$0.3 million respectively, as set out below:

	FY2016/17	FY2017/18	FY2018/19
	S\$'000	S\$'000	S\$'000
Computers	29	7	5
Furniture and fixtures	6	11	3
Motor vehicles	328	305	145
Office equipment	193	29	128
Office units	–	488	–
Renovation	–	45	–
	<u>556</u>	<u>885</u>	<u>281</u>

During the Track Record Period, our Group's capital expenditures primarily consisted of purchase of motor vehicles for use in our business operations. Our Directors consider that continued investments in motor vehicles and equipment are necessary in order to cope with our business development and increase our overall efficiency and capacity in performing works. Our Group plans to finance future capital expenditures primarily from cash flows generated from operations.

WORKING CAPITAL

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

FINANCIAL INFORMATION

NET CURRENT ASSETS

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

	As at 28 February 2017 <i>S\$'000</i>	As at 28 February 2018 <i>S\$'000</i>	As at 28 February 2019 <i>S\$'000</i>	As at 31 May 2019 <i>S\$'000</i> (unaudited)
Current assets				
Inventories	453	–	–	2
Contract assets	3,302	6,874	2,690	3,161
Trade receivables	4,045	5,741	4,240	3,336
Other receivables and deposits	385	389	418	468
Prepayments	67	54	874	79
Amount due from directors	288	–	–	–
Fixed deposits pledged to a bank	–	–	956	956
Cash and cash equivalents	6,133	12,338	9,319	9,067
	<u>14,673</u>	<u>25,396</u>	<u>18,497</u>	<u>17,069</u>
Current liabilities				
Contract liabilities	467	2,443	1,724	3,302
Trade payables	3,231	7,499	5,693	2,399
Other payables and accruals	2,619	3,162	2,298	3,020
Amount due to directors	4,312	8,296	–	–
Income tax payable	914	1,406	1,963	1,618
	<u>11,543</u>	<u>22,806</u>	<u>11,678</u>	<u>9,339</u>
Net current assets	<u><u>3,130</u></u>	<u><u>2,590</u></u>	<u><u>6,819</u></u>	<u><u>7,730</u></u>

As at 28 February 2017, 28 February 2018 and 28 February 2019, our net current assets amounted to approximately S\$3.1 million, approximately S\$2.6 million and approximately S\$6.8 million respectively. The decrease of our net current assets from 28 February 2017 to 28 February 2018 was mainly due to the increase of amount due to directors from S\$4.3 million to S\$8.3 million. The increase of our net current assets from 28 February 2018 to 28 February 2019 was mainly due to the decrease of amount due to directors from S\$8.3 million to nil, while partly offset by the decrease of contract assets and cash and cash equivalents.

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As at 31 May 2019, being the Latest Practicable Date for ascertaining our net current assets position, our net current assets amounted to approximately S\$7.7 million which was relatively stable as compared with our net current assets as at 28 February 2019.

DISCUSSION ON SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

Our inventories were approximately S\$453,000, nil and nil as at 28 February 2017, 28 February 2018 and 28 February 2019 respectively. Our Group maintained a low level of inventories as the construction materials are generally delivered directly to work site for installation.

Contract assets and liabilities

A contract asset is recognised when our Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when our Group has not yet performed under the contract but has received payments from the customer. Contract assets are transferred to receivables when the rights to consideration becomes unconditional. Contract liabilities are recognised as revenue as our Group performs under the contract.

The following table sets out the movement of contract assets and liabilities:

	As at 28 February 2017 S\$'000	As at 28 February 2018 S\$'000	As at 28 February 2019 S\$'000
Cost incurred and attributable profits	35,618	76,033	83,155
Less: Progress billings	(33,081)	(72,202)	(82,466)
Add: Retention receivables	<u>2,344</u>	<u>4,340</u>	<u>7,459</u>
	4,881	8,171	8,148
Less: Loss allowance provision	<u>(48)</u>	<u>(74)</u>	<u>(61)</u>
	<u><u>4,833</u></u>	<u><u>8,097</u></u>	<u><u>8,087</u></u>
Represented by:			
Contract assets			
– Non-current	1,998	3,666	7,121
– Current	<u>3,302</u>	<u>6,874</u>	<u>2,690</u>
	5,300	10,540	9,811
Contract liabilities	<u>(467)</u>	<u>(2,443)</u>	<u>(1,724)</u>
	<u><u>4,833</u></u>	<u><u>8,097</u></u>	<u><u>8,087</u></u>

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Our contract assets increased from approximately S\$5.3 million as at 28 February 2017 to approximately S\$10.5 million as at 28 February 2018. Such increase was mainly due to the increase in the size and number of contract works that the relevant services were completed but were not yet certified at the end of each reporting period. Our contract assets decreased from approximately S\$10.5 million as at 28 February 2018 to approximately S\$9.8 million as at the Latest Practicable Date. Such decrease was mainly due to the completion of several projects during FY2018/19. Up to the Latest Practicable Date, the Group’s revenue and contract assets that had been reversed subsequent to customer certification amounted to nil, nil and approximately S\$0.5 million as at 28 February 2017, 28 February 2018 and 28 February 2019, respectively. Our Directors confirm that such reversal was mainly due to reduction in scope of works of a project and there was no material dispute with our customers during the Track Record Period.

Our contract liabilities increased from approximately S\$0.5 million as at 28 February 2017 to approximately S\$2.4 million as at 28 February 2018 then decrease to approximately S\$1.7 million as at 28 February 2019. The fluctuation from 28 February 2017 to 28 February 2019 was mainly due to the (i) different work progress of Project 22 under the table of “Business – Our Projects – Projects on hand” as at each year end date, with contract liabilities of nil, S\$1.3 million and nil, as at 28 February 2017, 28 February 2018 and 28 February 2019, respectively; and (ii) the different work progress of Project 16 with its contract liabilities increased from S\$0.3 million as at 28 February 2018 to S\$0.8 million as at 28 February 2019.

The movements in loss allowance provision of contract assets are as follows:

	As at 28 February 2017 S\$'000	As at 28 February 2018 S\$'000	As at 28 February 2019 S\$'000
At the beginning of the year	28	48	74
Loss allowance provision	20	26	–
Write-back of loss allowance provision	–	–	(13)
	–	–	(13)
At the end of the year	48	74	61

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The loss allowance provision for contract assets as at 28 February 2017, 28 February 2018 and 28 February 2019 are determined as follows:

	Within 1 year	More than 1 year	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
28 February 2017	3,332	2,016	5,348
Expected credit loss rate	0.90%	0.90%	0.90%
Loss allowance provision	<u>30</u>	<u>18</u>	<u>48</u>
28 February 2018	6,922	3,692	10,614
Expected credit loss rate	0.70%	0.70%	0.70%
Loss allowance provision	<u>48</u>	<u>26</u>	<u>74</u>
28 February 2019	2,707	7,165	9,872
Expected credit loss rate	0.62%	0.62%	0.62%
Loss allowance provision	<u>17</u>	<u>44</u>	<u>61</u>

Subsequent settlement of contract assets and liabilities

Up to Latest Practicable Date, 63.6% of our total contract assets as at 28 February 2019 had been billed and 55.8% of our contract assets as at 28 February 2019 had been settled. After excluding the retention receivables (which amounted to approximately S\$7.5 million), 71.4% and 71.4% of our contract assets as at 28 February 2019 had been billed and settled respectively.

Up to Latest Practicable Date, 88.2% of our contract liabilities as at 28 February 2019 had been utilised.

Trade receivables

	As at 28 February 2017	As at 28 February 2018	As at 28 February 2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Trade receivables	4,082	5,781	4,266
Loss allowance provision	<u>(37)</u>	<u>(40)</u>	<u>(26)</u>
	<u>4,045</u>	<u>5,741</u>	<u>4,240</u>

Our trade receivables increased from approximately S\$4.0 million as at 28 February 2017 to approximately S\$5.7 million as at 28 February 2018, then decreased to approximately S\$4.2 million as at 28 February 2019. Such fluctuation was primarily due to the fluctuation of the

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amount settled by different customers to us as at the respective reporting dates due to the actual works progress of our ongoing projects, the amounts certified and settled by the relevant customers as at the respective reporting dates as well as the different credit periods granted by us.

The movements in loss allowance provision of trade receivables are as follows:

	As at 28 February 2017 S\$'000	As at 28 February 2018 S\$'000	As at 28 February 2019 S\$'000
At the beginning of the year	32	37	40
Loss allowance provision	5	3	–
Write-back of loss allowance provision	–	–	(14)
	<u>37</u>	<u>40</u>	<u>26</u>

Our Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 which permits the use of the lifetime expected loss providing for all trade receivables.

The loss allowance provision as at 28 February 2017, 28 February 2018 and 28 February 2019 are determined as follows:

	Within 1 month past due S\$'000	1 to 2 months past due S\$'000	More than 2 months past due S\$'000	Total S\$'000
28 February 2017	2,749	1,285	48	4,082
Expected credit loss rate	0.90%	0.90%	0.90%	0.90%
Loss allowance provision	<u>25</u>	<u>11</u>	<u>1</u>	<u>37</u>
28 February 2018	4,121	1,660	–	5,781
Expected credit loss rate	0.70%	0.70%	0.70%	0.70%
Loss allowance provision	<u>29</u>	<u>11</u>	<u>–</u>	<u>40</u>
28 February 2019	3,929	337	–	4,266
Expected credit loss rate	0.62%	0.62%	0.62%	0.62%
Loss allowance provision	<u>24</u>	<u>2</u>	<u>–</u>	<u>26</u>

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Concentration

As at 28 February 2017, 28 February 2018 and 28 February 2019, there were two, three and two customer(s) which individually contributed over 10% of our trade receivables, respectively. The aggregate amounts of trade receivables from these customers amounted to 74.6%, 88.1% and 85.0% of our total trade receivables as at 28 February 2017, 28 February 2018 and 28 February 2019, respectively. For further information regarding our customer concentration risk and our Directors’ view as to the sustainability of our business model in view of our customer concentration, please refer to the section headed “Business – Our customers – Customers’ concentration and sustainability of our business” in this document.

Trade receivables turnover days

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

	FY2016/17	FY2017/18	FY2018/19
Trade receivables turnover days (Note)	49.7 days	32.8 days	28.3 days

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (net off loss allowance provision) divided by revenue during the year/period, then multiplied by the number of days of the year (i.e. 365 days).

The credit period that we granted to customers generally ranged from 30 to 90 days. Our trade receivables turnover days were approximately 49.7 days for FY2016/17, approximately 32.8 days for FY2017/18 and approximately 28.3 days for FY2018/19. Such fluctuation was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

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Trade receivables ageing analysis and subsequent settlement

The ageing analysis of our trade receivables based on the invoice date, net of loss allowance provision, is as follows:

	As at 28 February 2017 S\$'000	As at 28 February 2018 S\$'000	As at 28 February 2019 S\$'000
Within 1 month	2,724	4,092	3,905
1 to 2 months	1,273	1,649	335
Over 2 months	48	–	–
	<u>4,045</u>	<u>5,741</u>	<u>4,240</u>
	<u>4,045</u>	<u>5,741</u>	<u>4,240</u>

Up to the Latest Practicable Date, 98.9% of our trade receivables as at 28 February 2019 had been settled.

Other receivables and deposits

	As at 28 February 2017 S\$'000	As at 28 February 2018 S\$'000	As at 28 February 2019 S\$'000
Other receivables	81	33	76
Loss allowance provision	(1)	–*	(2)
	<u>80</u>	<u>33</u>	<u>74</u>
Deposits	305	356	344
	<u>385</u>	<u>389</u>	<u>418</u>
	<u>385</u>	<u>389</u>	<u>418</u>

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The movements in loss allowance provision of other receivables are as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
At the beginning of the year	–	1	–*
Loss allowance provision	<u>1</u>	<u>(–)*</u>	<u>2</u>
At the end of the year	<u><u>1</u></u>	<u><u>–*</u></u>	<u><u>2</u></u>

The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit loss, and has assessed that the expected credit losses are as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Other receivables	81	33	76
Expected credit loss rate	0.90%	0.70%	0.62%
Loss allowance provision	<u>1</u>	<u>–*</u>	<u>2</u>

Note:

* Less than S\$1,000

Our other receivables and deposits mainly comprised rental deposits for dormitories. Our other receivables and deposits then remained relatively stable at approximately S\$0.4 million as at 28 February 2017, 28 February 2018 and 28 February 2019.

Trade payables

Our trade payables mainly comprised payables to subcontractors and material suppliers.

Our trade payables increased from approximately S\$3.2 million as at 28 February 2017 to approximately S\$7.5 million as at 28 February 2018, then decreased from approximately S\$7.5 million as at 28 February 2018 to approximately S\$5.7 million as at 28 February 2019. Such fluctuation was mainly due to different amounts of work performed and billed by our subcontractors or different amounts of materials purchased from our material suppliers for each financial year.

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Trade payables turnover days

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

	FY2016/17	FY2017/18	FY2018/19
Trade payables turnover days (<i>Note</i>)	42.2 days	45.7 days	50.4 days

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by construction costs for the year, then multiplied by the number of days of the year (i.e. 365 days).

Our trade payables turnover days amounted to approximately 42.2 days for FY2016/17, approximately 45.7 days for FY2017/18 and approximately to 50.4 days for FY2018/19, which was primarily affected by different credit periods granted by different suppliers. We are usually granted by suppliers a credit period of 30 to 60 days.

Trade payables ageing analysis and subsequent settlement

The following table sets forth an ageing analysis of trade payables based on the invoice date at the end of each reporting period:

	As at 28 February 2017 S\$'000	As at 28 February 2018 S\$'000	As at 28 February 2019 S\$'000
Within 1 month	2,265	5,630	3,301
1 to 2 months	732	786	1,234
2 to 3 months	131	651	1,096
Over 3 months	103	432	62
	3,231	7,499	5,693

Up to the Latest Practicable Date, 92.6% of our trade payables as at 28 February 2019 had been settled.

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Other payables and accruals

	As at 28 February 2017 S\$'000	As at 28 February 2018 S\$'000	As at 28 February 2019 S\$'000
Other payables and accruals	2,291	2,550	1,784
Deposits received	22	21	20
Net Goods and Services Tax (“GST”) payables	306	591	494
	2,619	3,162	2,298

Other payables and accruals

Other payables and accruals mainly comprise accrued operating expenses and payroll payables, increased from approximately S\$2.3 million as at 28 February 2017 to approximately S\$2.6 million as at 28 February 2018. The increase was mainly due to the increase in payroll payable as a result of the increase in number of headcount as at each year end date.

Other payables and accruals decreased from approximately S\$2.6 million as at 28 February 2018 to approximately S\$1.8 million as at 28 February 2019. The decrease was mainly due to the decrease of directors’ fee payable by CTR from approximately S\$1.2 million as at 28 February 2018 to approximately S\$0.6 million as at 28 February 2019 due to the resignation of directors of CTR on 30 August 2018.

Deposits received

Deposits received relate to rental deposits received for the lease of office units to third parties and are refundable upon termination of the lease period.

Net GST payables

Net GST payables represent goods and services tax payable, being a consumption tax that is levied on import of goods into Singapore and nearly all supplies of goods and services in Singapore at a prevailing rate of 7%. Our net GST payables amounted to approximately S\$306,000 as at 28 February 2017, approximately S\$591,000 as at 28 February 2018 and approximately S\$494,000 as at 28 February 2019.

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INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated. As of 28 February 2019, being the latest practicable date for this indebtedness statement, save as disclosed in this paragraph, we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, hire purchase commitments, finance lease commitments, contingent liabilities or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, our Directors confirm that there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 28 February 2019 and up to the date of this document.

	As at 28 February 2017 <i>S\$'000</i>	As at 28 February 2018 <i>S\$'000</i>	As at 28 February 2019 <i>S\$'000</i>	As at 31 May 2019 <i>S\$'000</i> (unaudited)
Current liabilities				
Amount due to directors	4,312	8,296	–	–
Amounts due from/(to) directors				
	As at 28 February 2017 <i>S\$'000</i>	As at 28 February 2018 <i>S\$'000</i>	As at 28 February 2019 <i>S\$'000</i>	As at 31 May 2019 <i>S\$'000</i> (unaudited)
Amount due from directors	291	–	–	–
Loss allowance provision	(3)	–	–	–
Amount due to directors	288 (4,312)	– (8,296)	–	–
Balance at end of the year	(4,024)	(8,296)	–	–
Maximum amount outstanding during the year	291	380	–	–

FINANCIAL INFORMATION

The movements in loss allowance provision of amount due from directors are as follows:

	As at 28 February		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
At the beginning of the year	1	3	–
Loss allowance provision	2	–	–
Write-back of loss allowance provision	–	(3)	–
	<u>–</u>	<u>(3)</u>	<u>–</u>
At the end of the year	<u>3</u>	<u>–</u>	<u>–</u>

The Group has assessed that the credit risk of amount due from directors has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit loss, and has assessed that the expected credit losses is as follows:

	As at 28 February		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Amount due from directors	291	–	–
Expected credit loss rate	0.90%	0.70%	0.62%
Loss allowance provision	<u>3</u>	<u>–</u>	<u>–</u>

During the Track Record Period, such amounts represented either cash advanced by our Directors to our Group for working capital purpose or cash advanced by our Group to our Directors for personal use. The amount due from/(to) directors were unsecured, interest-free, has no fixed term of repayment and of non-trade in nature. All outstanding balance will be fully settled before the [REDACTED].

Banking Facilities

As at 28 February 2017, 2018 and 2019 and 31 May 2019, our Group had banking facilities with credit limit amounting to approximately nil, nil, S\$5.0 million and S\$5.0 million respectively which were secured by (i) joint and several guarantee for S\$1.0 million executed by Mr. XP Xu and Mr. TC Xu; (ii) joint and several guarantee for S\$40,000 executed by Mr. XP Xu and Mr. TC Xu; (iii) fresh hire purchase agreement(s); (iv) fresh first legal mortgage of two properties owned by CTR; and (v) Unlimited continuing personal joint and several guarantee executed by Mr. XP Xu, Mr. TC Xu and Mr. KF Xu, and securities in relation to the aforementioned items (i), (ii) and (v) will be released and replaced by corporate guarantees of our Company upon [REDACTED].

These banking facilities include facilities for trust receipts financing, shipping guarantees, letter of credit and blanket hire facilities.

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The unutilised banking facilities as at 28 February 2017, 2018 and 2019 and 31 May 2019 amounted to approximately nil, nil, S\$5.0 million and S\$5.0 million, respectively.

Operating lease commitments

The Group as lessee

As at 28 February 2017, 28 February 2018, 28 February 2019 and 31 May 2019, the total future minimum rental payments under non-cancellable operating leases are as follows:

	As at 28 February 2017 S\$'000	As at 28 February 2018 S\$'000	As at 28 February 2019 S\$'000	As at 31 May 2019 S\$'000 (unaudited)
Within one year	543	489	709	785
In the second year	—	—	4	—
	543	489	713	785

We leases dormitories under operating lease arrangements and the leases are negotiated for one year term.

The Group as lessor

As at 28 February 2017, 28 February 2018, 28 February 2019 and 31 May 2019, the total future minimum rental receivable under non-cancellable operating leases are as follows:

	As at 28 February 2017 S\$'000	As at 28 February 2018 S\$'000	As at 28 February 2019 S\$'000	As at 31 May 2019 S\$'000 (unaudited)
Within one year	100	149	84	51
In the second year	—	86	—	—
	100	235	84	51

We have entered into leases on our investment properties and these non-cancellable leases have remaining lease terms ranging from one to two years.

