

## BUSINESS

### OVERVIEW

#### Company Overview

We are an established subcontractor in Singapore specialising in providing reinforced concrete works, which mainly cover steel reinforcement works, formwork erection and concrete works. We may provide such services either individually or as a total package comprising all three, depending on the requirements of our customers.

Since the establishment of our business in 1996, we have been providing steel reinforcement works. Expansion of our business took place in 2005 when we broadened our scope of services to provide reinforced concrete works comprising steel reinforcement works, formwork erection and concrete works. Over the course of more than 20 years in the construction industry, we have participated in civil engineering and general building projects in Singapore, including MRT stations like Orchard MRT Station; shopping malls like 313 Somerset; and hospitals like Ng Teng Fong General Hospital; as well as the Ulu Pandan Newater Design, Build, Own & Operate (DBOO) project. We actively participate as a subcontractor for steel reinforcement works, formwork erection and concrete works in general building and civil engineering projects. As at the Latest Practicable Date, we had five general building projects and one civil engineering project on hand with aggregate contract sums of approximately S\$64.7 million and S\$38.0 million, respectively while their outstanding contract values were approximately S\$41.7 million and S\$25.4 million, respectively as at 31 August 2017.

Our Group participates in both public sector and private sector projects. During the Track Record Period, our Group had recognised revenue from 25 projects. We had completed four public sector projects as well as 15 private sector projects. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had completed one more public sector project, namely, Project Sengkang General Hospital 2, and one more private sector project, namely, Project SICC. As at the Latest Practicable Date, we had four public sector projects and two private sector projects on hand with aggregate contract sums of approximately S\$93.3 million and S\$9.4 million, respectively while their outstanding contract values aggregated at approximately S\$59.3 million and S\$7.8 million, respectively as at 31 August 2017. During the Track Record Period, our revenue was approximately S\$29.9 million, S\$30.1 million and S\$12.2 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. Our profit and total comprehensive income for the year was approximately S\$2.5 million, S\$3.0 million and S\$1.1 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. In 2016, we ventured into bidding for construction projects as a main contractor. This is in line with our strategy of expanding our business by playing the role of a main contractor. We are currently involved in an industrial building project at Tanjong Penjuru, namely, Project Tanjong Penjuru, as a main contractor.

Our major customers consist of renowned construction companies including construction groups listed in Japan and Korea, which awarded us contracts involving sizable projects. Our Directors believe that this allows us to enhance our reputation, which would contribute to our business development.

Over the years of our business operation, we have been granted numerous awards by main contractors in recognition of our Group’s prominent performance in the construction industry, including the “Best Safety Conscious Contractor”, “Best Sub Contractor” and “2 Million Hours LTI (Lost Time Injury) Free” awards in 2015, 2016 and 2017 respectively. Moreover, we were granted the “Annual

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Safety Award 2017” by LTA in recognition of our Group’s good performance in workplace safety and health management. Please refer to the paragraph headed “Awards and Accreditation” in this section for further details.

### **OUR COMPETITIVE STRENGTHS**

#### **Our proven track record has established a reputation in the construction industry**

Our Group has been involved in different types of general building and civil engineering projects in the past 21 years, which include residential housing, offices, commercial, industrial and institutional developments, special purposes constructions, MRT stations and infrastructure. We had been involved in projects such as the Singapore Management University, Changi General Hospital and the Ulu Pandan Newater Plant. Through our participation in these projects of various scales and complexity, we have established a reputation in Singapore as a subcontractor specialising in the steel reinforcement and formwork sectors. During the Track Record Period, we had been able to participate in certain civil engineering projects, namely, Project Orchard Station and Project Jalan Buroh. We were also involved in general building projects such as Project Paya Lebar Central, Project Sengkang General Hospital 1 and Project Tanjong Pagar Mixed Development. As at 31 August 2017, the outstanding contract value for our projects on hand amounted to approximately S\$67.1 million.

Our Directors regard our capability in handling both civil engineering and general building projects in the public sector as advantageous in diversifying our source of income and strengthening our market share in the construction industry. Our Directors believe that we stand out amongst our competitors as our customers can readily approach us regardless of which work area(s) of reinforced concrete works their projects belong to. Our established reputation and proven track record in handling a variety of construction projects with profound knowledge and professional experience has allowed us to gain our customers’ confidence, hence enabling us to secure a continuous stream of projects.