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Contingent liabilities

At the end of each of the Track Record Periods, contingent liabilities not provided for in the consolidated financial statements were as follows:

	As at 28 February 2017 S\$'000	As at 28 February 2018 S\$'000	As at 28 February 2019 S\$'000	As at 31 May 2019 S\$'000
Performance bonds pledged with a bank	–	956	956	956

Our Group provided guarantee to a customer for a construction project in respect of performance bonds pledged to a bank. Pursuant to the terms of the arrangement where the construction project cannot be completed, our Group is responsible to pay the customer with the performance bonds that was pledged to the bank.

Off-balance sheet arrangements and commitments

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

KEY FINANCIAL RATIOS

	FY2016/17 or as at 28 February 2017	FY2017/18 or as at 28 February 2018	FY2018/19 or as at 28 February 2019
Revenue growth	N/A	106.0%	18.1%
Net profit growth	N/A	42.9%	19.8%
Gross profit margin	31.6%	21.4%	25.8%
Net profit margin before interest and tax	16.6%	11.9%	13.2%
Net profit margin	14.4%	10.0%	10.1%
Return on equity	30.3%	36.3%	30.2%
Return on total assets	15.7%	14.3%	19.5%
Current ratio	1.3	1.1	1.6
Quick ratio	1.2	1.1	1.6
Inventories turnover days	4.6 days	1.9 days	0.0 days
Trade receivables turnover days	49.7 days	32.8 days	28.3 days
Trade payables turnover days	42.2 days	45.7 days	50.4 days
Gearing ratio	24.5%	30.9%	N/A
Net debt to equity ratio	Net Cash	Net Cash	Net Cash
Interest coverage	N/A	N/A	N/A

FINANCIAL INFORMATION

Revenue growth

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

Net profit growth

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

Gross profit margin

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

Net profit margin before interest and tax

Our net profit margin before interest and tax decreased from approximately 16.6% for FY2016/17 to approximately 11.9% for FY2017/18, which was mainly due to the decrease in gross profit margin and the increase in our administrative expenses as discussed in the paragraph headed “Period-to-period comparison of results of operations” in this section.

Our net profit margin before interest and tax increased from approximately 11.9% for FY2017/18 to approximately 13.2% for FY2018/19, which was mainly due to the net effect of the increase in our gross profit margin and the increase in our administrative expenses as discussed in the paragraph headed “Period-to-period comparison of results of operations” in this section.

Net profit margin

Our net profit margin decreased from approximately 14.4% for FY2016/17 to approximately 10.0% for FY2017/18 mainly due to the decrease in our gross profit margin as discussed in the paragraph headed “Period-to-period comparison of results of operations” in this section.

Our net profit margin remained relatively stable at approximately 10.0% for FY2017/18 and approximately 10.1% for FY2018/19 mainly due to the net effect of (i) the increase in our gross profit margin as discussed in the paragraph headed “Period-to-period comparison of results of operations” in this section; and (ii) the tax effect of non-deductible [REDACTED] expenses incurred during FY2018/19.

Return on equity

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

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Our return on equity increased from approximately 30.3% for FY2016/17 to approximately 36.3% for FY2017/18, which was mainly due to the increase in the profit for the year from approximately S\$3.8 million for FY2016/17 to approximately S\$5.4 million for FY2017/18.

Our return on equity decreased from approximately 36.3% for FY2017/18 to approximately 30.2% for FY2018/19, which was mainly due to the more-than-proportionate increase in the total equity for the year from approximately S\$15.0 million as at 28 February 2018 to approximately S\$21.5 million for as at 28 February 2019.

Return on total assets

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

Our return on total assets decreased from approximately 15.7% for FY2016/17 to approximately 14.3% for FY2017/18. The decrease was mainly due to the increase in our contract assets and trade receivables as a result of our business growth and our profitable operation.

Our return on total assets increased from approximately 14.3% for FY2017/18 to approximately 19.5%. The increase was mainly due to the decrease in our cash and cash equivalents of approximately S\$3.0 million that was mainly attributable to the dividends paid to the then shareholders, and the decrease in our contract assets that was mainly due to the completion of certain projects during FY2018/19 as discussed in the paragraph headed "Discussion on selected statement of financial position items – Contract assets and liabilities" in this section.

Current ratio

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

Our current ratio amounted to approximately 1.3 times as at 28 February 2017, approximately 1.1 times as at 28 February 2018 and approximately 1.6 times as at 28 February 2019, which was broadly stable.

Quick ratio

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates.

Our quick ratio amounted to approximately 1.2 times, 1.1 times and 1.6 times as at 28 February 2017, 28 February 2018 and 28 February 2019 respectively. Due to the nature of our business model, we have low level of inventories during the Track Record Period and therefore our quick ratio was generally in line with the current ratio.

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Inventories turnover days

Our inventories turnover days were 4.6 days, 1.9 days and nil as at 28 February 2017, 28 February 2018 and 28 February 2019, respectively.

Due to the nature of our business model, we have low level of inventories during the Track Record Period. Therefore, discussion on inventories turnover days was not meaningful.

Trade receivables turnover days

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (net of loss allowance provision) divided by revenue for the year, then multiplied by the number of days of the year (i.e. 365 days).

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

Trade payables turnover days

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by construction costs for the year, then multiplied by the number of days of the year (i.e. 365 days).

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

Gearing ratio

Gearing ratio is calculated as net debt divided by the capital plus net debt as at the respective reporting dates.

Our gearing ratio increased from approximately 24.5% as at 28 February 2017 to approximately 30.9% as at 28 February 2018, which was mainly due to the significant increase in amount due to directors for working capital purpose, despite the increase in our total equity.

Our gearing ratio as at 28 February 2019 has become negative, which was mainly due to repayment of amount due to directors during FY2018/19.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. total borrowings, including amount due to directors, net off cash and cash equivalents) divided by total equity as at the respective reporting dates.

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We recorded net cash position as at 28 February 2017, 28 February 2018 and 28 February 2019.

Interest coverage

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

We recorded nil finance costs as at 28 February 2017, 28 February 2018 and 28 February 2019.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Our Group is exposed to credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to “Business – Risk management and internal control” and note 33 to the accountants’ report set out in Appendix I to this document.

We manage our capital to ensure that entities in the Group will be able to continue as a going concern while maintaining healthy capital ratios in order to maximise the return to shareholders. Our Directors believe that overall strategy remains unchanged during the Track Record Period.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets, which was prepared to illustrate the effect of the [REDACTED] on the audited combined net tangible assets of our Group attributable to owners of our Company as of 28 February 2019 as if the [REDACTED] had taken place on 28 February 2019, was approximately HK\$[REDACTED] per Share and HK\$[REDACTED] per Share, respectively, based on the indicative [REDACTED] of HK\$[REDACTED] per [REDACTED] to HK\$[REDACTED] per [REDACTED]. Please refer to Appendix II to this document for the bases and assumptions in calculating the unaudited pro forma adjusted net tangible assets figure.

[REDACTED] EXPENSES

Our Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately HK\$[REDACTED]. Out of the amount of approximately HK\$[REDACTED], approximately HK\$[REDACTED] is directly attributable to the issue of the [REDACTED] and is expected to be accounted for as a deduction from equity upon [REDACTED]. The remaining amount of approximately HK\$[REDACTED], which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$[REDACTED] that shall be charged to profit or loss, approximately HK\$[REDACTED], has been charged during the Track Record Period, and approximately HK\$[REDACTED] is expected to be incurred for FY2019/20. Expenses in

FINANCIAL INFORMATION

relation to the [REDACTED] are non-recurring in nature. Our Group's financial performance and results of operations for FY2018/19 will be adversely affected by the estimated expenses in relation to the [REDACTED].

DIVIDEND

For each of FY2016/17, FY2017/18 and FY2018/19, we declared dividends of nil, approximately S\$3.0 million and nil, respectively to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources.

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

DISTRIBUTABLE RESERVES

Our Company was incorporated on 24 October 2018. As at 28 February 2017, 28 February 2018 and 28 February 2019, our Company had no reserves available for distribution to our Shareholders.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 29 to the accountants' report set out in Appendix I to this document. The transaction amounts of the related party transactions during the Track Record Period were less than S\$65,000 for each financial year. Our Directors confirm that such related party transactions were conducted on arm's length basis and would not distort our result during the Track Record Period. Such related party transactions will not continue after [REDACTED].

RULES 13.13 TO 13.19 OF THE LISTING RULES

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

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the [REDACTED], up to the date of this document, there has been no material adverse change in our financial or trading position or prospect since 28 February 2019, and there had been no events since 28 February 2019 which would materially affect the information shown in our combined financial statements included in the accountants' report set out in Appendix I to this document.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please refer to “Business – Our Business Strategies” for details of our business strategies and future plans.

[REDACTED]

We estimate that the aggregate [REDACTED] to us from the [REDACTED] (after deducting [REDACTED] fees and estimated expenses payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised) (the “[REDACTED]”), based on the [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED], will be approximately HK\$[REDACTED]. We currently intend to apply the [REDACTED] in the following manner:

Payment of upfront costs for our projects

Approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED] and representing approximately [REDACTED]% of the [REDACTED]) will be used to strengthen our financial position for payment of upfront costs for sizeable awarded projects or potential projects which we have submitted quotations as at the Latest Practicable Date.

According to the CK Report, it is common for players in the structural engineering and wet architectural industries to pay for high upfront costs for the purchase of materials and securing workers before tendering for or commencing on any project. During the commencement and at the early stage of a new project, we generally incur upfront costs before substantial value of work is certified by our customers. Such upfront costs generally include our direct labour costs, subcontracting charges and materials costs.

In view of (i) the increasing number of tenders/quotations we submitted with sizeable contract sum in response to the invitations received from our potential customers; and (ii) the positive outlook of the structural engineering and wet architectural industries in Singapore according to the CK Report, we intend to expand our market share through undertaking more sizeable projects with contract sum of over S\$20.0 million (equivalent to approximately HK\$114.4 million) per project with an aim to generate strong revenue stream. However, these sizeable projects are generally cash flow demanding. Based on our operation history on certain larger scale projects we undertook during the Track Record Period with contract sum of approximately S\$10.0 million (equivalent to approximately HK\$57.2 million) to over S\$20.0 million (equivalent to approximately HK\$114.4 million), we are generally required to pay upfront costs representing an average of approximately 9% of the total contract sum while our customers generally make the first payment to us around three months after we incur initial cash outlay at early stage of a project and positive cash inflows could only be generated after a period of an average of approximately six months. Without additional funding, our capacity to undertake sizeable projects would be constrained by our financial resources on hand.

FUTURE PLANS AND [REDACTED]

Our Directors are confident that we have the ability to take on larger scale projects because (i) during the Track Record Period, our Group had gradually participated in more larger scale projects (i.e. Project 14 and Project 17 each with contract sum of over S\$20 million were awarded during FY2018/19), we believe that we have gained sufficient experience in handling larger scale projects; (ii) Project 14 with contract sum of approximately S\$25.0 million will be completed in mid-2019 which will free up a significant number of staff to work on other projects; (iii) the duration of project for each of the recently awarded larger scale projects, namely Project 26, Project 27 and Project 28 is relatively longer, our Group will have sufficient time to work on the projects; and (iv) with our plan to strengthen our workforce by recruiting nine additional project management staff and 110 general workers in the coming year, our Group will have more staff to work on those larger scale projects.

After the [REDACTED], with the increased financial and labour resources, our Directors believe that our Group will be able to take up even more larger scale projects.

Earmarked projects

Our Directors have earmarked five projects which we intend to apply our [REDACTED] towards fulfilling part of the relevant upfront costs. The remaining portion will be funded by our internal resources and available banking facilities. Out of the five earmarked projects, (i) three of the projects (i.e. Project 26, Project 27 and Project 28 as defined in the section headed "Business – Our projects – Projects on hand" in this document) have already been awarded to us as at the Latest Practicable Date with aggregate original contract sum of approximately S\$94.4 million (equivalent to approximately HK\$540.0 million) and budgeted gross profit margin of 18.6%, 9.6% and 21.2% respectively; and (ii) two of which were quotations submitted of which our Directors are confident that we shall be able to secure taking into account (a) our competitive quotations submitted; and (b) the latest negotiation with the potential customers. The budgeted gross profit margins for the three awarded earmarked projects were lower than our weighted average gross profit margin for all projects carried out during the Track Record Period, i.e. 27.7%, because our Directors adopted a conservative approach when preparing the budget before submitting a tender/quotation. Our Directors normally submit a tender/quotation only when there is a positive budgeted gross profit margin after factoring in a number of adverse incidents that may possibly occur. Therefore, when the project commences, the costs incurred maybe lower than expected and thus the actual gross profit margin may be higher than the budgeted gross profit margin. The following table sets forth the particulars of these projects/quotations:

FUTURE PLANS AND [REDACTED]

Project	Customer	Sector of project	Type of works	Status	Actual/expected project commencement date	Total contract sum/ quotation amount S\$'000/HK\$'000	Estimated amount of upfront costs S\$'000/HK\$'000
Project 26	Customer Group B	Private	Structural engineering works	Awarded	June 2019	38,400/ 219,648	3,456 19,768
Project 27	Customer P	Public	Structural engineering works	Awarded	September/October 2019	31,000/ 177,320	2,790/ 15,959
Project 28	Hexacon Construction Pte. Ltd.	Private	Structural engineering works	Awarded	August/September 2019	25,000/ 143,000	2,250/ 12,870
Tender B	Customer Q	Private	Wet architectural works	Quotation submitted	September 2019	13,850/ 79,222	1,247/ 7,133
Tender D	Customer R	Private	Structural engineering works	Quotation submitted	October 2019	58,095/ 332,305	5,229/ 29,907
Total:						166,345/ 951,495	14,972/ 85,637

Although our Directors are confident that we shall be able to secure the abovementioned tenders/quotations based on the latest status, there is no assurance that we will succeed in the tenders/quotations we have submitted. Should we be unable to secure such projects, we will continue to submit tenders/quotations actively for alternative projects which will utilise the [REDACTED] to finance the upfront costs. As at the Latest Practicable Date, there were 31 tenders/quotations (including the two earmarked tendered projects) with an aggregate estimated contract sum of S\$993.7 million (equivalent to approximately HK\$5.7 billion) which were undergoing tendering process and still pending result. There is inherent uncertainty involved in predicting which projects we are able to secure through the tender process and when exactly we are required to make available cash for upfront costs. The time required to complete a tendering process and the subsequent award of contract varies depending on the customer and project size.

FUTURE PLANS AND [REDACTED]

Therefore, there is no assurance that we can accurately estimate when the results for the tenders/quotations we submitted or to be submitted are released or when exactly we are required to bear the upfront costs for the projects awarded. These timelines will depend on, among others, (i) the timetable of the potential project which may or may not be available to us before we submit a tender/quotations; (ii) the particular customer's internal arrangement which may be affected by market conditions and may or may not adhere to the original project timetable provided to us; (iii) the scope of work of the project which may in turn affect whether and when we are required to make payments to our subcontractors and suppliers; and (iv) our negotiation with our customers which may in turn affect the payment terms for our projects.

Based on the foregoing, the allocation of the [REDACTED] for upfront costs of our projects will be reviewed regularly depending on the projects in our pipeline from time to time. If there is any material delay in the [REDACTED] schedule such that we may not be able to receive the estimated [REDACTED] from the [REDACTED] by mid-September 2019, being the estimated latest time when the funding shall be deployed without affecting the projects schedule, our Group may apply a combination of debt financing and our internal resources to fund the aforesaid projects' initial cost and operating cost, and decline any awarded projects until such time our Group receive sufficient cash inflows from the existing projects to maintain a minimal operating cash levels for our business operations.

Strengthen our workforce

Approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED] and representing approximately [REDACTED]% of the [REDACTED]) will be used to strengthen our workforce and to cover the staff costs for approximately 12 months from the [REDACTED].

We plan to strengthen our workforce by recruiting nine additional project management staff and 110 general workers during FY2019/20. The following table sets out the positions, number of staff for the major positions that we intend to recruit and their respective approximate expected monthly salary:

Operation staff:

Position	No. of staff	Average monthly salary (including CPF) per staff S\$'000/HK\$'000	Total amount allocated to each position FY2019/20 S\$'000/HK\$'000	Total amount allocated to each position FY2020/21 S\$'000/HK\$'000
Project manager	2	10.5/60	147/841	105/601
Site supervisor	5	7.4/42	259/1,481	185/1,058
Quantity surveyor	2	6.7/38	94/538	67/383
General worker	110	2.1/12	1,607/9,192	1,147/6,561

FUTURE PLANS AND [REDACTED]

Unlike many construction companies that tend to subcontract out specialised works that they are not familiar with, most of the works subcontracted out by our Group during the Track Record Period were reinforced concrete works and wet architectural works, which were both in our Group's specialty field. Our subcontractors only provide labour assistance in most of our projects, while the labour provided was generally under our Group's management. Our Directors consider that using our own direct labour resources (comparing to engaging subcontractors) would generally lead to a higher profit margin for us because (i) a profit markup is generally factored in with the fees charged by our subcontractors; and (ii) our Group can perform in the same or higher level of efficiency with our direct labour for the works that were used to be subcontracted out if we have sufficient direct labour. As a result, our Directors are of the view that strengthening our workforce would give our Group a higher capacity and flexibility in undertaking more sizeable projects. Such capacity expansion would also enable our Group to place less reliance on our subcontractors in providing labour assistance to our projects, and at the same time can save costs from subcontracting. Our Directors plan to rent extra dormitory units to accommodate the additional foreign workers. Even though accommodation costs of approximately S\$33,000 per year (equivalent to approximately HK\$189,000) will be incurred, our Directors estimated that each of the additionally hired general workers could achieve cost savings of approximately 23% as compared to using subcontractors, and generating an estimated improvement of gross profit margin and net profit margin by approximately 0.6% and 0.5% for FY2019/20, respectively.

Our projects on hand including the three large scale projects recently awarded will last till 2021, we believe that we already have sufficient works for the additional labour for the whole year of 2020. Furthermore, our Directors are confident that we will be awarded new projects among the 31 projects that we were awaiting results for as at the Latest Practicable Date. According to the CK Report, the construction market in Singapore is experiencing labour shortage and rising labour costs, our Directors believe that relying heavily on subcontractors to provide labour assistance will pose threat to our business operation. Other than the benefit of saving costs as mentioned above, our Directors also believe that hiring additional labour can ensure stable labour supply for our existing and upcoming projects.

Given our plan to participate in more sizeable projects, the administrative support required to carry out our business operation will be increased. In order to better coordinate the administrative work among our Group, we intend to hire three additional office staff to cope with our expansion plan. The table below sets out the positions, number of office staff we intend to recruit and their respective approximate expected monthly salary:

Office staff:

Position	No. of staff	Average monthly salary (including CPF) per staff S\$'000/HK\$'000	Total amount allocated to each position FY2019/20 S\$'000/HK\$'000	Total amount allocated to each position FY2020/21 S\$'000/HK\$'000
Human resources executive	1	4.1/23	29/166	20/114
Accounts executive	1	4.1/23	29/166	20/114
IT manager	1	8.2/47	57/326	41/235

FUTURE PLANS AND [REDACTED]

General working capital

Approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED] and representing approximately [REDACTED]% of the [REDACTED]) will be used as general working capital of our Group.

IMPLEMENTATION PLAN

The table below sets forth a summary of our implementation plan:

Business strategies	FY2019/20 <i>HK\$'000</i>	FY2020/21 <i>HK\$'000</i>	Total <i>HK\$'000</i>	Approximate % of [REDACTED] %
Payment of upfront costs for our projects	[REDACTED]	–	[REDACTED]	[REDACTED]
Strengthen our workforce	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The above allocation of the [REDACTED] will be adjusted on a pro-rata basis in the event that the [REDACTED] is fixed at the high-end or low-end compared to the mid-point of the [REDACTED] or the [REDACTED] is exercised in full. If the [REDACTED] is set at the high-end or low-end of the proposed [REDACTED], the [REDACTED] will increase to approximately HK\$[REDACTED] or decrease to approximately HK\$[REDACTED], respectively.