#### **We maintain good relationships with our customers and our subcontractors**

Our Group values the relationships with our customers as we believe that maintaining stable relationships with our customers is crucial to the success of our business. Such good relationships not only help us understand the demands of our customers as soon as practicable but also liaise with our customers in a more effective manner when problems come up. More importantly, we believe the good relationships with our customers would increase our chance of being invited to tender or to submit quotations for the forthcoming projects, which is conducive to securing a steady stream of projects for us.

To maintain good relationships, we keep in close contact with our customers during the course of the projects, including attending regular meetings and making prompt responses to our customers’ demands. When we perform our construction work, we use our best endeavours to meet the schedules of our customers by means of arranging sufficient manpower for the particular project and/or adding an extra shift wherever necessary. As at the Latest Practicable Date, we had maintained long-term and stable business relationships with three of our top five customers in terms of revenue for the Track Record Period for over 18 years.

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There are occasions when we subcontract part of our construction work to our subcontractors. Our Directors understand that good relationships are essential to the smooth operation of our project work. To achieve this, we keep in close contact with our subcontractors and try to collect from them updated information about the availability of their manpower and technical capacity. Upon the execution of a subcontract, we communicate with the relevant subcontractor over the requirements of the subcontract work in accordance with the contract we enter into with our customer. During the course of the project, we supervise the work performed by our subcontractor frequently, require our subcontractor to regularly report the work progress to us and ensure that its workers comply with the relevant safety rules and regulations. Whenever our subcontractors give us feedback in relation to their work, we respond to it as practicable as we can. We maintain good relationships with our subcontractors through effective communication. As at the Latest Practicable Date, we had developed business relationships for over six years with two of our top five subcontractors (excluding IBCPL, PGSC and those incidental to the contra charge arrangement) in terms of subcontracting charges for the Track Record Period.

### **We have the ability to secure skilled and efficient labour force for our projects**

The construction industry in Singapore has long relied on foreign workers for the provision of construction work and our Group also imports foreign workers for our construction projects. Over the years of our business operation, our Group has gradually built a labour network through which we are able to secure adequate workers for our construction projects. Hence, amid the challenge of labour shortage that the construction industry in Singapore has been facing and despite the recent tightening of the policy in relation to the importation of foreign workers in Singapore, we believe that we retain the ability to mobilise a large workforce via our broad labour network and to manage manpower issues well. In order to retain experienced and skilled foreign workers and relieve our burden of utilising MYE, we encourage our basic-skilled workers to take an upgrade course accredited by BCA. Upon completion of advanced training and obtaining of the requisite certificate, the basic-skilled foreign workers in Singapore will become upgraded to higher-skilled foreign workers. Such an upgrade of our foreign workers will enable us to qualify for an MYE waiver and for lower FWL. With the MYE waiver, we can apply or renew the work permits of these higher-skilled foreign workers without the need for MYE. In addition, we ensure that the workers we employ possess the skills required for the particular work they need to perform. To do this, we tend to employ those foreign workers who have continually worked for our construction projects and whose previous performance is to our satisfaction. We also prefer referrals from the foreign workers who are familiar with our work environment as they are able to help us identify suitable candidates based on our task requirements. Further, we incentivise our foreign workers to attend skills improvement courses by offering an increment in hourly wages upon their completion of the training and obtaining of the requisite certificate.

As at the Latest Practicable Date, approximately 107 foreign workers had maintained relationships with us for more than five years and 51 foreign workers had maintained relationships with us for more than 10 years.

### **We have an experienced management team**

The management team of our Group has extensive technical and business knowledge in the fields of general building and civil engineering. Our senior management personnel, including Mr. Goh Cheng Seng, Mr. Kok Seng Yoong Peter, Mr. Tan Kim Yem and Ms. Tan Soh Lay, who possess over 25, 35, 20 and 18 years of practical experience in the construction industry, respectively, have been in charge of

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various large-scale construction projects. Our project managers competently supervise our on-site workers and subcontractors and ensure that we deliver quality and timely works. Our experienced contracts manager considers the viability of projects with the senior management team before submitting tenders or quotations and oversees the preparation of competitive quotations. Our Directors consider our management and technical teams’ extensive expertise, advanced know-how and knowledge of the building construction and civil engineering works to be our Group’s valuable assets which form the foundation of our Group’s continued success. For further details of our senior management, please refer to the section headed “Directors and Senior Management” of this document.