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

To the extent that the [REDACTED] of the [REDACTED] are not immediately used for the purposes described above, they will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.

REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Our Directors believe that the [REDACTED] of the Shares on the Stock Exchange will facilitate the implementation of our business strategies by accessing the capital market for raising funds both at the time of the [REDACTED] and at the later stage. While our business generated net operating cash inflow, it is insufficient for the immediate implementation of our business strategies and would place undue financial burden on our Group in terms of cash flow if we are to use all our cash on hand for business growth purposes. Taking into account the fact that (i) our Group had only S\$1.0 million (equivalent to approximately HK\$5.7 million) available banking facilities for draw down to finance our projects as at the Latest Practicable Date; and (ii) our Group’s cash outflow exposure including the time gap between receipt of

FUTURE PLANS AND [REDACTED]

payments from our customers and payments to our suppliers, subcontractors and staff, our Directors believe our Group may not have sufficient internally generated funds and available banking facilities to finance our expansion plan while at the same time maintaining sufficient working capital for our Group's operations. We believe that the [REDACTED] from the [REDACTED] are necessary for the implementation of our future plans which required considerable additional financial resources. Our Directors are of the view that the [REDACTED] of our Shares on the Stock Exchange will facilitate the implementation of our strategies and will further strengthen our market position in the construction industry in general for the reasons below.

We have a genuine funding need in order to expand our business

Our cash level was sufficient to maintain our existing business operation but not adequate for business expansion

As at 28 February 2019, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and cash equivalents of approximately S\$9.3 million (equivalent to approximately HK\$53.2 million). On the other hand, as at 28 February 2019, we had current liabilities of approximately S\$11.7 million (equivalent to approximately HK\$66.9 million), which mostly consists of trade payables, other payables and accruals. 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, and therefore our Directors consider that it is financially prudent for our Group to maintain sufficient immediately available cash and bank balances that are in roughly the same amount or in excess of our trade payables, other payables and accruals at any point in time, as we sought to achieve during the Track Record Period and as at 28 February 2019.

In addition, in the ordinary course of our business operation, we incur costs and have to meet our payment obligations on a regular and recurring basis, but we have less control on the timing of receipt of payments from our customers. Our Directors consider that, in order to meet our operational needs, it is preferable to maintain a working capital balance equivalent to minimum two months of our average monthly operational costs, having considered factors such as (i) there is a substantial period between the completion of works and the issuance of the payment certificate as well as the payment by our customers and there is also no assurance that our customers will pay us on a timely manner as stipulated under contracts; (ii) some of our operating costs, such as staff costs and rental of dormitories, are independent from our working schedule and we are required to incur them regularly; and (iii) in order to maintain our reputation, we shall pay our subcontractors in accordance to the payment terms under our subcontracts regardless of the timing of payment by our customers. During the Track Record Period, we required an average monthly operating costs for our operation of approximately S\$1.9 million, S\$4.1 million and S\$4.6 million (equivalent to approximately HK\$10.9 million, HK\$23.5 million and HK\$26.3 million) based on our total construction costs and administrative expenses (excluding [REDACTED] expenses) for FY2016/17, FY2017/18 and FY2018/19, respectively. As explained above, in order to meet our operational needs, our Directors consider that we shall maintain a working capital balance equivalent to minimum two

FUTURE PLANS AND [REDACTED]

months of our average monthly operational costs (i.e. a minimum working capital balance of approximately S\$9.2 million (equivalent to approximately HK\$52.6 million)) in view of our current operation scale. Our Directors therefore consider that our available cash and cash equivalents are barely sufficient to cater for our existing operation of the projects in progress, not to mention any increase of operating costs and working capital balance in line with our business expansion as discussed above.

Based on all of the aforesaid, despite we had cash and cash equivalents of approximately S\$9.3 million (equivalent to approximately HK\$53.2 million) as at 28 February 2019, in view that (i) we had current liabilities of approximately S\$11.7 million (equivalent to approximately HK\$66.9 million) as at 28 February 2019 and our Directors considered it was financially prudent to maintain sufficient immediately available cash and cash equivalents that are in roughly the same amount as or in excess of our trade payables, other payables and accruals at any point in time; (ii) we shall maintain a minimum working capital balance of approximately S\$9.2 million (equivalent to approximately HK\$52.6 million); (iii) we should have a strong working capital level for our business operations in order to sustain and expand our business; and (iv) it is expected that the operation costs and minimum working capital balance will increase accordingly upon our ongoing expansion plan, our Directors consider that our current cash and cash equivalents are only sufficient for maintaining our current business operation and thus are not sufficient to support our business expansion plan.

Our cash flows from our operating activities may not be able to finance our expansion plan

Though we were generally able to generate positive net cash flows from our operating activities during the Track Record Period, our Directors consider that we shall not rely on our future cash flows from our operating activities to finance our expansion plan, especially in view of the approaching commencement of the awarded projects and potential projects which our Directors are confident to secure.

Future cash flows from our operating activities may not be fully and immediately available for our expansion plan as we may or may not be able to generate positive operating cash flows from period to period due to cash flow mismatch. During the Track Record Period, our monthly ending balance of cash and cash equivalents had been fluctuating, there would be negative balances for certain months if loans from Directors were deducted from those months' ending balances of cash and cash equivalents.

In view of the above and the factors such as (i) the increasing number of sizeable projects we will take up along with our expansion plan which may lead to additional time required for our customers to certify a larger scope of works, we may be exposed to more substantial cash flow mismatch; and (ii) the requirement to pay our subcontractors in accordance with the payment terms under our subcontracts regardless of the timing of payment by our customers, in order to maintain our reputation, our Directors consider that

FUTURE PLANS AND [REDACTED]

there is no assurance that we can continue to generate positive operating cash flows for every month or period.

Therefore, if we rely solely on our future operating cash flows to finance our business strategies, our business strategies may be susceptible to the timing when sufficient cash can be generated which will unavoidably prolong the timing of implementation of our business strategies. As such, we would place ourselves in a relatively passive position in controlling the timing of implementing our business strategies and thus may fail to fully capture the emerging business opportunities driven by the forecasted growth in the industry as well as the upcoming growth of our Group.

We have to bear upfront costs of our awarded and potential projects

During the commencement and at the early stage of a new project, we generally incur upfront costs before substantial value of work is certified by our customers. Such upfront costs generally include our staff costs, subcontracting charges and materials costs. Based on our operation history on certain larger scale projects we undertook during the Track Record Period with contract sum of approximately S\$10.0 million (equivalent to approximately HK\$57.2 million) to over S\$20.0 million (equivalent to approximately HK\$114.4 million), we are generally required to pay upfront costs representing an average of approximately 9% of the total contract sum while our customers generally make the first payment to us around three months after we incur initial cash outlay at early stage of the project and positive cash inflows could only be generated after a period of an average of six months.

During the Track Record Period, we have adopted a prudent financial management strategy. For tender/quotation invitations which we did not have sufficient financial resources to meet such upfront costs requirements after taking into account the liquidity needs of our other ongoing projects, we have either (i) not responded to the invitations; or (ii) submitted a less competitive tender/quotation price by factoring a higher profit margin in costs estimation. During the Track Record Period, as confirmed by our Directors, we did not respond to six tender/quotation invitations with an aggregate estimated contract sum of approximately S\$69.0 million (equivalent to approximately HK\$394.7 million) due to insufficient capital resources at the relevant time. Also, our Group did not receive advanced deposits or prepayments for any projects during the Track Record Period and our Directors consider that our customers will not be willing to provide us with advanced deposits or prepayments in the upcoming projects based on historical experience. Our ability to take on additional projects have thus been limited by our financial capacity.

During the Track Record Period, even though we have not accepted any projects with budgeted negative gross margin, we have been experiencing greater working capital pressure and cash flow mismatch risk at the project level at the initial stage of projects, in particular, for sizeable projects. During the Track Record Period, we took an average of six months to achieve breakeven for a project.

FUTURE PLANS AND [REDACTED]

During the Track Record Period, our Group prepares and submits monthly progress claims to our customers in respect of the value of the work we have performed for the preceding month. Our customers would then issue a payment response within 21 days upon receipt of the monthly progress claim. Upon receiving our customers' endorsement of our payment applications or issue of payment certificates, we will then issue the invoices with the credit term stipulated in the respective contracts, which were generally 35 days. Our major subcontractors generally only granted us a credit term of 14 to 15 days, which meant that for those works that were performed by the subcontractors in the first month of a project would have to be paid by our Group in the second month, while our customers would only paid us in the fourth month since the works done, which created a significant cash flows mismatch. Given that a large proportion of our purchases were contributed by subcontracting charges, our Directors considered that our Group would be at increasing risk of cash flow mismatch when there is timing difference between our trade payables, contracts assets and trade receivables for sizeable projects. During the Track Record Period, our trade payables at certain month-ends exceeded our trade receivables at certain month-ends, it is expected that the risk of cash flow mismatch will increase when we take up more sizeable projects with overlapping construction schedule (i.e. Project 26, 27 and 28 which all expected to commence in the third quarter of 2019). Therefore, our Directors considered it essential to raise funds from the [REDACTED] to implement our expansion plan.

Going forward, for the five projects which our Directors have earmarked that we intend to apply our [REDACTED] towards fulfilling the relevant financial requirement, our Directors estimated that a significant amount of upfront costs will be incurred between August 2019 to January 2020, having considered (i) the overlapping construction schedule which requires additional workers to work during the same period; and (ii) the substantial work involved in these earmarked projects each with contract sum of over S\$20.0 million (equivalent to approximately HK\$114.4 million), which might result in longer certification process as compared to smaller scale projects and therefore might take longer time before positive cash inflows could be generated as compared to the period of an average of approximately six months as mentioned above. For details, please refer to the paragraph headed "[REDACTED] — Payment of upfront costs for our projects — Earmarked projects" in this section. In addition, the amount required will be further increased should we be able to secure more sizeable projects in the future.

Our Directors considered it not feasible to re-negotiate the credit terms with our subcontractors to delay our payment, as our subcontractors have to pay their employees salary every month and hence they do not have the flexibility to accept payment from us later. Our Directors also considered it not feasible to re-negotiate the credit terms with our customers to speed up their payment to our Group, as our customers, who were mainly main contractors, were also bound by the credit terms imposed by their customers. Given that we do not have additional properties as securities to apply for bank loans, our Directors considered that the [REDACTED] would be the best solution for our Group to ease our potential cash flow mismatch when we take up our earmarked projects.

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We have to enhance our financial strength to increase our competitiveness

According to the CK Report, financial strength is one of the key factors that potential customers will consider when awarding contracts. As such, capital strength is considered to be an important competitive strength of contractors in the structural engineering and wet architectural works industries. With our limited resources, our Directors believe that even though the number and size of tender invitations we received during the Track Record Period did not decline, we will lose our competitiveness in the industry. Therefore, in order to expand our customer base, our Directors believe that there is a need for our Group to strengthen our financial capability so as to increase the chance of securing projects from new customers.

We do not have sufficient workforce to take up more sizeable projects

In our structural engineering and wet architectural works projects, as we mainly focus on the overall management of the projects, it is crucial for our Group to have adequate personnel with appropriate knowledge, qualification and experience to oversee the daily operations of our projects as well to ensure our work done meets our quality standards and the relevant contract requirements.

- (i) according to the CK Report, the industry we operate in is labour intensive and we generally have to compete for general workers with similar business operators whether shortage exists or not;
- (ii) as at the Latest Practicable Date, we had five projects on hand each with an estimated contract sum of over S\$20.0 million (equivalent to approximately HK\$114.4 million). Given the increasing scale and overlapping construction schedule of the projects we will be engaging in, our Directors believe that it is crucial for us to employ additional project management staff and general workers to support the increasing workload without jeopardising our capability to provide quality project management and supervision services for our customers; and
- (iii) having our own workforce provides flexibility in allocating our own direct general workers across different construction sites once available as compared to engaging subcontractors for labour assistance for each individual project or construction site.

In addition, since the scale of our future projects are estimated to be larger than our projects during the Track Record Period and sizeable projects generally last for longer duration, our Directors expect these projects will take up a relatively large number of staff and deploy our workforce for prolonged periods due to the potentially substantial amount of project management works involved.

Besides, our Directors consider that there is no guarantee that we would be able to source quality subcontracting services from our subcontractors which can meet our work

FUTURE PLANS AND [REDACTED]

schedule with acceptable fees and terms if a substantial number of projects are implemented within the same time frame. Therefore, in view of our increasing scale of operation and the need to work on several projects simultaneously, our Directors consider that we shall maintain a larger pool of our own general workers to minimise the potential risk of disruption caused by any possible unavailability of subcontracting services.

Therefore, in line with our past strategy, in order to cope with our expansion by undertaking our projects on hand and potential projects simultaneously, we intend to further recruit 110 general workers. In view of the anticipated additional newly awarded projects on top of our current scale of operation, our Directors consider that the scale of our workforce expansion, which represents an increase of approximately one-third of our existing number of site workers is commercially justifiable.

Alternative to debt financing

We have evaluated various factors between equity financing in the form of [REDACTED] and debt financing for the purpose of our business expansion and decided to proceed with the [REDACTED] after giving consideration to the following:

- our Group currently has two unutilised banking facilities in the amount of S\$4.0 million (equivalent to approximately HK\$22.9 million) and S\$1.0 million (equivalent to approximately HK\$5.7 million). However the banking facility in the amount of S\$4.0 million (equivalent to approximately HK\$22.9 million), of which S\$1.0 million (equivalent to approximately HK\$5.7 million) was restricted for hire purchase of commercial vehicles, equipment and machinery while S\$3.0 million (equivalent to approximately HK\$17.2 million) was restricted for trade financing only. Therefore, only S\$1.0 million (equivalent to approximately HK\$5.7 million) would be available for draw down to finance our projects which is insufficient to support our business expansion;
- two out of six of our properties were currently pledged for the abovementioned banking facilities. As confirmed by our Directors, the remaining four properties could only be pledged for approximately S\$3.0 million (equivalent to approximately HK\$17.2 million) which our Directors considered to reserve for the purchase of scaffolding components of approximately S\$3.0 million (equivalent to approximately HK\$17.2 million) as the Group had entered into an option to purchase agreement with the vendor on 22 April 2019 in case the [REDACTED] could take place, otherwise, it could be drawn down for cash in case of emergency during our current business operation. Therefore, our cash available from banking facilities for financing our projects is still far from the [REDACTED] that we can generate from the [REDACTED]. Also, our Directors consider that it is unlikely for our Group to obtain additional banking facilities as our Group does not possess any additional property or other assets as collateral for securities. Without the [REDACTED] from the [REDACTED], we will not be able to realise our expansion plan;

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- debt financing may subject us to various covenants which may restrict our ability to pay dividends or obtain additional financing. Besides, our existing banking facilities are short term in nature for our working capital purposes and cannot satisfy our long term capital needs for business expansion to increase our market share. In contrast, equity financing does not require us to reserve a portion of our operation income for repayment of loans;
- our Directors also believe that although the one-off [REDACTED] expenses to be incurred are higher than the interest expenses at the current interest rate level for the same amount of funds, interest rate is expected to fluctuate in the future. As such uncertain interest rate movement in the future will expose our Group in increasing borrowing costs which may adversely affect our financial performance and liquidity if we rely heavily on debt financing. In contrast, funds raised through equity financing is a committed source of capital without interest expenses and maturity and may be applied for such uses as our Directors may determine for the benefit of our Group.
- the primary objectives of our Group's capital management are to safeguard our Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximise shareholders' value. Our Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt, while managing our capital structure and making adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. For further details of our Group's capital structure policy, please refer to Note 34 to the Accountants' Report set out in Appendix I to this document.

Based on all the aforesaid, our Directors are of the view that (i) each of the objectives in our expansion plan represents an integral initiative to strengthen our service capacity and there are immediate funding needs to carry out the various objectives together in a coordinated and timely manner in view of the timetable of the awarded and potential projects; (ii) our cash and cash equivalents of approximately S\$9.3 million (equivalent to approximately HK\$53.2 million) as at 28 February 2019 are only sufficient for maintaining our current business operation for the projects in progress and thus are not sufficient to support our business plan; (iii) we shall not rely on our future cash flows from our operating activities to finance expansion plan as our future cash flows from our operating activities may not be fully and immediately available and there is also no assurance that we can generate positive operating cash flows for every month or period; (iv) our current available banking facilities are not sufficient to support our business plan and it is unlikely for us to obtain additional banking facilities while heavy bank borrowing may expose us to high gearing ratio which would subject us to the inherent risks of higher interest rate and finance costs. As a result, in light of our expansion plan which would require approximately S\$17.3 million (equivalent to approximately HK\$99.0 million) in FY2019/20 and FY2020/21, our Directors consider there is an imminent need for us to raise additional

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funds to facilitate the successful implementation of our business strategies and pursuing the [REDACTED] is in the interest of our Group.

Enhance our corporate profile and reputation

Our Directors believe that the [REDACTED] will provide an indirect complimentary advertising to raise our Group's brand awareness and publicity on an international level, making our Company's range of services known to new potential local and international customers for their projects in Singapore, in the hope of leading to an increase in our Company's market share. Being a publicly [REDACTED] company, the flow of information is established towards different stakeholders, including Shareholders, customers, suppliers and our employees. The [REDACTED] status and the public disclosure of our information will allow these parties to know our Group better and, hence, are an effective way to promote our corporate profile as well as enhance our Group's reputation.

In addition, our Directors believe that customers may prefer contractors who are listed given that a listed company is subject to ongoing regulatory compliance for announcements, public financial disclosures and general regulatory supervision by relevant regulatory bodies. Our Directors further believe that our Group may be considered more favourably by our customers when we tender for projects given our reputation and [REDACTED] status. Given the continuing expansion plans of our Group, the [REDACTED] would give us an additional fund raising option by issuance of Shares. Therefore, the publicity from the [REDACTED] would be beneficial to our Group.

Enabling us to raise funds for future business development

Our Directors consider that, on top of the [REDACTED] from the [REDACTED], the [REDACTED] will also enable us to have access to the capital market more easily for fundraising at later stages through the issuance of equity and debt securities for the implementation of business strategies in long run.

Besides, our Directors are of the view that a public [REDACTED] status can also assist us in any future debt financing, if necessary. Being a group of private companies without a [REDACTED] status, our Directors consider it would be difficult for us to obtain debt financing without guarantees provided by our Controlling Shareholders. However, the continuous reliance on our Controlling Shareholders for provision of personal guarantees and other form of financial assistance would be a hindrance to us in achieving financial independence. In addition, the regular financial reporting requirement under the [REDACTED] Rules can enable the bank to evaluate and monitor our financial position more effectively and therefore it is expected that the approval process for any future bank borrowings can be smoothened. The better accessibility to banking facilities will allow us more flexibility in the management of our cash flow.

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Enhancing work morale to maintain an integrated workforce

To effectively implement our business strategies, our Directors are of the view that a public [REDACTED] status allows us to more easily retain our existing staff. Our staff will feel more secured about their employment with us as compared to a private group and thus have a better morale at work. As a result, an integrated workforce will improve the quality of our services and optimise our daily operations to the benefit of our long term development.

Upon [REDACTED], our Group shall have a Share Option Scheme in place which our employees shall be entitled to share options of our Group. Our Directors consider that our staff would be incentivised to stay with our Group under the scheme and motivated to work towards the overall performance of our Group that aligns with the potential shareholders' interests as a whole.

Diversifying our shareholder base

Our Directors also believe that the [REDACTED] will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of privately held shares before the [REDACTED]. Hence, our Directors consider that the [REDACTED] will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

REASONS FOR THE [REDACTED] IN HONG KONG

Our Directors considered and evaluated different [REDACTED] venues and platforms with reference to (i) prevailing level of equity fund raising activities; and (ii) the reputation and prestige among the stock markets, including Singapore. Eventually, our Directors considered the Hong Kong stock market to be the most suitable [REDACTED] venue for our Group due to the following reasons:

(i) Higher market liquidity in Hong Kong's stock market

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 when needed. A secondary fundraising exercise such as a secondary placement of shares would generally be more attractive to investors if there is a more liquid market, where there will be more willing buyers, who may invest in our Shares under the fundraising exercise, and sellers, who may realise their investment subsequently.

According to the chief executive of the Stock Exchange as quoted in a newspaper article published in August 2018, the Stock Exchange ranked number one worldwide in terms of initial public offerings funds raised. In addition, according to the data compiled by the World Bank, in 2017, the turnover ratio of stocks traded in Hong Kong stock market was approximately 43.4% while the turnover ratio of stocks traded in Singapore was only approximately 27.9%. Our Directors also noted that, in 2018, the average daily turnover of

FUTURE PLANS AND [REDACTED]

shares in Hong Kong was approximately HK\$107.4 billion (equivalent to approximately S\$18.6 billion) versus that of approximately HK\$6.9 billion (equivalent to approximately S\$1.2 billion) in Singapore. Further, our Directors also noted that the estimated average daily turnover trading during the three months ended February 2019 of Singapore-based construction companies listed in the Stock Exchange was approximately HK\$1.3 million while the average three months traded value as at February 2019 of Singapore-based construction companies listed in the Singapore Exchange is approximately S\$0.02 million (equivalent to approximately HK\$0.1 million). Our Directors consider that the significantly higher turnover of trading of Singapore-based construction companies listed in Hong Kong when compared to the same type of companies listed in Singapore indicates that Hong Kong investors are more likely to be interested in investing in our Group, which makes the Hong Kong stock market a more suitable [REDACTED] venue.

Therefore, our Directors are of the view that it would be easier for us to conduct secondary fund raising in the Hong Kong stock market, if necessary, for our further expansion in the future, than in the Singapore stock market as the Hong Kong stock market has higher liquidity.

(ii) Strengthen our Group's profile

Our Directors consider that Hong Kong is an international financial centre with a sound legal system and regulatory framework and the stock market in Hong Kong is well established and highly recognised internationally. Therefore, we concluded that the Stock Exchange is a suitable [REDACTED] platform. Notwithstanding that our Group's business is based in Singapore, our Directors believe that a public [REDACTED] status in Hong Kong is a form of complimentary advertising which will enhance our Group's profile on an international level, assist in reinforcing our brand awareness and market reputation, and enhance our credibility with the public and potential business partners. Since most of our Group's customers are subsidiaries of international enterprises that are set up in Singapore, our Directors believe that these international enterprises participating in Singapore's construction projects may be more willing to award contracts to companies [REDACTED] in Hong Kong as the Stock Exchange is internationally recognised. We believe that [REDACTED] in Hong Kong will help broaden our customer network. Furthermore, given that a Hong Kong [REDACTED] company is subject to ongoing regulatory compliance for announcements, public financial disclosures and general regulatory supervision by relevant regulatory bodies, our Directors believe that customers will have more confidence in companies that are [REDACTED] in Hong Kong and will be more willing to award contracts to us. Our Directors believe that the [REDACTED] will enable our Group to differentiate from our competitors, enhance our strength and competitiveness, and solidify our position in the industry.

Furthermore, given the level of information disclosure and transparency required by the Stock Exchange, our Directors recognised that our Group can enhance our presence and visibility in the capital market in Hong Kong as well as among potential international investors. The [REDACTED] will also allow us to have a greater exposure to the

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international financial market and investment community, which will in turn open up a new channel of financing.

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

NO [REDACTED] APPLICATION MADE IN SINGAPORE

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

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

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APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the company, Ernst & Young, Certified Public Accountants, Hong Kong.

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central Hong Kong

The Directors
CTR Holdings Limited
Grande Capital Limited

Dear Sirs,

We report on the historical financial information of CTR Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-4] to [I-49], which comprises the combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 28 February 2017, 2018 and 2019 (the “Track Record Periods”), and the combined statements of financial position of the Group as at 28 February 2017, 2018 and 2019 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-49] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the “Document”) in connection with the initial [REDACTED] of the 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 (the “Directors”) are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the Directors 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

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ACCOUNTANTS' REPORT

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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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, 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 financial position of the Group as at 28 February 2017, 2018 and 2019, and of the financial performance and cash flows of the Group for each of the Track Record Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE [REDACTED] OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [•] have been made.

APPENDIX I

ACCOUNTANTS' REPORT

Dividends

We refer to Note 26 to the Historical Financial Information which contains information about the dividends paid by the subsidiaries now comprising the Group to the then shareholders in respect of the Track Record Periods.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Track Record Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong, in accordance with the Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Singapore dollars and all values are rounded to the nearest thousand (S\$’000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 28 February		
		2017	2018	2019
		<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Revenue	5	26,453	54,481	64,353
Construction costs		<u>(18,095)</u>	<u>(42,803)</u>	<u>(47,728)</u>
Gross profit		8,358	11,678	16,625
Other income	6	1,027	1,041	1,596
Administrative expenses		(4,958)	(6,200)	(9,752)
(Loss allowance provision)/write-back of loss allowance provision on financial assets measured at amortised cost	7	(28)	(26)	25
Profit before tax	7	4,399	6,493	8,494
Income tax expense	10	<u>(596)</u>	<u>(1,060)</u>	<u>(1,983)</u>
Profit for the year		<u>3,803</u>	<u>5,433</u>	<u>6,511</u>
Total comprehensive income for the year		<u><u>3,803</u></u>	<u><u>5,433</u></u>	<u><u>6,511</u></u>

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COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 28 February		
	<i>Notes</i>	2017	2018	2019
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Non-current assets				
Property, plant and equipment	12	1,727	2,279	2,176
Investment properties	13	5,732	5,591	5,449
Investment in an associate	14	55	55	–
Contract assets	16	1,998	3,666	7,121
Fixed deposits pledged to a bank	20	–	956	–
		<u> </u>	<u> </u>	<u> </u>
Total non-current assets		<u>9,512</u>	<u>12,547</u>	<u>14,746</u>
Current assets				
Inventories	15	453	–	–
Contract assets	16	3,302	6,874	2,690
Trade receivables	17	4,045	5,741	4,240
Other receivables and deposits	18	385	389	418
Prepayments		67	54	874
Amount due from directors	19	288	–	–
Fixed deposits pledged to a bank	20	–	–	956
Cash and cash equivalents	20	6,133	12,338	9,319
		<u> </u>	<u> </u>	<u> </u>
Total current assets		<u>14,673</u>	<u>25,396</u>	<u>18,497</u>
		<u> </u>	<u> </u>	<u> </u>
Total assets		<u><u>24,185</u></u>	<u><u>37,943</u></u>	<u><u>33,243</u></u>

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		As at 28 February		
		2017	2018	2019
	<i>Notes</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Current liabilities				
Contract liabilities	16	467	2,443	1,724
Trade payables	21	3,231	7,499	5,693
Other payables and accruals	22	2,619	3,162	2,298
Amount due to directors	19	4,312	8,296	–
Income tax payable		914	1,406	1,963
Total current liabilities		<u>11,543</u>	<u>22,806</u>	<u>11,678</u>
Net current assets		<u>3,130</u>	<u>2,590</u>	<u>6,819</u>
Non-current liabilities				
Deferred tax liabilities	23	74	84	84
Retention payables	21	31	83	–
Total non-current liabilities		<u>105</u>	<u>167</u>	<u>84</u>
Total liabilities		<u>11,648</u>	<u>22,973</u>	<u>11,762</u>
Net assets		<u>12,537</u>	<u>14,970</u>	<u>21,481</u>
Equity attributable to owners of the Parent				
Share capital	24	–	–	–
Reserves	25	12,537	14,970	21,481
Total equity		<u>12,537</u>	<u>14,970</u>	<u>21,481</u>
Total equity and liabilities		<u>24,185</u>	<u>37,943</u>	<u>33,243</u>

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COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>S\$'000</i> <i>(Note 24)</i>	Merger reserve <i>S\$'000</i> <i>(Note 25)</i>	Retained profits <i>S\$'000</i>	Total <i>S\$'000</i>
At 1 March 2016	–	1,100	7,634	8,734
Profit for the year	–	–	3,803	3,803
At 28 February 2017 and 1 March 2017	–	1,100	11,437	12,537
Profit for the year	–	–	5,433	5,433
Dividends paid to the then shareholders <i>(Note 26)</i>	–	–	(3,000)	(3,000)
At 28 February 2018 and 1 March 2018	–	1,100	13,870	14,970
Profit for the year	–	–	6,511	6,511
At 28 February 2019	–	1,100	20,381	21,481

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COMBINED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 28 February		
		2017	2018	2019
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Cash flows from operating activities				
Profit before tax		4,399	6,493	8,494
Adjustments for:				
Bad debts written off	7	–	–	4
Depreciation of property, plant and equipment	7	245	301	337
Depreciation of investment properties	7	136	141	142
Loss allowance provision:				
– Contract assets	7	20	26	–
– Trade receivables	7	5	3	–
– Other receivables	7	1	–	2
– Amount due from directors	7	2	–	–
Write-back of loss allowance provision:				
– Contract assets	7	–	–	(13)
– Trade receivables	7	–	–	(14)
– Amount due from directors	7	–	(3)	–
Loss on disposal of property, plant and equipment	7	42	9	8
Interest income	6	(37)	(46)	(101)

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	<i>Notes</i>	Year ended 28 February		
		2017	2018	2019
		S\$'000	S\$'000	S\$'000
Operating cash flows before changes in working capital		4,813	6,924	8,859
(Increase)/decrease in inventories		(453)	453	–
(Increase)/decrease in contract assets		(2,592)	(5,266)	742
(Increase)/decrease in trade receivables		(888)	(1,699)	1,511
Increase in other receivables and deposits		(301)	(4)	(31)
(Increase)/decrease in prepayments		(25)	13	(820)
(Increase)/decrease in amount due from directors		(148)	291	–
(Decrease)/increase in contract liabilities		(49)	1,976	(719)
Increase/(decrease) in trade payables and retention payables		2,289	4,320	(1,889)
Increase/(decrease) in other payables and accruals		1,128	543	(864)
		<u>3,774</u>	<u>7,551</u>	<u>6,789</u>
Cash flows from operations		3,774	7,551	6,789
Interest received		37	43	96
Income taxes paid		(78)	(558)	(1,426)
		<u>(78)</u>	<u>(558)</u>	<u>(1,426)</u>
Net cash flows from operating activities		<u>3,733</u>	<u>7,036</u>	<u>5,459</u>

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	<i>Notes</i>	Year ended 28 February		
		2017	2018	2019
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Cash flows from investing activities				
Purchase of property, plant and equipment	12	(556)	(885)	(281)
Purchase of investment properties	13	(474)	–	–
Proceeds from disposal of property, plant and equipment		67	23	39
Proceeds from disposal of investment in an associate		–	–	55
Increase in fixed deposits pledged to a bank		–	(956)	–
Interest received from fixed deposits pledged to a bank		–	3	5
		<u>–</u>	<u>3</u>	<u>5</u>
Net cash flows used in investing activities				
		<u>(963)</u>	<u>(1,815)</u>	<u>(182)</u>
Cash flows from financing activities				
Dividends paid to the then shareholders		–	–	(3,000)
Increase/(decrease) in amount due to directors	27	210	984	(5,296)
		<u>210</u>	<u>984</u>	<u>(8,296)</u>
Net cash flows from/(used in) financing activities				
		<u>210</u>	<u>984</u>	<u>(8,296)</u>
Net increase/(decrease) in cash and cash equivalents				
		2,980	6,205	(3,019)
Cash and cash equivalents at beginning of financial year		<u>3,153</u>	<u>6,133</u>	<u>12,338</u>
Cash and cash equivalents at end of financial year				
	20	<u><u>6,133</u></u>	<u><u>12,338</u></u>	<u><u>9,319</u></u>

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 24 October 2018. The registered address and principal place of business of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Track Record Periods, the Company’s subsidiaries were engaged in the provision of structural engineering works and wet architectural works.

Brave Ocean Limited (“Brave Ocean”), a company incorporated in the British Virgin Islands (the “BVI”), is the immediate holding company of the Company, and in the opinion of the Directors, which is also the ultimate holding company of the Company.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed “Reorganisation” in the section headed “History, Development and Reorganisation” in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Held by the Company					
Pinnacle Shine Ltd (a)	British Virgin Island 20 August 2018	US\$10	100	–	Investment holding
Held through a subsidiary					
Chian Teck Realty Pte Ltd (b) (c)	Singapore 30 March 2009	S\$1,000,000	–	100	Provision of structural engineering works and wet architectural works
Chian Teck Development Pte Ltd (a)	Singapore 22 March 2006	S\$100,000	–	100	Provision of structural engineering works and wet architectural works

- (a) No statutory financial statements have been prepared for these entities since the incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their country/jurisdiction of incorporation.
- (b) No statutory financial statements have been prepared for this entity since its incorporation till 28 February 2012 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in its country/jurisdiction of incorporation.

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- (c) The statutory financial statements have been prepared in accordance with Singapore Financial Reporting Standards and were audited by Audit Trust PAC for the period from 1 March 2012 to 28 February 2018.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Development and Reorganisation” in the Document, the Company became the holding company of the companies now comprising the Group on [•]. The companies now comprising the Group were under the common control of Mdm Gou Shuzhen (“Mdm Gou”), Mr. Xu Xuping (“Mr. Xuping”) and Mr. Xu Tiancheng (“Mr. Tiancheng”) (collectively the “Controlling Shareholders”), before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Periods.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The combined statements of financial position of the Group as at 28 February 2017, 2018 and 2019 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (“IASB”). All IFRSs effective for the accounting period commencing from 1 March 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention. The Historical Financial Information is presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest thousand (\$’000), except otherwise indicated.

Basis of Combination

As explained in note 2.1 above, the acquisitions of subsidiaries under common control have been accounted for using the merger accounting. The acquisition of subsidiaries not under common control is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the Controlling Shareholder. No amount is recognised in respect of goodwill or the excess of the acquirer’s interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

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2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to IFRS 10 and IFRS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
IFRS 16	<i>Leases</i> ¹
IFRS 17	<i>Insurance contracts</i> ²
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Annual Improvements 2015–2017 cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i> ¹
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has expected that these standards will not have significant effect on the Historical Financial Information of the Group, except for the following as set out below.

IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases - Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 March 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 March 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During the year ended 28 February 2019, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. Based on the preliminary assessment, the Group expects no significant impact upon adoption of IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Company's voting rights and potential voting rights.

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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Fair value measurement

The Group measures its investment properties, financial assets at fair value through profit or loss at fair value at the end of each Track Record Periods. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the combined financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Track Record Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset. An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Useful lives
Office units	39 to 60 years
Computers	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	5 years
Renovation	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year/period the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year/period of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the profit or loss on the straight-line basis over the lease terms.

Financial assets

Initial recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition.

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Subsequent measurement

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of profit or loss when the assets are derecognised or impaired, and through amortisation process.

Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in OCI, except impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the statement of profit or loss in the period in which it arises. Interest income from these financial assets is included in the finance income.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in the statement of profit or loss when the Group's right to receive payments is established.

Changes in fair value of financial assets at fair value through profit or loss are recognised in the statement of profit or loss as applicable.

Changes in fair value of financial assets at FVOCI are recognised in OCI.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognised, and through the amortisation process.

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Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities during the Track Record Periods.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified and the cash flows of the modified liability are substantially different, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference between the respective carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial assets

IFRS 9 requires the Group to record an allowance for expected credit losses (“ECL”) for financial assets measured at amortised cost, debt instruments measured at FVOCI and contract assets as defined in IFRS 15.

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The ECL allowance is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original EIR.

For all contract assets and trade receivable, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

Other financial assets which credit risk has not increased significantly since initial recognition are assessed for impairment based on 12-month expected credit losses: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the end of each Track Record Period, (or a shorter period if the expected life of the asset is less than 12 months).

The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A 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: significant financial difficulty of the debtor; a breach of contract such as a default or past due event; it is probable that the debtor will enter bankruptcy or other financial reorganisation. The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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 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 financial analysts and governmental bodies, 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:

- 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; and
- 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 on a financial asset will have increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforementioned, 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) it 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.

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Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined statement of cash flows and statement of financial position, cash and cash equivalents comprise cash on hand and demand deposits that matures within 3 months.

Provisions

General

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made for the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Track Record Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Warranty provisions

Provisions for warranty-related costs are recognised when the construction is completed. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each Track Record Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each Track Record Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each Track Record Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of sales tax except, where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and receivables and payables that are stated with the amount of sales tax included.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or 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

The 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 customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- (i) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) The Group's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or
- (iii) 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.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset or services.

(a) Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, revenue from contracts is recognised in profit or loss in proportion to the stage of completion, as the entity's performance creates or enhances the asset (for example, work in progress) that the customer controls as the asset is created or enhanced. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is measured by the proportion of costs incurred to date over the estimated total costs of the project. The total budgeted cost used by the project is derived from budgets approved on the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss. Progress billings to customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer.

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Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received payments from the customer. Contract assets are transferred to receivables when the rights to consideration becomes unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

(b) *Rendering of services*

Rendering of services relates to revenue derived from the provision of labour. Revenue is recognised when the performance obligation in relation to the services is completed.

(c) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

(d) *Rental income*

The Group generates rental income from the lease of its office units. Revenue is recognised as rental income, on a time proportion basis over the lease terms.

Employee benefits

Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the companies incorporated in Singapore in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the contribution become payable in accordance with the rules of the Central scheme.

Foreign currencies

The Historical Financial Information is presented in Singapore dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Track Record Periods. Differences arising on settlement or translation of monetary items are recognised in the profit or loss.

Dividends

Final dividends are recognised as liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Group's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared. The dividends for the Group is disclosed in note 26 to the historical financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's historical financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the Group's historical financial statements.

Revenue recognition for construction contracts

The Group adopts the input method and recognises revenue using the "Percentage of Completion" method. In making this judgement, the Group evaluates the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Accounting for construction contracts

The Group recognises contract revenue to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, revenue from contracts is recognised in the profit or loss in proportion to the stage of completion, using the input measurement method. In applying the stage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and estimated costs to complete. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Income taxes

The Group's exposure to income taxes mainly arises from Singapore. The Group recognises liabilities for expected amount to be paid to the tax authorities. Where the final tax outcome is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the Track Record Periods in which such determination is made. As at 28 February 2017, 2018 and 2019, the carrying amount of the Group's income tax payable were \$914,000, \$1,406,000 and \$1,782,000 and deferred tax liabilities were \$74,000, \$84,000 and \$84,000 respectively.

Useful lives of property, plant and equipment

The Group's property, plant and equipment are depreciated on a straight-line basis over their respective useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 to 60 years. Changes in the expected level of usage and technological developments could impact the estimated useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of these property, plant and equipment at the end of each of the Track Record Periods are disclosed in Note 12 to the Historical Financial Information.

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Impairment of non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets at each Track Record Periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade and other receivables

The Group recognises lifetime expected credit loss (“ECL”) for trade and other receivables, based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions. 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. The Group’s trade receivables and other receivables at the end of each of the Track Record Periods are disclosed in Note 17 and Note 18 to the Historical Financial Information respectively.

4. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the provision of structural engineering works and wet architectural works during the Track Record Periods. Information reported to the Group’s Executive director, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group’s revenue for each of the Track Record Period, is set out below:

	Year ended 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Customer A	6,175	8,842	1,775*
Customer Group B	11,047	18,493	3,312*
Customer F	2,727	7,565	1,055*
Customer Group I	765*	7,670	13,835
Customer K	–	–	25,220
Customer L	–	1,293*	6,694
	<u> </u>	<u> </u>	<u> </u>

* Less than 10% of the Group’s revenue

Geographical information

During the years ended 28 February 2017, 2018 and 2019, 100% of the Group’s total revenue was generated in Singapore.

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5. REVENUE

An analysis of revenue from contract with customers is as follows:

	Year ended 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Structural engineering works	21,299	43,610	54,887
Wet architectural works	5,154	10,871	9,466
	<u>26,453</u>	<u>54,481</u>	<u>64,353</u>

The remaining performance obligations (unsatisfied or partially unsatisfied) at the end of each of the Track Record Periods are as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Expected to be satisfied within one year	34,721	31,738	83,407
Expected to be satisfied more than one year	13,490	1,958	59,289
	<u>48,211</u>	<u>33,696</u>	<u>142,696</u>

6. OTHER INCOME

	Year ended 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Government grants*	301	69	56
Rendering of services	478	667	1,202
Rental income	142	187	160
Interest income	37	46	101
Others	69	72	77
	<u>1,027</u>	<u>1,041</u>	<u>1,596</u>

* Government grants relates to Productivity and Innovation Credit Scheme, Wage Credit Scheme, Special Employment Credit Scheme and Temporary Employment Credit. There are no unfulfilled conditions or contingencies relating to these grants.

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7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Construction costs (a) (b)	18,095	42,803	47,728
Bad debts written off	–	–	4
Depreciation of property, plant and equipment	245	301	337
Depreciation of investment properties	136	141	142
Loss on disposal of property, plant and equipment	42	9	8
Loss on foreign exchange, net	–	–	19
Loss allowance provision:			
– Contract assets	20	26	–
– Trade receivables	5	3	–
– Other receivables	1	–	2
– Amount due from directors	2	–	–
Write-back of loss allowance provision:			
– Contract assets	–	–	(13)
– Trade receivables	–	–	(14)
– Amount due from directors	–	(3)	–
Expenses related to the proposed [REDACTED]	–	–	[REDACTED]
Employee benefit expense (including directors' remuneration) (Note 8):			
– Salaries and bonuses	3,564	4,338	5,166
– Central Provident Fund contributions	150	232	281
	<u> </u>	<u> </u>	<u> </u>

(a) Construction costs includes S\$6,471,000, S\$8,815,000, S\$9,029,000 of wages for the years ended 28 February 2017, 2018 and 2019 respectively.

(b) Construction costs includes S\$636,000, S\$1,097,000 and S\$1,522,000 of minimum lease payments for the years ended 28 February 2017, 2018 and 2019 respectively.

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8. DIRECTORS' REMUNERATION

The Company did not have any chief executive, executive, non-executive directors or independent non-executive directors at any time during the years ended 28 February 2017 and 2018, since the Company was only incorporated on 24 October 2018.

On 24 October 2018, Mr. Xu Xuping and Mr. Xu Tiancheng were appointed as executive directors of the Company. Mr. Kung Wai Chiu Marco, Mr. Tang Chi Wang and Ms. Wang Yao were appointed as independent non-executive directors of the Company on [•].

Independent non-executive directors

There were no fees or other emoluments payable to independent non-executive directors during the Track Record Periods.

Executive directors

There were no fees or emoluments payable by the Company to the executive directors during the Track Record Periods. The executive directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors or officers of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Salaries and bonuses	254	226	328
Directors' fees	204	204	204
Central Provident Fund contributions	29	29	41
	<u>487</u>	<u>459</u>	<u>573</u>

Year ended 28 February 2017	Salaries and bonuses	Directors' fees	Central Provident Fund contributions	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Executive directors:				
Mr. Xu Xuping	130	130	15	275
Mr. Xu Tiancheng	124	74	14	212
	<u>254</u>	<u>204</u>	<u>29</u>	<u>487</u>

Year ended 28 February 2018	Salaries and bonuses	Directors' fees	Central Provident Fund contributions	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Executive directors:				
Mr. Xu Xuping	146	130	15	291
Mr. Xu Tiancheng	80	74	14	168
	<u>226</u>	<u>204</u>	<u>29</u>	<u>459</u>

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Year ended 28 February 2019	Salaries and bonuses	Directors' fees	Central Provident Fund contributions	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Executive directors:				
Mr. Xu Xuping	150	130	20	300
Mr. Xu Tiancheng	178	74	21	273
	<u>328</u>	<u>204</u>	<u>41</u>	<u>573</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Periods. During the Track Record Periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 28 February 2017, 2018 and 2019 included 2, 2 and 2 directors respectively, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining 3, 3 and 3 non-director, highest paid employees for the years ended 2017, 2018 and 2019 respectively are as follows:

	Year ended 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Salaries and bonuses	371	398	491
Central Provident Fund contributions	14	30	56
	<u>385</u>	<u>428</u>	<u>547</u>

The number of the non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 28 February		
	2017	2018	2019
Nil to HK\$1 million	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Periods, no emoluments were paid by the Group to any of the non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

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10. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands. Singapore profits tax has been provided at the rate of 17% on the estimated assessable profits arising in Singapore for each of the Track Record Periods.

	Year ended 28 February		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Current – Singapore			
Charge for the year	587	1,050	1,802
(Over)/under provision in prior years	(1)	–	181
Deferred – Singapore			
Origination and reversal of temporary differences (Note 23)	10	10	–
	<u>596</u>	<u>1,060</u>	<u>1,983</u>
Total tax charge for the year	<u>596</u>	<u>1,060</u>	<u>1,983</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective rate is as follows:

	Year ended 28 February		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Profit before tax	<u>4,399</u>	<u>6,493</u>	<u>8,494</u>
Tax at the statutory tax rate of 17%	748	1,104	1,444
Adjustments:			
Non-deductible expenses	41	34	398
Income not subject to taxation	(6)	(3)	(3)
Effect of tax exemption*	(186)	(75)	(37)
(Over)/under provision of income tax in respect of prior years	(1)	–	181
	<u>596</u>	<u>1,060</u>	<u>1,983</u>

* Include corporate income tax rebate, tax exemption and tax deductions/allowances under the Productivity and Innovation Credit Scheme.

Singapore corporate income tax rebate is computed based on 40% of the corporate tax payable subject to a cap of S\$15,000 for the Year of Assessment 2018 and 20% of the corporate tax payable subject to a cap of S\$10,000 for the Year of Assessment 2019.

Tax exemption is computed based on 75% of the chargeable income cap at S\$10,000 and the next 50% of the chargeable income cap at S\$290,000 in Singapore for the Year of Assessment of 2018 and 2019. The tax exemption for the Year of Assessment of 2020 is computed based on 75% of the chargeable income cap at S\$10,000 and the next 50% of the chargeable income cap at S\$190,000.

The Group is entitled to additional 300% tax deductions/allowances for qualified PIC IT and automation equipment and training expenses under the Product and Innovation Scheme in Singapore for the Year of Assessment of 2018.

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11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Periods on a combined basis as disclosed in note 2.1 above.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Office units S\$'000	Computers S\$'000	Furniture and fixtures S\$'000	Office equipment S\$'000	Motor vehicles S\$'000	Renovation S\$'000	Total S\$'000
28 February 2019							
At 28 February 2018 and at 1 March 2018:							
Cost	1,363	187	34	316	1,199	104	3,203
Accumulated depreciation	(63)	(158)	(16)	(108)	(537)	(42)	(924)
Net carrying amount	<u>1,300</u>	<u>29</u>	<u>18</u>	<u>208</u>	<u>662</u>	<u>62</u>	<u>2,279</u>
At 1 March 2018, net of accumulated depreciation							
Additions	-	5	3	128	145	-	281
Disposal	-	-	-	(1)	(46)	-	(47)
Depreciation provided during the year	(24)	(20)	(6)	(71)	(197)	(19)	(337)
At 28 February 2019, net of accumulated depreciation	<u>1,276</u>	<u>14</u>	<u>15</u>	<u>264</u>	<u>564</u>	<u>43</u>	<u>2,176</u>
At 28 February 2019:							
Cost	1,363	192	37	443	1,203	104	3,342
Accumulated depreciation	(87)	(178)	(22)	(179)	(639)	(61)	(1,166)
Net carrying amount	<u>1,276</u>	<u>14</u>	<u>15</u>	<u>264</u>	<u>564</u>	<u>43</u>	<u>2,176</u>

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Group	Office units S\$'000	Computers S\$'000	Furniture and fixtures S\$'000	Office equipment S\$'000	Motor vehicles S\$'000	Renovation S\$'000	Total S\$'000
28 February 2018							
At 28 February 2017 and at 1 March 2017:							
Cost	875	180	23	287	976	59	2,400
Accumulated depreciation	(40)	(128)	(10)	(51)	(416)	(28)	(673)
Net carrying amount	<u>835</u>	<u>52</u>	<u>13</u>	<u>236</u>	<u>560</u>	<u>31</u>	<u>1,727</u>
At 1 March 2017, net of accumulated depreciation							
Additions	488	7	11	29	305	45	885
Disposals	-	-	-	-	(32)	-	(32)
Depreciation provided during the year	(23)	(30)	(6)	(57)	(171)	(14)	(301)
At 28 February 2018, net of accumulated depreciation	<u>1,300</u>	<u>29</u>	<u>18</u>	<u>208</u>	<u>662</u>	<u>62</u>	<u>2,279</u>
At 28 February 2018:							
Cost	1,363	187	34	316	1,199	104	3,203
Accumulated depreciation	(63)	(158)	(16)	(108)	(537)	(42)	(924)
Net carrying amount	<u>1,300</u>	<u>29</u>	<u>18</u>	<u>208</u>	<u>662</u>	<u>62</u>	<u>2,279</u>
28 February 2017							
At 29 February 2016 and at 1 March 2016:							
Cost	875	151	17	241	691	59	2,034
Accumulated depreciation	(24)	(86)	(6)	(66)	(310)	(17)	(509)
Net carrying amount	<u>851</u>	<u>65</u>	<u>11</u>	<u>175</u>	<u>381</u>	<u>42</u>	<u>1,525</u>
At 1 March 2016, net of accumulated depreciation							
Additions	-	29	6	193	328	-	556
Disposals	-	-	-	(92)	(17)	-	(109)
Depreciation provided during the year	(16)	(42)	(4)	(40)	(132)	(11)	(245)
At 28 February 2017, net of accumulated depreciation	<u>835</u>	<u>52</u>	<u>13</u>	<u>236</u>	<u>560</u>	<u>31</u>	<u>1,727</u>
At 28 February 2017:							
Cost	875	180	23	287	976	59	2,400
Accumulated depreciation	(40)	(128)	(10)	(51)	(416)	(28)	(673)
Net carrying amount	<u>835</u>	<u>52</u>	<u>13</u>	<u>236</u>	<u>560</u>	<u>31</u>	<u>1,727</u>

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The office units held by the Group as at the end of each of the Track Record Periods are as follows:

Description and location	Existing use	Unexpired lease term As at 28 February		
		2017 Years	2018 Years	2019 Years
21 Woodlands Close #08-10 Primz Bizhub	Office	–	53	52
21 Woodlands Close #08-11 Primz Bizhub	Office	54	53	52
21 Woodlands Close #08-12 Primz Bizhub	Office	54	53	52

13. INVESTMENT PROPERTIES

Description and location	As at 28 February		
	2017 S\$'000	2018 S\$'000	2019 S\$'000
At 1 March	5,394	5,732	5,591
Additions	474	–	–
Depreciation provided during the year	(136)	(141)	(142)
At end of the year	<u>5,732</u>	<u>5,591</u>	<u>5,449</u>

The investment properties held by the Group as at the end of each of the Track Record Periods are as follows:

Description and location	Existing use	Unexpired lease term As at 28 February		
		2017 Years	2018 Years	2019 Years
25 Mandai Estate #06-09*	Office	–	–	–
98 Kaki Bukit Industrial Terrace	Office	38	37	36
21 Woodlands Close #08-29 Primz Bizhub	Office	54	53	52

* Tenure – Freehold

Description and location	Estimated fair value As at 28 February		
	2017 S\$'000	2018 S\$'000	2019 S\$'000
25 Mandai Estate #06-09*	810	780	780
98 Kaki Bukit Industrial Terrace	4,550	4,360	4,360
21 Woodlands Close #08-29 Primz Bizhub	540	520	520

Valuation of investment properties

The Group's investment properties are stated at cost less depreciation. The fair value of the investment properties as at the Track Record Periods are disclosed above. The valuations were performed by Ravia Global

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Appraisal Advisory Limited, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties valued.

The fair values of the investment properties are determined using the comparison method by making references to comparable sale evidence as available in the relevant market. Comparable properties of similar size, character and location are analysed and selected for each investment property in order to arrive at a fair comparison of their fair values. The fair value measurement is positively correlated to the market unit sale rate.

14. INVESTMENT IN AN ASSOCIATE

	As at 28 February		
	2017 <i>S\$'000</i>	2018 <i>S\$'000</i>	2019 <i>S\$'000</i>
Bimfinity International Pte Ltd	55	55	–

The details of the associate is as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest		
			As at 28 February		
			2017 %	2018 %	2019 %
Held through subsidiary: Bimfinity International Pte Ltd (a)	Singapore	Provision of hardware and software consultancy services	19.8	19.8	–

(a) Audited by Audit Trust PAC

The investment in an associate was sold to a third party on 27 September 2018 for a cash consideration of \$55,000.

15. INVENTORIES

	As at 28 February		
	2017 <i>S\$'000</i>	2018 <i>S\$'000</i>	2019 <i>S\$'000</i>
Construction materials, at cost	453	–	–

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16. CONTRACT ASSETS/LIABILITIES

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Cost incurred and attributable profits	35,618	76,033	83,155
Less: Progress billings	(33,081)	(72,202)	(82,466)
Add: Retention receivables	2,344	4,340	7,459
	<u>4,881</u>	<u>8,171</u>	<u>8,148</u>
Less: Loss allowance provision	(48)	(74)	(61)
	<u>4,833</u>	<u>8,097</u>	<u>8,087</u>
Represented by:			
Contract assets			
– Non-current	1,998	3,666	7,121
– Current	3,302	6,874	2,690
	<u>5,300</u>	<u>10,540</u>	<u>9,811</u>
Contract liabilities	(467)	(2,443)	(1,724)
	<u>4,833</u>	<u>8,097</u>	<u>8,087</u>

The Group receives payments from customers based on invoices issued for work performed that were certified by the Main Contractor.

The revenue recognised during the Track Record Periods related to the carried-forward contract liabilities as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Revenue recognised in the year from the amounts included in the contract liabilities at the beginning of the year	<u>386</u>	<u>435</u>	<u>1,937</u>

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The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 which permits the use of the lifetime expected loss providing for financial assets that do not contain a significant financing component.

The movements in loss allowance provision of contract assets are as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
At the beginning of the year	28	48	74
Loss allowance provision	20	26	–
Write-back of loss allowance provision	–	–	(13)
	<u> </u>	<u> </u>	<u> </u>
At the end of the year	<u> 48</u>	<u> 74</u>	<u> 61</u>

The loss allowance provision for contract assets as at 28 February 2017, 2018 and 2019 are determined as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Contract assets	5,348	10,614	9,872
Expected credit loss rate	0.90%	0.70%	0.62%
Loss allowance provision	48	74	61
	<u> 48</u>	<u> 74</u>	<u> 61</u>

17. TRADE RECEIVABLES

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Trade receivables	4,082	5,781	4,266
Loss allowance provision	(37)	(40)	(26)
	<u> 4,045</u>	<u> 5,741</u>	<u> 4,240</u>

The Group’s trading terms with its customers are on credit. The credit period is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned, there is no significant credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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An ageing analysis of the trade receivables as at the end of each of the Track Record Periods, based on the invoice date is as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Within 1 month	2,724	4,092	3,905
1 to 2 months	1,273	1,649	335
Over 2 months	48	–	–
	<u>4,045</u>	<u>5,741</u>	<u>4,240</u>

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Not past due	<u>4,045</u>	<u>5,741</u>	<u>4,240</u>

The movements in loss allowance provision of trade receivables are as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
At the beginning of the year	32	37	40
Loss allowance provision	5	3	–
Write-back of loss allowance provision	–	–	(14)
At the end of the year	<u>37</u>	<u>40</u>	<u>26</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 which permits the use of the lifetime expected loss providing for all trade receivables.

The loss allowance provision as at 28 February 2017, 2018 and 2019 are determined as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Trade receivables	4,082	5,781	4,266
Expected credit loss rate	0.90%	0.70%	0.62%
Loss allowance provision	<u>37</u>	<u>40</u>	<u>26</u>

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18. OTHER RECEIVABLES AND DEPOSITS

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Other receivables	81	33	76
Loss allowance provision	(1)	*	(2)
	<hr/>	<hr/>	<hr/>
Deposits	80	33	74
	305	356	344
	<hr/>	<hr/>	<hr/>
	385	389	418
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The movements in loss allowance provision of other receivables are as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
At the beginning of the year	–	1	*
Loss allowance provision	1	–	2
Write-back of loss allowance provision	–	(*)	–
	<hr/>	<hr/>	<hr/>
At the end of the year	1	*	2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit loss, and has assessed that the expected credit losses are as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Other receivables	81	33	76
Expected credit loss rate	0.90%	0.70%	0.62%
Loss allowance provision	1	*	2
	<hr/>	<hr/>	<hr/>
	1	*	2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* Less than S\$1,000

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19. AMOUNT DUE FROM/(TO) DIRECTORS

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Amount due from directors	291	-	-
Loss allowance provision	(3)	-	-
	<u>288</u>	<u>-</u>	<u>-</u>
Amount due to directors	(4,312)	(8,296)	-
	<u>(4,024)</u>	<u>(8,296)</u>	<u>-</u>
Balance at end of the year	<u>(4,024)</u>	<u>(8,296)</u>	<u>-</u>
Maximum amount outstanding during the year	<u>291</u>	<u>380</u>	<u>-</u>

The amount due from/(to) directors were unsecured, interest-free, has no fixed term of repayment and of non-trade in nature.

The movements in loss allowance provision of amount due from directors are as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
At the beginning of the year	1	3	-
Loss allowance provision	2	-	-
Write-back of loss allowance provision	-	(3)	-
	<u>3</u>	<u>-</u>	<u>-</u>
At the end of the year	<u>3</u>	<u>-</u>	<u>-</u>

The Group has assessed that the credit risk due from directors has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit loss, and has assessed that the expected credit loss is as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Amount due from directors	291	-	-
Expected credit loss rate	0.90%	0.70%	0.62%
Loss allowance provision	<u>3</u>	<u>-</u>	<u>-</u>

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20. FIXED DEPOSITS PLEDGED TO A BANK AND CASH AND CASH EQUIVALENTS

	As at 28 February		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Fixed deposits pledged to a bank			
– Non-current	–	956	–
– Current	–	–	956
	<u>–</u>	<u>956</u>	<u>956</u>
Cash and bank balances	2,131	5,326	9,319
Fixed deposits with licensed banks	4,002	7,012	–
	<u>6,133</u>	<u>12,338</u>	<u>9,319</u>
Cash and cash equivalents as stated in the combined statements of cash flows	<u>6,133</u>	<u>12,338</u>	<u>9,319</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Fixed deposits earn interest rates of 0.88% to 1.6% per annum, 0.55% to 1.4% per annum and 0.55% to 1.4% per annum, respectively during the Track Record Periods. The bank balances and fixed deposits are deposited with creditworthy banks with no recent history of default.