### **We are committed to delivering timely quality works**

We understand that completing our construction works on schedule is vitally important in the construction industry and our Directors seek to constantly improve our construction quality, timeliness, safety standards, quality control and environmental protection measures. In addition, we use our best endeavours to avoid delays in delivering our works as well as to ensure the provision of quality works.

During the Track Record Period, our group had recognised revenue from 25 projects as a subcontractor, and 18 general building projects and one civil engineering project had been completed. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had completed one more general building project and one more civil engineering project namely, Project Sengkang General Hospital 2 and Project SICC, respectively. None of our projects had involved the payment of liquidated damages, arising from late delivery of our construction work. Our emphasis on completing our works on schedule together with providing quality work has helped enhance our competitiveness as well as increase our customers’ confidence in our works, which in turn would enable us to continuously secure large-scale projects through retaining current customers and attracting new ones.

### **OUR BUSINESS STRATEGIES**

Our Group’s main objective is to strengthen a market share in the construction industry in Singapore. To achieve this, we set out our business strategies as follows:

#### **Upgrade our licences so as to expand our business through bidding for larger public sector projects**

Currently, our Group holds a GB1 Licence, which enables us to undertake contracts for general building works in the private sector of any value while projects in the public sector are subject to the limit set by the BCA from time to time. In addition, we are registered with BCA under the CRS and currently we operate under the C1 Grade for both workhead for “General Building” (CW01) and workhead for “Civil Engineering” (CW02), which enable us to bid for public sector projects up to S\$4.0 million in value.

We intend to upgrade both our CW01 workhead for “General Building” and CW02 workhead for “Civil Engineering” to B2, from our current C1 Grade. To register for the B2 Grade, among others, we have to meet requirements in three aspects: (i) financial requirements; (ii) personnel requirements; and (iii) track record requirements. As for the financial requirements, a contractor needs to maintain a minimum paid-up capital of S\$1 million, which we had already met. As at the Latest Practicable Date, we had maintained a paid-up capital of S\$3 million. As regards the personnel requirements, a contractor must have at least three employees with certain construction-related qualifications. We have met these personnel qualification requirements as currently we have five employees who possess the requisite

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qualifications. Our Group is also required to meet the track record requirements (i.e. total value of construction work executed) for the past three years. To qualify for the B2 Grade for CW01 workhead, a contractor is required to complete projects of a minimum value of S\$10 million, of which minimum main contracts (nominated subcontracts may be included) make up S\$7.5 million and minimum size single main contract or nominated subcontract is S\$2.5 million. Upon completion of Project Tanjong Penjuru with the contract sum of approximately S\$7.5 million, we may use this project towards fulfilment of the track record requirements for the upgrade under the “General Building” category to B2 Grade for CW01. Coupled with our other projects during the last three years, we are likely to have fulfilled the track record requirements for our intended upgrade from C1 Grade to B2 Grade under the “General Building” category.

To qualify for the B2 Grade for CW02 workhead, a contractor is required to complete projects of a minimum value of S\$10 million, of which minimum main contracts (nominated subcontracts may be included) make up S\$5.0 million and minimum size single main contract or nominated subcontract is S\$2.5 million. Our Group is currently working towards the fulfilment of the track record requirements. We have not secured any civil engineering projects as a main contractor except Project SICC. Project SICC, with the single contract sum of approximately S\$1.9 million, was one of the main contracts undertaken by our Company in the “Civil Engineering” category for meeting the minimum main contracts (nominated subcontracts may be included) of S\$5 million under the track record requirements. We do not have a concrete timeline for the upgrade to B2 for CW02. Nevertheless, our Group will use our best endeavours to secure more civil engineering projects in order to qualify for such upgrade. Our Group has been invited to submit tenders for a number of projects, as a main contractor after Project SICC, which we believe is a clear indication that our Group is competent enough to play the role as a main contractor and undertake projects of a larger scale.