Fixed deposits of S\$956,000 was pledged to a bank as security for a construction project for the year ended 28 February 2018 and 2019 (Note 31).

21. TRADE PAYABLES AND RETENTION PAYABLES

An ageing analysis of the trade payables as at the end of each of the Track Record Periods, based on the invoice date is as follows:

	As at 28 February		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Trade payables:			
Within 1 month	2,265	5,630	3,301
1 to 2 months	732	786	1,234
2 to 3 months	131	651	1,096
Over 3 months	103	432	62
	<u>3,231</u>	<u>7,499</u>	<u>5,693</u>
Retention payables	<u>31</u>	<u>83</u>	<u>–</u>

The trade payables are non-interest bearing and are normally settled on 30 to 60 day terms.

Retention payables are non-interest bearing and are long-term in nature.

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22. OTHER PAYABLES AND ACCRUALS

	As at 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Other payables and accruals	2,291	2,550	1,784
Deposits received	22	21	20
Net Goods and Services Tax ("GST") payables	306	591	494
	<u>2,619</u>	<u>3,162</u>	<u>2,298</u>

Other payables are non-interest bearing and are repayable on demand. Deposits received relate to rental deposits received for the lease of office units to third parties. The deposits received are refundable upon termination of the lease period.

23. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the Track Record Periods are as follows:

	<i>Note</i>	Depreciation in excess of related depreciation allowance	Total
		<i>S\$'000</i>	<i>S\$'000</i>
At 1 March 2018 and 28 February 2019		<u>84</u>	<u>84</u>
At 1 March 2017		74	74
Deferred tax credited to profit or loss during the year	10	<u>10</u>	<u>10</u>
At 28 February 2018		<u>84</u>	<u>84</u>
At 1 March 2016		64	64
Deferred tax credited to profit or loss during the year	10	<u>10</u>	<u>10</u>
At 28 February 2017		<u>74</u>	<u>74</u>

24. SHARE CAPITAL

The Company was incorporated on 24 October 2018 with an initial authorised share capital of US\$50,000 divided into 5,000,000 shares of a par value of US\$0.01 each. There was no authorised and issued capital as at 28 February 2017 and 2018 since the Company has not yet been incorporated.

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25. RESERVES

Group

The amounts of the Group's reserves and the movements therein for each of the Track Record Periods are presented in the combined statements of changes in equity.

Merger reserve

For the purposes of the preparation of the combined statements of financial position, the balance of merger reserve at the end of each of the Track Record Periods represents the aggregate of the paid up share capital of the subsidiaries now comprising the Group attributable to the Controlling Shareholders prior to the Reorganisation.

26. DIVIDENDS

No dividends have been paid or declared by the Company since incorporation.

During the Track Record Periods, dividends declared by the subsidiaries now comprising the Group to the then shareholders are as follows.

	Year ended 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Dividends declared to the then shareholders	–	3,000	–
	<u> </u>	<u> </u>	<u> </u>

The dividends of S\$3,000,000 was paid by the subsidiaries now comprising the Group to the then shareholders on 30 August 2018.

27. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing liabilities

	Year ended 28 February		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Amount due to directors			
At the beginning of the year	4,102	4,312	8,296
Changes from financing cash flows	210	984	(5,296)
Dividend declared/(paid)	–	3,000	(3,000)
	<u> </u>	<u> </u>	<u> </u>
At the end of the year (<i>Note 19</i>)	<u>4,312</u>	<u>8,296</u>	<u>–</u>

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28. OPERATING LEASE ARRANGEMENTS

As lessor

The Group has entered into leases on its investment properties. These non-cancellable leases have remaining lease terms ranging from one to two years.

Future minimum rental receivable under non-cancellable operating leases at the end of each of the Track Record Periods are as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Within one year	100	149	84
In the second year	—	86	—
	<u>100</u>	<u>235</u>	<u>84</u>

As lessee

The Group leases dormitories under operating lease arrangements. The leases are negotiated for one year terms.

Future minimum rental payments under non-cancellable operating leases at the end of each of the Track Record Periods are as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Within one year	543	489	709
In the second year	—	—	4
	<u>543</u>	<u>489</u>	<u>713</u>

29. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with a related party that is a company owned by the director during the year:

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Sales of services (<i>Note (a)</i>)	31	53	32
Purchases of services from related parties (<i>Note (b)</i>)	—	8	6
Rental income (<i>Note (c)</i>)	2	2	3
	<u>2</u>	<u>2</u>	<u>3</u>

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- (a) The sales of services to an associate, Bimfinity International Pte Ltd (“Bimfinity”) which is 19.8% owned by Chian Teck Realty Pte Ltd was made according to the published prices and conditions offered to the customers of the Group.
- (b) The purchases of services from Bimfinity was made according to the published prices and conditions offered by the related party to their major customers.
- (c) The rental income received from Bimfinity and Project Chef Pte Ltd which is managed by the brother of Mr. Xu Xuping were made according to the published prices available in the market.

Outstanding balances with related parties

As at 28 February 2017, 2018 and 2019, the Group had a net outstanding balance due to directors of S\$4,024,000, S\$8,296,000 and S\$nil respectively. Details of the balances are disclosed in Note 19 to the Historical Financial Information.

Personal guarantees by directors

As at 28 February 2017, 2018 and 2019, the Group had performance bonus issued by insurance companies that were secured by personal guarantees by the directors.

Compensation of key management personnel of the Group

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Salaries and bonuses	254	226	328
Central Provident Fund contributions	29	29	41
	<u>283</u>	<u>255</u>	<u>369</u>

Further details of the directors’ emoluments as disclosed in Note 8 to the Historical Financial Information.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Periods are as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Financial assets			
<i>Financial asset at amortised cost</i>			
Trade receivables	4,045	5,741	4,240
Retention receivables	2,323	4,310	7,413
Other receivables and deposits	385	389	418
Amount due from directors	288	–	–
Fixed deposits pledged to a bank	–	956	956
Cash and cash equivalents	6,133	12,338	9,319
	<u>13,174</u>	<u>23,734</u>	<u>22,346</u>

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	As at 28 February		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Financial liabilities			
<i>Financial liabilities at amortised cost</i>			
Trade payables	3,231	7,499	5,693
Retention payables	31	83	–
Other payables and accruals	2,313	2,571	1,804
Amount due to directors	4,312	8,296	–
	<u>9,887</u>	<u>18,449</u>	<u>7,497</u>

31. CONTINGENT LIABILITIES

At the end of each of the Track Record Periods, contingent liabilities not provided for in the combined financial statements were as follows:

	As at 28 February		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Performance bonds pledged with a bank (Note 20)	–	956	956
	<u>–</u>	<u>956</u>	<u>956</u>

The Group provided guarantee to a customer for a construction project in respect of performance bonds pledged to a bank. Pursuant to the terms of the arrangement where the construction project cannot be completed, the Group is responsible to pay the customer with the performance bonds that was pledged to the bank.

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values are as follows:

	As at 28 February					
	2017		2018		2019	
	Carrying amounts S\$'000	Fair values S\$'000	Carrying amounts S\$'000	Fair values S\$'000	Carrying amounts S\$'000	Fair values S\$'000
Investment properties	5,732	5,900	5,591	5,660	5,449	5,660
Financial assets						
Fixed deposits pledged to a bank	–	–	956	948	–	–
	<u>–</u>	<u>–</u>	<u>956</u>	<u>948</u>	<u>–</u>	<u>–</u>

Management has assessed that the fair values of trade receivables, other receivables and deposits, amounts due from/(to) directors, cash and cash equivalents, trade payables and other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the retention payables (non-current) have no fixed repayment terms. Hence, the timing of the future cash flows cannot be estimated reliably.

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The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of investment properties have been valued by using the direct comparison approach, assuming sale of the properties by making reference to comparable sales transactions as available in the relevant market.

The fair value of fixed deposits pledged to a bank (non-current) have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Assets for which fair values are disclosed:

	Fair value measurement using			Total S\$'000
	Quoted prices in active markets (Level 1) S\$'000	Significant observable inputs (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	
As at 28 February 2019				
Investment properties	–	–	5,660	5,660
As at 28 February 2018				
Investment properties	–	–	5,660	5,660
As at 28 February 2017				
Investment properties	–	–	5,900	5,900

During the years, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise cash and cash equivalents. The Group has other various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and deposits and amount due from directors, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 17 to the Historical Financial Information.

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Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of funds generated from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Periods, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand	2 to 5 years	Over 5 years	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
As at 28 February 2019				
Trade payables	5,693	–	–	5,693
Other payables and accruals	1,804	–	–	1,804
	<u>7,497</u>	<u>–</u>	<u>–</u>	<u>7,497</u>
As at 28 February 2018				
Trade payables	7,499	–	–	7,499
Retention payables	–	83	–	83
Other payables and accruals	2,571	–	–	2,571
Amount due to directors	8,296	–	–	8,296
	<u>18,366</u>	<u>83</u>	<u>–</u>	<u>18,449</u>
As at 28 February 2017				
Trade payables	3,231	–	–	3,231
Retention payables	–	31	–	31
Other payables and accruals	2,313	–	–	2,313
Amount due to directors	4,312	–	–	4,312
	<u>9,856</u>	<u>31</u>	<u>–</u>	<u>9,887</u>

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34. CAPITAL MANAGEMENT

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes trade payables, retention payables, other payables and accruals, and amount due to directors, less cash and cash equivalents. Capital represents the equity attributable to owners of the Parent. The gearing ratios as at the end of each of the Track Record Periods were as follows:

	As at 28 February		
	2017	2018	2019
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Trade payables	3,231	7,499	5,693
Retention payables	31	83	–
Other payables and accruals	2,619	3,162	2,298
Amounts due to directors	4,312	8,296	–
Less: Cash and cash equivalents	(6,133)	(12,338)	(9,319)
	<u>4,060</u>	<u>6,702</u>	<u>(1,328)</u>
Net debt/(equity)	4,060	6,702	(1,328)
Equity attributable to owners of the Parent	<u>12,537</u>	<u>14,970</u>	<u>21,481</u>
	<u>16,597</u>	<u>21,672</u>	<u>20,153</u>
Capital and net debt	<u>16,597</u>	<u>21,672</u>	<u>20,153</u>
	<u>24%</u>	<u>31%</u>	<u>N/A</u>
Gearing ratio	<u>24%</u>	<u>31%</u>	<u>N/A</u>

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 28 February 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants’ Report received from the Company’s reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this document, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountants’ Report set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline (“AG”), 7 *Preparation of Pro Forma Financial information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants and on the basis of the notes set out below for the purpose of illustrating the effect of the [REDACTED] on the combined net tangible assets of the Group as of 28 February 2019 as if the [REDACTED] had taken place on 28 February 2019.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as of 28 February 2019 or any future date. It is prepared based on the audited consolidated net tangible assets of our Group as at 28 February 2019 as set out in the Accountants’ Report of our Group, the text of which is set out in Appendix I to this document and adjusted as described below. The unaudited pro forma statement of adjusted 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 28 February 2019 <i>(note 1)</i> S\$’000	Estimated [REDACTED] from the [REDACTED] <i>(note 2)</i> S\$’000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company S\$’000	Unaudited pro forma adjusted combined net tangible assets per share <i>(notes 3, 4)</i> S\$ HK\$ equivalent	
Based on the [REDACTED] Price of HK\$[REDACTED] per [REDACTED]	21,481	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] Price of HK\$[REDACTED] per [REDACTED]	21,481	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as of 28 February 2019 is extracted from the accountants’ report as set forth in Appendix I to this document.
- (2) The estimated [REDACTED] from the [REDACTED] are based on the indicative [REDACTED] Prices of HK\$[REDACTED] (equivalent to S\$[REDACTED]) and HK\$[REDACTED] (equivalent to S\$[REDACTED]) per [REDACTED], respectively, after deduction of the estimated [REDACTED] fees and other related expenses payable by our company and takes no account of any Share which may be issued upon the exercise of the [REDACTED].
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is determined after the adjustments as described in notes (1) and (2) above and on the basis that [REDACTED] Shares are issued and outstanding (being the number of Shares expected to be in issue immediately after completion of the [REDACTED]).
- (4) No adjustment has been made to reflect any trading results or other transactions entered into by our Group subsequent to 28 February 2019.
- (5) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is converted from Singapore dollars into Hong Kong dollars at the rate of HK\$[5.72] to S\$1.00 as of 28 February 2019. No representation is made that the S\$ 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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]



[•] 2019

CTR Holdings Limited

21 Woodlands Close #08–10, 11&12
Primz Bizhub,
Singapore 737854

Dear Sirs/Madams,

Re: Property Valuation of Various Properties in Singapore

In accordance with the instructions of CTR Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) to value the property interests held by the Group in Singapore, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 28 February 2019 (the “**Date of Valuation**”) for the purpose of incorporation in the document of the Company dated [•] 2019.

1. BASIS OF VALUATION

Our valuations of properties are our opinion of the market values which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

We have valued the properties by direct comparison approach assuming sale of the properties by making reference to comparable sales transactions as available in the relevant market.

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PROPERTY VALUATION

3. TITLE INVESTIGATION

For the properties in Singapore, we have carried out title searches at the Singapore Land Authority. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

Our inspection was performed by Dr. Alan W K Lee in March 2018. We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

APPENDIX III

PROPERTY VALUATION

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

7. REMARKS

In the course of our valuations, the properties held by the Group are categorized into the following groups:

- Group I – Properties held by the Group for investment purpose in Singapore;
- Group II – Properties held by the Group for Owner-occupation in Singapore.

Unless otherwise stated, all monetary amounts stated in our valuations are in Singapore Dollars ("SGD").

Our Summary of Values and Valuation Certificates are attached herewith.

Yours faithfully,

For and on behalf of

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

Dr. Alan W K Lee

PhD(BA) MFin BCom(Property)

MHKIS RPS(GP) AAPI CPV CPV(Business)

Director and Principal Valuer

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 14 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

APPENDIX III

PROPERTY VALUATION

SUMMARY OF VALUES

No. Property	Market Value in Existing State as at 28 February 2019
Group I – Properties held by the Group for investment purpose in Singapore	
1. 98 Kaki Bukit Industrial Terrace, Singapore 416174	SGD4,360,000
2. 25 Mandai Estate #06–09, Singapore 729930	SGD780,000
3. 21 Woodlands Closed #08–29, Primz Bizhub, Singapore 737854	<u>SGD520,000</u>
Sub total:	SGD5,660,000
Group II – Properties held by the Group for Owner-occupation in Singapore	
4. 21 Woodlands Closed #08–10, Primz Bizhub, Singapore 737854	SGD530,000
5. 21 Woodlands Closed #08–11, Primz Bizhub, Singapore 737854	SGD430,000
6. 21 Woodlands Closed #08–12, Primz Bizhub, Singapore 737854	<u>SGD600,000</u>
Sub total:	<u>SGD1,560,000</u>
Total:	<u><u>SGD7,220,000</u></u>

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Group I – Properties held by the Group for investment purpose in Singapore

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2019
1.	98 Kaki Bukit Industrial Terrace, Singapore 416174	<p>The property comprises a 4-storey industrial development, completed in about 2000.</p> <p>The property has a lot area of approximately 429 sq.m. and a total gross floor area (“GFA”) of approximately 737.0 sq.m..</p> <p>The property is a leasehold estate and it has been granted for a term expiring on 8 January 2055.</p>	<p>Ground floor, basement and 4th floor of the property are subject to a tenancy agreement for a term expiring on 31 October 2019 with a monthly rent of SGD8,000, excluding Goods and Services Tax (“GST”), for industrial use.</p> <p>Remaining portion of the property is occupied by the Group.</p>	SGD4,360,000

Notes:

- The registered owner of the property is Chian Teck Development Pte. Ltd..
- Kaki Bukit Industrial Terrace is located in District D14. It is accessible through the nearest train stations such as Kaki Bukit MRT (DT28), Ubi MRT (DT27), and Bedok North MRT (DT29). The nearest primary schools are Maha Bodhi School, Telok Kurau Primary School, and Eunus Primary School.

This property is close to grocery stores namely Giant(kampong Ubi), Giant(bedok Reservoir), and NTUC FAIRPRICE (LENGKONG TIGA).
- The lot area only represents the area of land, while the GFA represents the total area of building including four stories and a basement.
- In the course of our valuation, we have made reference to sales prices of comparable industrial properties. The prices of comparable industrial properties range from about SGD380 per sq.ft. to SGD550 per sq.ft. (which is equivalent to approximately SGD4,090 per sq.m. to SGD5,920 per sq.m.).
- For your accounting reference, our valuations of the property are as follows:

Valuation as at 28 February 2018:	SGD4,360,000
Valuation as at 28 February 2017:	SGD4,550,000
Valuation as at 29 February 2016:	SGD5,190,000

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2019
2.	25 Mandai Estate #06-09, Singapore 729930	<p>The property comprises an industrial unit in a 7-storey industrial building, known as Innovation Place, completed in about 2000.</p> <p>The property has a gross floor area ("GFA") of approximately 145 sq.m..</p> <p>The property is a freehold estate.</p>	<p>The property is subject to two tenancy agreements expiring on 31 July 2019 and 31 December 2019, respectively, with a total monthly rent of SGD2,784, excluding GST, for office and shop uses.</p>	SGD780,000

Notes:

1. The registered owner of the property is Chian Teck Development Pte. Ltd..
2. Innovation Place is located in District D25. It is accessible through the nearest train stations such as Yew Tee (NS5). The nearest primary schools are Yew Tee Primary School, and Unity Primary School.
3. This property is close to amenities like NTUC FAIRPRICE (YEW TEE POINT). The closest shopping malls are YEW TEE SQUARE, Yew Tee Shopping Centre, and YEW TEE POINT.
4. In the course of our valuation, we have made reference to sales prices of comparable industrial properties. The prices of comparable industrial properties range from about SGD480 per sq.ft. to SGD520 per sq.ft. (which is equivalent to approximately SGD4,090 per sq.m. to SGD5,920 per sq.m.).
5. For your accounting reference, our valuations of the property are as follows:

Valuation as at 28 February 2018:	SGD780,000
Valuation as at 28 February 2017:	SGD810,000
Valuation as at 29 February 2016:	SGD860,000

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PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2019
3.	21 Woodlands Close #08-29, Primz Bizhub, Singapore 737854	<p>The property comprises an industrial unit in a 9-storey industrial building, known as Primz Bizhub, completed in about 2014.</p> <p>The property has a gross floor area ("GFA") of approximately 107 sq.m..</p> <p>The property is a leasehold estate and it has been granted for a term expiring on 26 September 2071.</p>	<p>The property was subject to a tenancy agreement for a term of one year from 1 January 2018 to 31 December 2018 with a monthly rent of SGD1,650, excluding GST, for office use. As at the date of valuation, the property was vacant.</p>	SGD520,000

Notes:

1. The registered owner of the property is Chian Teck Development Pte. Ltd..
2. Primz Bizhub is located in District D25 and has a total of 381 units.

It is accessible through the nearest train stations such as Admiralty (NS10), and Woodlands South MRT (TE3) Thomson-East Coast Line Due 2019. The nearest primary schools are Greenwood Primary School, Woodlands Ring Primary School, and Admiralty Primary School.

This property is close to amenities like Giant (admiralty), NTUC FAIRPRICE (WOODLANDS BLK 888), and Giant (vista Point). The closest shopping malls are ADMIRALTY PLACE, 888 PLAZA, and VISTA POINT.