While there is no restriction on us to bid for private sector projects of any value under our current C1 Grade, we intend to upgrade it to the B2 Grade for two purposes. Firstly, an upgrade to the B2 Grade will enable us to have our tendering limit in respect of public sector projects increased to S\$13 million, which is significantly higher than our current tendering limit of S\$4 million. Secondly, such an upgrade will increase the confidence of our existing customers or potential customers in awarding their projects to us as a main contractor. As such, our Directors believe that an upgrade to the B2 Grade would pave the way for us to secure public sector contracts as a main contractor of projects of larger scales in Singapore, which would allow us to gain an additional stream of revenue.

For further details of licensing in relation to our Group, please refer to the section headed “Regulatory Overview” of this document.

### **Set up our dormitory and cut and bend factory**

Our Directors expect that the new property to be acquired for our dormitory and cut and bend factory (the “**New Property**”) will be located in an industrial estate on the eastern or the western part of Singapore and suitable for the combined use for our dormitory and cut and bend factory. Ideally, the New Property will be able to accommodate around 150 workers with a saleable area of approximately 5,000 sq.m. and expected to have a lease term of approximately 20 years. As at the Latest Practicable Date, we had not identified any specific premises from a list of properties available in the market.

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It is expected that the total investment costs on setting up our dormitory and cut and bend factory would be approximately [REDACTED], which consist of (i) value of the property in the amount of approximately [REDACTED]; (ii) stamp duty in the amount of approximately [REDACTED]; (iii) initial capital expenditure for renovating the aforesaid property in the amount of approximately [REDACTED]; and (iv) a single production line of cut and bend system in the amount of approximately [REDACTED]. We intend to finance [REDACTED] of the aforesaid property value (i.e. approximately [REDACTED]) and all costs mentioned in (ii) to (iv) with the [REDACTED] from the [REDACTED]. The remaining portion of the value of property (i.e. approximately [REDACTED]) is expected to be funded by bank borrowings.

We expect breakeven when the total of monthly revenue of our cut and bend factory is able to cover corresponding monthly operating costs and expenses on an accounting basis in relation to running our cut and bend factory. On that basis, our Directors estimate the breakeven period of approximately four months from the commencement of operation. As for our dormitory, we expect minimal time to achieve breakeven since the expected savings of workers' accommodation costs arising from workers staying in our dormitory instead of a third-party dormitory should generally cover the relevant expenses of operating our dormitory.

As regards the investment payback period, we expect to achieve it when the total of expected accumulated net cash inflows from operating our cut and bend factory and accommodation costs to be saved for workers staying in our dormitory instead of a third-party dormitory since commencement is able to cover the total initial capital expenditures. On that basis, our Directors estimate the investment payback period of around seven years.

Going forward, our cut and bend factory is intended to cut and bend the steel reinforcing bars owned by our customers and thus our Group will normally not purchase steel reinforcing bars and incur no costs in this regard. The expected operating costs and expenses in relation to the running of our cut and bend factory comprise both fixed costs and variable costs. Fixed costs include (i) some workers' salaries; (ii) depreciation of our cut and bend factory and its renovation costs; and (iii) interest expenses in relation to the borrowings to be raised for funding the acquisition of property. Variable costs include workers' salaries, utilities and logistics expenses, which are dependent on the level of operation of our cut and bend factory (e.g. actual processing volume).

Set forth below are detailed bases and assumptions used in arriving (i) the breakeven point for each of our dormitory and cut and bend factory; and (ii) the investment payback period in respect of the operation of our dormitory and cut and bend factory as a whole based on our Directors' best estimation.

- (i) the expected annual income from operating our cut and bend factory of S\$3.0 million, being determined with reference to (i) the expected annual production capacity of 30,000 tonnes for our cut and bend machinery; and (ii) the expected unit price of our cut and bend services of S\$100 per tonne;
- (ii) as regards the breakeven point for solely our cut and bend factory, the expected annual costs and expenses for operating our cut and bend factory of approximately S\$2.0 million, including workers' salaries, utilities, logistics expenses, depreciation and interest expenses in relation to the bank borrowings to be raised for funding the property;



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- (iii) as regards the investment payback period for our dormitory and cut and bend factory as a whole, the expected annual cash outflow for operating our dormitory and cut and bend factory of approximately S\$1.7 million (i.e. sum of the aforesaid expenses in the amount of approximately S\$2.0 million and additional expenses of approximately S\$422,500 relating to operation of our dormitory less total depreciation of approximately S\$767,100); and
- (iv) as regards the investment payback period for our dormitory and cut and bend factory as a whole, the expected annual savings of workers’ accommodation costs when they stay in our own dormitory instead of a third-party dormitory of approximately S\$540,000, being determined with reference to (i) the accommodation capacity of 150 workers for our dormitory; and (ii) the expected average annual dormitory cost savings of approximately S\$540,000 arising from accommodating our 150 workers in our own dormitory, with reference to the expected average monthly dormitory costs (including rental and other related expenses, conservancy charges and utilities, per worker) of approximately S\$300 per worker.

Such estimation was made with reference to our historical figures during the Track Record Period. For further details, please refer to the section headed “Future Plans and Use of [REDACTED] — Reasons for the [REDACTED] and Use of [REDACTED]” of this document.

Taking into account the abovementioned expected income (as indicated by the unit price of our cut and bend services) and cost structures of our cut and bend factory (comprising both fixed costs and variable costs), the breakeven service volume of our steel reinforcing bars in relation to our cut and bend services is currently estimated to be around 14,000 tonnes per annum. On that basis and having considered the intention of certain of our customers to require our cut and bend services concerning an aggregate volume of approximately 29,000 tonnes per annum as evidenced by their entering into the relevant framework agreements with us, our Directors believe that our cut and bend services would be able to generate profit, the maximum of which could reach approximately S\$1.0 million per annum. Therefore, our Directors expect a positive impact on our Group’s profitability from the running of our cut and bend factory going forward.

*(i) Acquire a property for our dormitory and cut and bend factory*

Accommodation expenses are one of the major costs incurred in our business operations. During the Track Record Period, our Group incurred approximately S\$1.1 million, S\$0.7 million and S\$0.2 million in leasing dormitories to provide accommodation for our foreign workers for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. Hence, acquiring a property for our dormitory is important for our business operations. Currently, our Group provides accommodation for our foreign workers by leasing dormitories from third party dormitory providers. About one to two months before our lease agreements expire, we have to decide whether to renew our current lease agreements or enter into new agreements with other dormitory providers. We take into account a number of factors, including rental, the dormitory environment, the recreational and kitchen facilities. To reach a decision, we may need to locate suitable dormitory providers, get quotations from potential dormitory providers for rental comparisons and negotiate with our existing landlords for better terms. To ensure that our provision of accommodation for our foreign workers is in compliance with applicable laws and regulations, we may also need to visit dormitories and look over their environment and the facilities provided. In the case that we enter into agreements with new dormitory providers, we

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have to spend extra time dealing with the address registration procedures as required by MOM for our foreign workers. It takes our Group a certain amount of time to handle our accommodation issue and we possibly have to do it repeatedly should we need to continue to lease dormitories to accommodate our foreign workers. Hence, to sustain our business operations, we intend to acquire a property for our own dormitory to accommodate 150 of our foreign workers instead of solely leasing dormitories from third party dormitory providers. We aim to achieve a reduction in accommodation expenses, which would help lower our direct costs. Besides saving accommodation expenses, the setting up of our own dormitory to accommodate 150 of our foreign workers will offer us administrative convenience, including locating suitable dormitories for 150 of our workers, doing rental companions, examining the dormitory environment and facilities and dealing with the requisite registration procedures. As such, our Group's competitiveness will be further increased.