3. In the course of our valuation, we have made reference to sales prices of comparable industrial properties. The prices of comparable industrial properties range from about SGD480 per sq.ft. to SGD520 per sq.ft. (which is equivalent to approximately SGD4,090 per sq.m. to SGD5,920 per sq.m.).
4. For your accounting reference, our valuations of the property are as follows:

Valuation as at 28 February 2018:	SGD520,000
Valuation as at 28 February 2017:	SGD540,000
Valuation as at 29 February 2016:	SGD570,000

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II – Properties held by the Group for Owner-occupation in Singapore

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2019
4.	21 Woodlands Close #08–10, Primz Bizhub, Singapore 737854	<p>The property comprises an industrial unit in a 9-storey industrial building, known as Primz Bizhub, completed in about 2014.</p> <p>The property has a gross floor area (“GFA”) of approximately 110 sq.m..</p> <p>The property is a leasehold estate and it has been granted for a term expiring on 26 September 2071.</p>	The property is occupied by the Group.	SGD530,000

Notes:

1. The registered owner of the property is Chian Teck Development Pte Ltd..
2. Primz Bizhub is located in District D25 and has a total of 381 units.

It is accessible through the nearest train stations such as Admiralty (NS10), and Woodlands South MRT (TE3) Thomson-East Coast Line Due 2019. The nearest primary schools are Greenwood Primary School, Woodlands Ring Primary School, and Admiralty Primary School.

This property is close to amenities like Giant (admiralty), NTUC FAIRPRICE (WOODLANDS BLK 888), and Giant (vista Point). The closest shopping malls are ADMIRALTY PLACE, 888 PLAZA, and VISTA POINT.

3. In the course of our valuation, we have made reference to sales prices of comparable industrial properties. The prices of comparable industrial properties range from about SGD480 per sq.ft. to SGD520 per sq.ft. (which is equivalent to approximately SGD4,090 per sq.m. to SGD5,920 per sq.m.).
4. For your accounting reference, our valuations of the property are as follows:

Valuation as at 28 February 2018:	SGD530,000
Valuation as at 28 February 2017:	SGD550,000
Valuation as at 29 February 2016:	SGD580,000

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2019
5.	21 Woodlands Close #08-11, Primz Bizhub, Singapore 737854	<p>The property comprises an industrial unit in a 9-storey industrial building, known as Primz Bizhub, completed in about 2014.</p> <p>The property has a gross floor area ("GFA") of approximately 88 sq.m..</p> <p>The property is a leasehold estate and it has been granted for a term expiring on 26 September 2071.</p>	The property is occupied by the Group.	SGD430,000

Notes:

1. The registered owner of the property is Chian Teck Realty Pte. Ltd..
2. Primz Bizhub is located in District D25 and has a total of 381 units.

It is accessible through the nearest train stations such as Admiralty (NS10), and Woodlands South MRT (TE3) Thomson-East Coast Line Due 2019. The nearest primary schools are Greenwood Primary School, Woodlands Ring Primary School, and Admiralty Primary School.

This property is close to amenities like Giant (admiralty), NTUC FAIRPRICE (WOODLANDS BLK 888), and Giant (vista Point). The closest shopping malls are ADMIRALTY PLACE, 888 PLAZA, and VISTA POINT.

3. In the course of our valuation, we have made reference to sales prices of comparable industrial properties. The prices of comparable industrial properties range from about SGD480 per sq.ft. to SGD520 per sq.ft. (which is equivalent to approximately SGD4,090 per sq.m. to SGD5,920 per sq.m.).
4. For your accounting reference, our valuations of the property are as follows:

Valuation as at 28 February 2018:	SGD430,000
Valuation as at 28 February 2017:	SGD440,000
Valuation as at 29 February 2016:	SGD470,000

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PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2019
6.	21 Woodlands Close #08-12, Primz Bizhub, Singapore 737854	<p>The property comprises an industrial unit in a 9-storey industrial building, known as Primz Bizhub, completed in about 2014.</p> <p>The property has a gross floor area ("GFA") of approximately 123 sq.m..</p> <p>The property is a leasehold estate and it has been granted for a term expiring on 26 September 2071.</p>	The property is occupied by the Group.	SGD600,000

Notes:

1. The registered owner of the property is Chian Teck Realty Pte. Ltd..
2. Primz Bizhub is located in District D25 and has a total of 381 units.

It is accessible through the nearest train stations such as Admiralty (NS10), and Woodlands South MRT (TE3) Thomson-East Coast Line Due 2019. The nearest primary schools are Greenwood Primary School, Woodlands Ring Primary School, and Admiralty Primary School.

This property is close to amenities like Giant (admiralty), NTUC FAIRPRICE (WOODLANDS BLK 888), and Giant (vista Point). The closest shopping malls are ADMIRALTY PLACE, 888 PLAZA, and VISTA POINT.

3. In the course of our valuation, we have made reference to sales prices of comparable industrial properties. The prices of comparable industrial properties range from about SGD480 per sq.ft. to SGD520 per sq.ft. (which is equivalent to approximately SGD4,090 per sq.m. to SGD5,920 per sq.m.).
4. For your accounting reference, our valuations of the property are as follows:

Valuation as at 28 February 2018:	SGD600,000
Valuation as at 28 February 2017:	SGD620,000
Valuation as at 29 February 2016:	SGD660,000

APPENDIX IV

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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 October 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [•] with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

(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 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 the shares or any class of shares may (unless otherwise provided for by the terms of issue 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

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of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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 ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its

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nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

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(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to 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 requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to 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 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, 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

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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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

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The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions 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 Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights

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or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are 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 to their nominal value.

Neither the Company nor the board is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not 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

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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 Companies Law to be exercised or done by the Company in general meeting.

(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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate

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meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be 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 may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and

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issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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 thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby

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established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for 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 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 contract or arrangement concerning an offer of shares or 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 contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

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(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(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, in the case of such members as 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 in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders 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 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 2 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/herself (themselves) may do so in the same manner, and all reasonable

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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.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

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(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is 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 is 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 as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

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A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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 whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii)

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all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

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No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) 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 and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of

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the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is 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

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

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The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), 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, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. A payment out of capital by a company for the

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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 purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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 to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company

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or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

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An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 26 October 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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

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(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of 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 sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

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(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

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(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(t) 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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("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 in the Cayman Island as is the Company; however, it does not include an entity that 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, it is not required to satisfy the economic substance test set out in the ES Law.

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4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this document. 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.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 October 2018.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 November 2018 and our principal place of business in Hong Kong is Unit B, 17/F, United Centre, 95 Queensway, Hong Kong. In connection with such registration, our Company has appointed Ms. Leung Hoi Yan of Unit B, 17/F, United Centre, 95 Queensway, Hong Kong as its authorised representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix IV to this document.

2. Changes in the share capital of our Company

- (a) As at the date of incorporation, the authorised share capital of our Company was US\$50,000 divided into 5,000,000 Shares with a par value of US\$0.01 each. On the same day, one subscriber Share in our Company with a par value of US\$0.01 was allotted and issued as fully paid to the initial subscriber, at par value of US\$0.01. On the same day, the said one Share was transferred to Brave Ocean at par value of US\$0.01. Upon completion of the above transfer, the entire issued share capital of our Company became wholly owned by Brave Ocean.
- (b) On [•] 2019, the authorised share capital of our Company was increased from US\$50,000 divided into 5,000,000 Shares to US\$[50,000,000] divided into [5,000,000,000] Shares by the creation of an additional of [4,995,000,000] Shares.

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), the authorised share capital of our Company will be US\$[REDACTED] divided into [REDACTED] Shares, of which [REDACTED] Shares will be allotted and issued as fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in “A. Further Information about our Company – 5. Written resolutions of our sole Shareholder passed on [•] 2019” and “A. Further Information about our Company – 6. Repurchase of our Shares” in this appendix and the exercise of the [REDACTED]

and any option which may be granted under the Share Option Scheme, our Directors do not have any present intention to allot and issue any of our authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this document, there has been no alteration to our Company's share capital since its incorporation.

3. Reorganisation

Our Group underwent the Reorganisation in preparation for the [REDACTED]. Please refer to "History, Development and Reorganisation – Reorganisation" in this document for further details.

4. Changes in share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this document.

Save as disclosed in "History, Development and Reorganisation – Reorganisation" in this document, there has been no alteration to the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

5. Written resolutions of our sole Shareholder passed on [•] 2019

Written resolutions of our sole Shareholder, Brave Ocean, were passed on [•] 2019 approving, among others, the following:

- (a) the Memorandum was adopted as the memorandum of association of our Company with immediate effect and the Articles was conditionally adopted as the articles of association of our Company with effect from the [REDACTED];
- (b) the authorised share capital of our Company was increased from US\$50,000 divided into 5,000,000 Shares of US\$0.01 each to US\$[REDACTED] divided into [REDACTED] Shares of US\$0.01 each by the creation of additional [REDACTED] Shares of US\$0.01 each, all of which shall rank pari passu in all respects with the then existing Shares; and
- (c) conditional on (aa) the Listing Committee granting the [REDACTED] of, and permission to deal in, (i) the Shares in issue; (ii) the Shares to be issued under the [REDACTED] and the [REDACTED] (including any additional Shares which may be issued pursuant to the exercise of the [REDACTED]); and (iii) the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, and such [REDACTED] and permission not subsequently having been revoked prior to the commencement of dealings in

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the Shares on the Stock Exchange; (bb) the [REDACTED] having been duly determined and the execution and delivery of the [REDACTED] on the dates as specified in this document; and (cc) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including the waiver of any condition(s) by the [REDACTED] (for itself and on behalf of other [REDACTED])) and not being terminated in accordance with the terms of such agreements (or any conditions as specified in this document), in each case on or before the dates and times specified in the [REDACTED] (unless and to the extent such conditions are validly waived before such dates and times):

- (i) the [REDACTED] and the [REDACTED] were approved and our Directors were authorised to (aa) allot and issue the [REDACTED] pursuant to the [REDACTED] and the exercise of the [REDACTED], subject to such modifications, amendments, variations or otherwise as may be made by our Board (or any committee established by our Board) in their absolute discretion; (bb) implement the [REDACTED] and the [REDACTED]; and (cc) do all things and execute all documents in connection with or incidental to the [REDACTED] and the [REDACTED] with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
- (ii) the [REDACTED] was approved and our Directors were authorised and directed to do all such things and execute all such documents to implement the [REDACTED];
- (iii) conditional upon the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorised to allot and issue a total of [REDACTED] Shares credited as fully paid at par to our sole Shareholder, Brave Ocean, by way of capitalisation of the sum of US\$[REDACTED] standing to the credit of the share premium account of our Company and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares;
- (iv) the rules of the Share Option Scheme, the principal terms of which are set out in "D. Other information – 1. Share Option Scheme" below in this appendix, were approved and adopted and the Board (or any committee thereof established by the Board) was authorised, at its sole discretion, to (aa) administer the Share Option Scheme; (bb) modify or amend the rules of the Share Option Scheme from time to time as may be acceptable or not objected to by the Stock Exchange; (cc) grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any option(s) granted thereunder; (dd) allot, issue and deal with the Shares pursuant to the exercise of any share option which may be granted under the Share Option Scheme; (ee) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part that may from time to time be issued and allotted pursuant to the

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exercise of the share options granted under the Share Option Scheme; and (ff) take all such actions as it considers necessary or desirable to implement or give effect to the Share Option Scheme;

- (v) subject to the requirements under the Listing Rules and all applicable laws and regulations in Hong Kong and the Cayman Islands, a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued, (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, any specific authority granted by the Shareholders in general meeting(s), any arrangements that would be regulated under Chapter 17 of the Listing Rules, or upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme or under the [REDACTED] or the [REDACTED]), Shares with an aggregate nominal amount not exceeding the sum of (aa) 20% of the entire issued share capital of our Company immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme); and (bb) the aggregate number of Shares which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting is required by the Articles or any applicable laws and regulations in Hong Kong and the Cayman Islands to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking, varying or renewing the authority given to our Directors, whichever occurs first;
- (vi) subject to and in accordance with all applicable laws in Hong Kong and the Cayman Islands and the requirements of the Listing Rules as amended from time to time, a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase, on the Stock Exchange and/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 in accordance with applicable laws and requirements of the Listing Rules (or of such other stock exchange), Shares not exceeding 10% of the entire issued share capital of our Company in issue immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual

general meeting is required by the Articles or any applicable laws and regulations in Hong Kong and the Cayman Islands to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking, varying or renewing the mandate given to our Directors, whichever occurs first; and

- (vii) a general unconditional mandate mentioned in sub-paragraph (v) above was extended by the addition of the aggregate number of Shares which may be repurchased by our Company pursuant to the mandate to repurchase Shares as referred to in sub-paragraph (vi) above, provided that such extended amount shall not exceed 10% of the entire issued share capital of our Company immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme).

6. Repurchase of our Shares

This paragraph sets out information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary [REDACTED] on the Stock Exchange to purchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary [REDACTED] 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 to our Directors.

Note: Pursuant to the written resolutions of our sole Shareholder passed on [•] 2019, a general unconditional mandate to repurchase our Company's securities (the “**Repurchase Mandate**”) was given to our Directors. Please refer to “A. Further Information about our Company – 5. Written resolutions of our sole Shareholder passed on [•] 2019” in this appendix for further details.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum, the Articles, the Companies Law and the Listing Rules. A [REDACTED] company must not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement

otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company, out of share premium, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase. Any amount of premium payable on the repurchase over the par value of the shares to be purchased must be out of profits of our Company, out of our Company's share premium account before or at the time our Shares are repurchased. Subject to satisfaction of the solvency test prescribed by the Companies Law, a repurchase may also be made out of the share capital of our Company.

(iii) Trading restrictions

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate.

A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange.

In addition, a company is prohibited from making securities repurchase on the Stock Exchange if the result of the repurchase would be that the number of the [REDACTED] securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange.

A company shall not repurchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically cancelled upon purchase and the certificates for those securities must be cancelled and destroyed.

Under the Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of that 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.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) 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 a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session or the following business day. 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, 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. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and its Shareholders.

(c) Share capital

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the course of the period prior to the date on which such Repurchase Mandate expires or terminates as mentioned in "A. Further Information about our Company – 5. Written resolutions of our sole Shareholder passed on [•] 2019" in this appendix.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to our Company or its subsidiaries. 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, the Articles and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in our Company's voting rights increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, 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 consequence which would arise under the Takeovers Code as a result of any repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

Our Company has not made any repurchase of its own securities since its incorporation.

No core connected person 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.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Company or any of the members of our Group within the two years immediately preceding the date of this document and are or may be material:

- (a) an option to purchase agreement dated 27 February 2017 entered into between San Hup Seng Marine Pte. Ltd., as the vendor, and CTD, as the purchaser, in relation to the purchase of a property located at 21 Woodlands Close #08-10 Primz Bizhub, Singapore 737854 for a consideration of S\$480,000.00;
- (b) a share transfer form dated 31 August 2018 entered into between Mr. XP Xu as the transferor, and Pinnacle Shine as the transferee, in relation to the transfer of 400,000 ordinary shares in CTR to Pinnacle Shine for a consideration of S\$1;
- (c) a share transfer form dated 31 August 2018 entered into between Mr. TC Xu as the transferor and Pinnacle Shine as the transferee, in relation to the transfer of 400,000 ordinary shares in CTR to Pinnacle Shine for a consideration of S\$1;
- (d) a share transfer form dated 31 August 2018 entered into between Ms. Gou as the transferor and Pinnacle Shine as the transferee, in relation to the transfer of 200,000 ordinary shares in CTR to Pinnacle Shine for a consideration of S\$1;
- (e) a share transfer form dated 31 August 2018 entered into between Mr. XP Xu as the transferor, and Pinnacle Shine as the transferee, in relation to the transfer of 40,000 ordinary shares in CTD to Pinnacle Shine for a consideration of S\$1;
- (f) a share transfer form dated 31 August 2018 entered into between Mr. TC Xu as the transferor and Pinnacle Shine as the transferee, in relation to the transfer of 40,000 ordinary shares in CTD to Pinnacle Shine for a consideration of S\$1;
- (g) a share transfer form dated 31 August 2018 entered into between Ms. Gou as the transferor and Pinnacle Shine as the transferee, in relation to the transfer of 20,000 ordinary shares in CTD to Pinnacle Shine for a consideration of S\$1;

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- (h) a share transfer form dated 27 September 2018 entered into between CTR as the transferor and Liu Zhiyong as the transferee, in relation to the transfer of 55,440 ordinary shares in Bimfinity International to Liu Zhiyong for a consideration of S\$55,440;
- (i) the Deed of Indemnity;
- (j) the Deed of Non-Competition; and
- (k) the [REDACTED].

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademark which, in the opinion of our Directors, is material to our Group's business:

Trademark	Owner	Class	Place of registration	Registration Number	Expiry date
	CTR	37	Singapore	40201817144W	27 August 2028

(b) Domain name

As at the Latest Practicable Date, our Company had registered the following domain name, which in the opinion of our Directors, is material to the business of our Company:

Domain name	Registered owner	Expiry date
chianteck.com	CTR Holdings Limited	6 September 2023

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C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors in the Shares, underlying Shares and debentures of our Company and our Company’s associated corporations after completion of the [REDACTED] and the [REDACTED]

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), the interests or short positions of our Directors in the Shares, underlying Shares or debentures of our Company which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in 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 as referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, will be as follows:

(i) Interests in the Shares

Name of Director	Capacity/ nature of interest	Number of Shares <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. XP Xu	Interest in a controlled corporation ^{<i>(Note 2)</i>} /Interests held jointly with another ^{<i>(Notes 3, 4)</i>}	[REDACTED] (L)	[REDACTED]%
Mr. TC Xu	Interest in a controlled corporation ^{<i>(Note 2)</i>} /Interests held jointly with another ^{<i>(Notes 3, 5)</i>}	[REDACTED] (L)	[REDACTED]%

Notes:

- The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- Our Company will be owned as to [REDACTED]% by Brave Ocean immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon exercise of the [REDACTED] and the options that may be granted under the Share Option Scheme). Brave Ocean is

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beneficially owned as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively. Under the SFO, Mr. XP Xu and Mr. TC Xu are deemed to be interested in the same number of Shares held by Brave Ocean.

3. Mr. XP Xu and Mr. TC Xu are sons of Ms. Gou. Mr. XP Xu, Mr. TC Xu and Ms. Gou hold their interest in our Group through Brave Ocean. Mr. XP Xu, Mr. TC Xu and Ms. Gou are persons acting in concert pursuant to the Acting In Concert Confirmation And Undertaking and accordingly each of them is deemed to be interested in the Shares held by the others. By the Acting In Concert Confirmation And Undertaking, each of Mr. XP Xu, Mr. TC Xu and Ms. Gou confirmed that, since 17 June 2011, they have been parties acting in concert with one another in respect of all major affairs concerning each member of our Group, adopted a consensus building approach to reach decisions on a unanimous basis, voted as a group (by themselves and/or through companies controlled by them) in respect of all corporate matters relating to the financials and operations of our Group at the shareholder level of each member company within our Group (where applicable), and will continue to do so.
4. Ms. Le Thi Minh Tam is the spouse of Mr. XP Xu. Under the SFO, Ms. Le Thi Minh Tam is deemed to be interested in the same number of Shares in which Mr. XP Xu is interested.
5. Ms. Lin Qingling is the spouse of Mr. TC Xu. Under the SFO, Ms. Lin Qingling is deemed to be interested in the same number of Shares in which Mr. TC Xu is interested.

(ii) *Interests in our Company’s associated corporations*

Name of Director	Name of associated corporation	Capacity/ nature of interest	Number of shares interested <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. XP Xu	Brave Ocean	Beneficial owner <i>(Note 2)</i>	4 (L)	40%
Mr. TC Xu	Brave Ocean	Beneficial owner <i>(Note 2)</i>	4 (L)	40%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. Our Company will be owned as to [REDACTED]% by Brave Ocean immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon exercise of the [REDACTED] and the options that may be granted under the Share Option Scheme). Brave Ocean is beneficially owned as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively. Under the SFO, Brave Ocean is an associated corporation of our Company.