*(ii) Set up our cut and bend factory to facilitate our expansion*

Our steel reinforcement works involve a cut and bend process for steel reinforcing bars. In most of our contracts, steel reinforcing bars are provided by our customers, which designate a cut and bend factory as their supplier. We then assist our customers in instructing the factory to perform the cut and bend service. After being given the contract drawings by our customers, our bar bending scheduler generates working drawings. Where major discrepancies arise between the contract drawings and the contractual requirements or the initial tender drawings, we may offer advice to our customers. The bar bending scheduler and the engineer of our Group are then responsible for working out the bar bending schedule for our customers, detailing the quantities and types of steel reinforcing bars required and the requirements on the length and dimensions, shape of cut and the angle of bending for the steel reinforcing bars. In addition, we determine the sequence of placing orders for the cut and bend of different batches of steel reinforcing bars and arrange the time of delivery for the processed steel reinforcing bars. During the Track Record Period, our steel reinforcement works involved the use of approximately 44,100 tonnes, 47,900 tonnes and 17,100 tonnes of steel reinforcing bars for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. Except for some minor cut and bend services we performed on the construction sites to cope with ad hoc requirements, we had the cut and bend process performed by the external service providers designated by our customers after the comparison of the quotations from a few potential cut and bend suppliers.

The cut and bend process is a crucial part in the steel reinforcement works. We intend to set up our cut and bend factory so that we can perform the cut and bend process for the steel reinforcing bars to be used in our projects. For efficiency purposes, we expect to set up our factory and our dormitory in one site. Our Group plans to utilise part of the [REDACTED] received from the [REDACTED] to finance the purchase of a single production line of cut and bend system, which will be placed in our cut and bend factory. Our Directors believe that should we have our own cut and bend factory, there is genuine demand for our cut and bend services on the following grounds:

- According to the Euromonitor Report, revenue receipt from the steel reinforcement works in Singapore is projected to grow at a CAGR of 2.4% during the period from 2017 to 2021. Such positive growth would imply a continuous demand for cut and bend services.



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- As a subcontractor, we undertake certain projects where we are responsible for providing construction materials, mostly steel reinforcing bars. During the Track Record Period, we were involved in projects where we were contractually required to provide steel reinforcing bars as well as the related cut and bend service, for example, Project Outram Community Hospital and Project Micron. When we have our own cut and bend factory, we can undertake more projects of this kind so as to enhance our income by supplying steel reinforcing bars as well as from the cut and bend services. Recently, we were also granted a letter of award for Project Woodlands, pursuant to which we were required to provide steel reinforcing bars and relevant cut and bend services in addition to our construction services.
- As a main contractor, we basically subcontract the construction work of a project to our subcontractors yet we have the right to designate certain suppliers or subcontractors to provide materials or services. As such, our own cut and bend factory can undertake the cut and bend work ourselves instead of subcontracting it. Such practice will be in line with our intention to take on more main contractor projects in the forthcoming years.
- To secure the demand for our cut and bend services, we have entered into framework agreements which will expire on 31 December 2021 with JDC and Customer H/ Subcontractor L respectively, pursuant to which JDC and Customer H/Subcontractor L agreed to give priority and engage us to provide the cut and bend services should we set up our factory and offer such service at the prevailing market price and JDC and Customer H/Subcontractor L indicate that the annual processing amount shall be approximately 10,000 tonnes and 19,000 tonnes of steel reinforcing bars, respectively, subject to the terms of the definitive agreements to be entered into between our Group and these customers. In addition, we have obtained a memorandum of understanding signed by Samsung and Penta-Ocean respectively, expressing their intention to give priority to and engage us to provide the cut and bend services if we set up our factory and offer such service at the prevailing market price. Our customers normally invite a few potential cut and bend suppliers to submit quotations for comparison of terms including prices and time of delivery while selecting one for a particular construction project. Despite the non-legally binding nature of the memorandum of understanding, our Directors believe that it reflects the genuine intention of Samsung and Penta-Ocean to engage us to perform the cut and bend services if we offer a competitive service fee. For the two years ended 31 December 2016 and the four months ended 30 April 2017, our steel reinforcement works with Samsung involved the use of approximately 15,300 tonnes, 3,000 tonnes and 6,600 tonnes of steel reinforcing bars, respectively. For the same periods, our steel reinforcement works with Penta-Ocean involved the use of approximately 22,100 tonnes, 31,100 tonnes and 3,800 tonnes of steel reinforcing bars, respectively. Our usage of steel reinforcing bars for each year primarily depends on the nature, the specification and the expected progress of the construction projects we undertake at the relevant time, which determine the amount of steel reinforcing bars required. We estimate the usage of steel reinforcing bars for a year on the basis of our construction projects on hand and the projects likely to be awarded at the relevant time and the expected progress of our construction projects. We expect that our steel reinforcement works will involve the use of approximately 37,000 tonnes and 19,000 tonnes of steel reinforcing bars in 2017 and 2018, respectively, of which approximately