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(b) Interests and short positions of our substantial Shareholders in the Shares and underlying Shares

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), so far as our Directors are aware, the following persons (not being our Directors or a chief executive of our Company) will have an interest or short position in the Shares or underlying Shares which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, 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:

Name	Capacity/ nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding
Brave Ocean	Beneficial owner ^(Note 2)	[REDACTED] (L)	[REDACTED]%
Ms. Le Thi Minh Tam	Interest of spouse ^(Note 3)	[REDACTED] (L)	[REDACTED]%
Ms. Lin Qingling	Interest of spouse ^(Note 4)	[REDACTED] (L)	[REDACTED]%
Ms. Gou	Interests held jointly with another ^(Note 5)	[REDACTED] (L)	[REDACTED]%
Mr. Xu Junjie	Interest of spouse ^(Note 6)	[REDACTED] (L)	[REDACTED]%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. Our Company will be owned as to [REDACTED]% by Brave Ocean immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon exercise of the [REDACTED] and the options that may be granted under the Share Option Scheme). Brave Ocean is beneficially owned as to 40%, 40% and 20% by Mr. XP Xu, Mr. TC Xu and Ms. Gou, respectively.
3. Ms. Le Thi Minh Tam is the spouse of Mr. XP Xu. Under the SFO, Ms. Le Thi Minh Tam is deemed to be interested in the same number of Shares in which Mr. XP Xu is interested.
4. Ms. Lin Qingling is the spouse of Mr. TC Xu. Under the SFO, Ms. Lin Qingling is deemed to be interested in the same number of Shares in which Mr. TC Xu is interested.
5. Mr. XP Xu and Mr. TC Xu are sons of Ms. Gou. Mr. XP Xu, Mr. TC Xu and Ms. Gou hold their interest in our Group through Brave Ocean. Mr. XP Xu, Mr. TC Xu and Ms. Gou are persons acting in concert pursuant to the Acting In Concert Confirmation And Undertaking and accordingly each of them is deemed to be interested in the Shares held by the others. By

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the Acting In Concert Confirmation And Undertaking, each of Mr. XP Xu, Mr. TC Xu and Ms. Gou confirmed that, since 17 June 2011, they have been parties acting in concert with one another in respect of all major affairs concerning each member of our Group, adopted a consensus building approach to reach decisions on a unanimous basis, voted as a group (by themselves and/or through companies controlled by them) in respect of all corporate matters relating to the financials and operations of our Group at the shareholder level of each member company within our Group (where applicable), and will continue to do so.

6. Mr. Xu Junjie is the spouse of Ms. Gou. Under the SFO, Mr. Xu Junjie is deemed to be interested in the same number of Shares in which Ms. Gou is interested.

(c) Negative statement regarding interests in securities

None of our Directors will immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme) has any discloseable interests (as referred to in (a) above) other than as disclosed at (a) above.

Our Directors are not aware of any persons who will immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme) have a notifiable interest (for the purposes of the SFO) in the Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in the Shares, other than as disclosed at (b) above.

2. Particulars of Director's service agreements and letters of appointment

(a) Executive Directors

Each of the executive Directors [has] entered into a service agreement with our Company for an initial fixed term of three years commencing from the [REDACTED]. The appointments of the executive Directors are subject to the provision of retirement by rotation of Directors under the Articles. Each of the executive Directors is entitled to an annual remuneration of S\$180,000.

(b) Independent non-executive Directors

Each of the independent non-executive Directors [has] entered into a letter of appointment with our Company for an initial fixed term of three years commencing from the [REDACTED]. The appointments of the independent non-executive Directors are subject to the provision of retirement by rotation of Directors under the Articles. Each of the independent non-executive Directors is entitled to an annual remuneration of approximately S\$21,000.

Save as disclosed in this document, none of our Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without the payment of compensation other than statutory compensation).

3. Remuneration of our Directors

During the three years ended 28 February 2019, the aggregate emoluments paid and benefits in kind (other than contributions to Central Provident Fund of Singapore) granted by our Group to our Directors were approximately S\$458,000, S\$430,000 and S\$532,000, respectively.

During the three years ended 28 February 2019, the aggregate of contributions to Central Provident Fund of Singapore for our Directors were approximately S\$29,000, S\$29,000 and S\$41,000, respectively.

During the three years ended 28 February 2019, no bonus was paid to or receivable by our Directors.

None of our Directors or any past director(s) of any member of our Group had been paid any sum of money for the three years ended 28 February 2019 (a) as an inducement to join or upon joining our Company; or (b) for 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.

There had been no arrangement under which a Director had waived or agreed to waive any emolument for the three years ended 28 February 2019.

Under the arrangements currently proposed, conditional upon the [REDACTED], the aggregate annual remuneration (excluding payment pursuant to any discretionary benefit or bonus or other fringe benefits) payable by our Group to each of our Directors will approximately be as follows:

	S\$
Executive Directors	
Mr. XP Xu	334,000
Mr. TC Xu	278,000
Independent non-executive Directors	
Mr. Kung Wai Chiu Marco	21,000
Mr. Tang Chi Wang	21,000
Ms. Wang Yao	21,000

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Each of our executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or for providing services to our Group or executing their functions in relation to our Group's business and operations.

Save as disclosed in this document, no other emoluments had been paid or were payable, in the three years ended 28 February 2019 by our Group to our Directors.

4. Related party transactions

Details of the related party transactions are set out under note 29 to the Accountants' Report set out in Appendix I to this document.

5. Disclaimers

Save as disclosed in this document:

- (a) none of our Directors or chief executive has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO), immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is 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 as referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once the Shares are listed;
- (b) our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately after the completion of the [REDACTED] and the [REDACTED] (without taking into account any of the Shares that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, 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 other member of our Group;

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- (c) none of our Directors or the experts under "E. Other Information – 7. Qualifications of experts" in this appendix below has been directly or indirectly interested in the promotion of our Company, or in any asset(s) which has or have been, within the two years immediately preceding the date of this document, 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 our Directors nor the experts named under "E. Other Information – 7. Qualifications of experts" in this appendix below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our Group's business; and
- (e) none of the experts named under "E. Other Information – 7. Qualifications of experts" in this appendix below 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.

D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to the eligible participants as incentives or rewards 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 or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**"). As at the Latest Practical Date, there was no Invested Entity other than members of our Group, and our Group has not identified any potential Invested Entity for investment.

(b) Who may join

Our Directors shall, subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any person belonging to the following classes:

- (i) any employee (whether full-time or part-time, including the directors (including any non-executive Director and independent non-executive Director)) of our Company, any of its subsidiaries (within the meaning of the Companies Ordinance) or any Invested Entity (an "**eligible employee**");
- (ii) any supplier of goods or services to any member of our Group or any Invested Entity;

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- (iii) any customer of any member of our Group or any Invested Entity;
- (iv) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (v) 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;
- (vi) any adviser (professional or otherwise), consultant, individual or equity who in the opinion of our Directors has contributed or will contribute to the growth and development of our Group; and
- (vii) any other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly owned by one or more eligible participants.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer under the Share Option Scheme shall be determined by our Directors from time to time on the basis of our Directors' opinion as to such eligible participant's contribution to the development and growth of our Group.

(c) *Maximum number of Shares*

- (i) The maximum 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 share option schemes adopted by our Group shall not exceed 30% of the share capital of our Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by our Group if the grant of such options will result in the limit referred herein being exceeded.
- (ii) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Group) to be granted under the Share Option Scheme and any other share option schemes of our Group shall not in aggregate

exceed 10% of the share capital of our Company in issue as at the date on which dealings in the Shares first commence on the Stock Exchange, being [140,000,000] Shares ("**General Scheme Limit**").

- (iii) Subject to (i) above and without prejudice to (iv) below, our Company may seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group shall not exceed 10% of the share capital of our Company in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of our Group) previously granted under the Share Option Scheme and any other share option schemes of our Group will not be counted.
- (iv) Subject to (i) above and without prejudice to (iii) above, our Company may seek separate Shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (iii) above to eligible participants specifically identified by our Company before such approval is sought.

(d) Maximum entitlement of each eligible participant

Subject to (e) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Group (including both exercised or outstanding options) to each participant who accepts the offer for the grant of an option under the Share Option Scheme (a "**grantee**") in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options under the Share Option Scheme to a grantee would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the share capital of our Company in issue, such further grant shall be separately approved by the Shareholders of our Company in general meeting with such grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting.

(e) Grant of options to core connected persons

- (i) Without prejudice to (ii) below, the making of an offer under the Share Option Scheme to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates shall be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of an option under the Share Option Scheme).
- (ii) Without prejudice to (i) above, where any grant of options under the Share Option Scheme to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (a) representing in aggregate over 0.1% of the share capital of our Company in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the date, which shall be a Business Day, on which the offer is made to the eligible participant (the "offer date") of each offer, in excess of HK\$5 million;

such further grant of options shall be approved by the Shareholders of our Company in general meeting. The proposed grantee, his associates and all core connected persons of our Company shall abstain from voting in favour at such general meeting.

For the purpose of seeking the approval of the Shareholders of our Company under paragraphs (c), (d) and (e) above, our Company shall send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

(f) Time of acceptance and exercise of an option

An offer under the Share Option Scheme shall remain open for acceptance by the eligible participant concerned (and by no other person) for a period of up to 21 days from the offer date.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to

the grantee thereof, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of (i) the date on which such option lapses under the relevant provisions of the Share Option Scheme; and (ii) the date falling 10 years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by our Company together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(g) *Performance targets*

Unless otherwise determined by our Directors and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(h) *Subscription price for Shares*

The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph (t) below, be at the discretion of our Directors, provided that it shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;
- (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 offer date; and
- (iii) the nominal value of a Share.

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For the purpose of calculating the subscription price where our Company has been [REDACTED] for less than five Business Days, the [REDACTED] shall be used as the closing price for any Business Day falling within the period before the [REDACTED].

(i) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank pari passu in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(j) Restrictions on the time of grant of options

For so long as the Shares are [REDACTED] on the Stock Exchange, an offer may not be made after inside information has come to our Company's knowledge until it has announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) 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, quarter-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no offer for the grant of an option may be made.

Our Directors may not make any [REDACTED] to an eligible participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares under such circumstances as prescribed by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

(k) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(l) Rights of ceasing employment

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in paragraph (n) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(m) Rights on death, ill-health or retirement

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(n) Rights on dismissal

In respect of a grantee who is an eligible employee, the date on which the grantee ceases to be an eligible employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any 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 (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute), such option (to the extent not already exercised) shall lapse automatically and shall not in any event be exercisable on or after the date of cessation to be an eligible employee.

(o) Rights on breach of contracts

In respect of a grantee other than an eligible employee, the date on which our Directors shall at their absolute discretion determine that (aa) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (bb) such 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; or (cc) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cession of its relation with our Group or by any other reason whatsoever, such option shall lapse as a result of any event specified in subparagraphs (aa) to (cc) above.

(p) Rights on takeover

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of the Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the grantee shall, notwithstanding any other terms on which his option was granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. Subject to the above, an option shall lapse automatically (to the extent not already exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding-up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution.

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(r) Rights on compromise or arrangement between our Company and its members or creditors

In the event of a compromise or arrangement between our Company and our members or creditors in connection with a scheme for our reconstruction or amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, we shall give notice thereof to all grantees on the same date as we give notice of the meeting to the shareholders or creditors of our Company to consider such a scheme or arrangement, and thereupon any grantee (or his personal representative(s)) may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two Business Days (excluding any period(s) of closure of the share registers of our Company) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of the share registers of our Company) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof. Upon such compromise or arrangement becoming effective, all options (to the extent not already exercised) shall lapse and determine.

(s) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly-owned by one or more eligible participants:

- (i) the provisions of paragraphs (l), (m), (n) and (o) above shall apply to the grantee and to the option granted to such grantee, mutatis mutandis, as if such option had been granted to the relevant eligible participant, and such option shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (l), (m), (n) and (o) above shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to any conditions or limitations as they may impose.

(t) Adjustment of the subscription price

In the event of any alteration to the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of

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the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate(s) (insofar as it is/they are unexercised);
- (ii) the subscription price of any option; and/or
- (iii) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

- (i) any such adjustment shall give the grantee the same proportion of the issued share capital of our Company (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which such grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;
- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (iv) any such adjustment shall be made in compliance with the Listing Rules and any relevant rules, codes and guidance notes issued by the Stock Exchange from time to time.

In respect of any adjustment referred to above, other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

(u) Cancellation of options

Subject to the provisions in the Share Option Scheme and the Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

Where our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or any other limits approved by the Shareholders of our Company pursuant to paragraph (c)(iii) or (c)(iv) above.

(v) Termination of the Share Option Scheme

Our Company by an ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Right of personal to the grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

(x) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of (i) the expiry of the option period in respect of such option; (ii) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p), (q), (r) and (s) above; (iii) upon commencement of the winding-up of the Company; or (iv) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (w) above.

(y) *Others*

- (i) The Share Option Scheme is conditional upon:
 - (a) the Stock Exchange granting the [REDACTED] of and permission to deal in such number of Shares representing the General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and
 - (b) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting or by way of written resolution of the Shareholders of our Company.
- (ii) The provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of our Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the holders of the Shares under the articles of association for the time being of our Company for a variation of the rights attached to the Shares.
- (iii) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by the Shareholders except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iv) The terms of the Share Option Scheme and/or any options amended must comply with the applicable requirements of the Listing Rules.
- (v) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

2. Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

The Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity, given joint and several indemnities to our Company (for ourselves and as trustee for and on behalf of our subsidiaries) in connection with, among other things:

- (a) any taxation (including estate duty) 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, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date on which the [REDACTED] becomes unconditional; and
- (b) all costs which any member of our Group may incur, suffer or accrue, directly or indirectly, resulting from or relating to or in consequence of or on the basis of or in connection with (i) the Reorganisation; (ii) any pending or potential litigations incurred and suffered by the members of our Group resulting from, relating to, or in consequence of, any event occurring or deemed to occur on or before the date on which the [REDACTED] becomes unconditional; and (iii) any possible alleged or actual breach, violation or non-compliance by any member of our Group with any law, regulation or administrative order or measure in Hong Kong, Singapore or any other equivalent jurisdictions on or before the date on which the [REDACTED] becomes unconditional, if any.

The Indemnifiers will, however, not be liable under the Deed of Indemnity, in relation to items (a) and (b) above, to the extent that, among others:

- provision has been made for such liability in the audited combined accounts of our Company or any member of our Group for the Track Record Period;
- the taxation liability arises or is incurred as a consequence of any retrospective change in the law or regulations or a retrospective increase in tax rates coming into force after the date on which the [REDACTED] becomes unconditional; or
- the taxation liability arises in the ordinary course of business of any member of our Group or in the ordinary course of acquiring and disposing of capital assets after the date on which the [REDACTED] becomes unconditional.

2. Litigation

To the best knowledge of our Directors, as at the Latest Practicable Date, neither our Company nor any of its subsidiaries was engaged in any litigation, arbitration or claims of material importance, and no litigation, arbitration or claim of material importance is known

to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its results of operations or financial condition.

3. Application for [REDACTED] of Shares

Our Company has applied to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued pursuant to the [REDACTED] and the [REDACTED] as mentioned herein and any Shares which may be allotted and issued upon the exercise of the [REDACTED] and the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Grande Capital Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED].

5. Preliminary expenses

The estimated preliminary expenses relating to the incorporation of our Company are approximately HK\$50,000 and are payable by our Company.

6. Promoter

Our Company does not have any promoter.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
Grande Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Shook Lin & Bok LLP	Legal advisers as to Singapore law

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STATUTORY AND GENERAL INFORMATION

Name	Qualifications
Converging Knowledge Pte. Ltd.	Industry consultants
Ravia Global Appraisal Advisory Ltd.	Property valuer

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn their respective consent to the issue of this document with the inclusion of their reports and/or letter or opinion (as the case may be) and reference to their respective names included in the form and context in which they respectively appears.

9. Fees of the Sole Sponsor

The Sole Sponsor will receive a sponsorship, financial advisory and documentation fee of a total amount of HK\$5.0 million in relation to the [REDACTED].

10. Independence of the Sole Sponsor

Neither the Sole Sponsor nor any of its associates has accrued any material benefit as a result of the successful outcome of the [REDACTED], other than the following:

- (a) by way of sponsorship, financial advisory and documentation fee to be paid to the Sponsor for acting as the sponsor of the [REDACTED]; and
- (b) by way of the compliance advisory fee to be paid to the Sole Sponsor as our Company's compliance adviser pursuant to the requirements under Rule 3A.19 of the Listing Rules.

No director or employee of the Sponsor who is involved in providing advice to our Company has or may have, as a result of the [REDACTED], any interest in any class of securities of our Company or any of its subsidiaries. None of the directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group. The Sole Sponsor is independent from our Group under Rule 3A.07 of the Listing Rules.

11. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Share register

The register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and the branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

13. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

Under the present Companies Law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty so long as our Company does not hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding, disposal of or dealing in Shares or exercising any rights attaching to them.

14. Miscellaneous

Save as disclosed in this document:

- (a) within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been allotted and issued, agree to be allotted and issued or is proposed to be allotted and issued fully or partly paid up either for cash or for a consideration other than cash;

APPENDIX V

STATUTORY AND GENERAL INFORMATION

- (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (iv) no founder, management or deferred shares of our Company have been allotted and issued or agreed to be allotted and issued;
- (b) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in the financial or trading position or prospects of our Group since 28 February 2019, being the date on which the latest audited financial information of our Group was reported in the Accountants' Report set out in Appendix I to this document;
- (d) our Directors confirm that there had not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this document; and
- (e) there are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

15. Bilingual document

Pursuant to section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this document are being published separately.

APPENDIX VI

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were (i) a copy of each of the [REDACTED] and [REDACTED], (ii) the written consents referred to in "Statutory and General Information – E. Other Information – 8. Consents of experts" in Appendix V to this document, and (iii) a copy of each of the material contracts referred to in "Statutory and General Information – B. Further Information about the Business of our Group – 1. Summary of material contracts" in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of ONC Lawyers at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

1. the Memorandum and the Articles;
2. the accountants' report of our Group for the three years ended 28 February 2019 prepared by Ernst & Young, the text of which is set out in Appendix I to this document;
3. the audited combined financial statements of our Group for the three years ended 28 February 2019;
4. the report on unaudited pro forma financial information of our Group prepared by Ernst & Young, the text of which is set out in Section B of Appendix II to this document;
5. the letter, summary of valuation and valuation certificates relating to the property interests held by our Group prepared by Ravia Global Appraisal Advisory Ltd., the text of which is set out in Appendix III to this document;
6. the letter of advice prepared by Conyers Dill & Pearman, the legal advisers to our Company as to Cayman Islands law, summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this document;
7. the Companies Law;
8. the material contracts referred to in "Statutory and General Information – B. Further Information about the Business of our Group – 1. Summary of material contracts" in Appendix V to this document;

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION**

9. the service contracts and letters of appointment referred to in "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 2. Particulars of Director's service agreements and letters of appointment" in Appendix V to this document;
10. the written consents referred to in "Statutory and General Information – E. Other Information – 8. Consents of experts" in Appendix V to this document;
11. the rules of the Share Option Scheme;
12. the CK Report in relation to the construction industry with focus on structural engineering and wet architectural works in Singapore issued by Converging Knowledge; and
13. the Singapore legal opinions issued by Shook Lin & Bok LLP, our Singapore Legal Advisers, in respect of general matters of our Group and the property interests of our Group.