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73.0% and 73.7% would be attributable to two of our major customers, namely, Samsung and Penta-Ocean for the said period, respectively. Our estimated annual usage of steel reinforcing bars in each of 2017 and 2018 is lower than that in each of 2015 and 2016, which is mainly due to the significant usage of steel reinforcing bars for two hospital projects, namely, Project Sengkang General Hospital 1 and Project Sengkang General Hospital 2, and construction of the tallest building in Singapore as at the Latest Practicable Date, namely, Project Tanjong Pagar Mixed Development, and Project Tanjong Pagar Hotel, as compared with our existing projects. As at the Latest Practicable Date, we had submitted four quotations to our customers for our subcontractor projects and the engagement of us is yet to be confirmed. Among these four quotations, the one involving the least usage of steel reinforcing bars amounted to approximately 21,000 tonnes from 2018 onwards. Having considered that (i) we will continue to identify new construction projects for the coming years; and (ii) it generally takes our customers around 1.5 months to 11 months to consider our quotation and confirm our engagement based on our Directors' experience, we do not preclude a higher-than-expected actual usage of steel reinforcing bars in 2018 if we obtain any further construction projects involving the use of steel reinforcing bars. Based on the assumption that the expected usage of steel reinforcing bars after the opening of our cut and bend factory (currently expected to be in early 2019) would be comparable to our aforesaid historical or expected level from 2015 to 2017 and the demand for our cut and bend services as indicated by our customers pursuant to the relevant framework agreements, we believe that the annual processing production capacity of our own cut and bend factory could be significantly filled up, which would help us achieve greater operating efficiency and support the business development of our Group.

- A bar bending schedule is important in the cut and bend process as accurate estimation of the requirements in relation to the cutting and bending of steel reinforcing bars beforehand can facilitate an efficient cut and bend process, which helps avoid delay in delivery of the processed steel reinforcing bars, expedite execution at the site and ensure a better schedule for placing orders. Certain of our customers experienced delay in the delivery of the processed steel reinforcing bars owing to the service providers' preoccupation with other commitments. With our workers' experience in the cut and bend process, we can easily grasp an understanding of our customers' requirements and preferences in relation to the cut and bend work, including but not limited to, the preparation of the bar bending schedule in conformity with certain required standards, the completion date of each phase of the project, the sequence of placing orders and the delivery schedule. When we perform the cut and bend procedures ourselves instead of relying on external cut and bend service providers, we will be able to reduce lead time for preparation of the bar bending schedule and perform the cut and bend process directly in accordance with our customers' requirements so as to ensure that our processed steel reinforcing bars are to their satisfaction and the delivery is timely.

The setting up of our own cut and bend factory will bring about a few advantages to us. Firstly, the factory allows us greater flexibility in making arrangements for the cut and bend procedure of our overall operations and more effective control of the progress and duration of our

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construction projects. Secondly, we will be able to offer our customers, which will purchase the steel reinforcing bars they require, the cut and bend service and charge them a competitive service fee. As a result, our Group is able to enhance our profitability.

The expected total capital expenditure for the planned purchase of a single production line of cut and bend system is approximately S\$0.7 million and such acquisition will be fully financed by the [REDACTED] from the [REDACTED].

### **Strengthen our manpower in managerial and technical expertise**

Our Group understands that in order to take on projects of a larger scale as well as play the role as a main contractor, we need more efficient management and sufficient technical expertise. Hence, in the management aspect, in addition to the supervision of overall management of our Group by Mr. Goh and Ms. Tan, our executive Directors, we set up an initial team of five key personnel to spearhead our initiative during the Track Record Period. The team is headed by our general manager, Mr. Kok Seng Yoong Peter, who provides managerial expertise in building our capabilities as a main contractor. Mr. Kok Seng Yoong Peter is supported by our project manager, who is responsible for general project management of all projects, and our contracts manager, who is responsible for overseeing the commercial and contractual aspects to all tenders and projects. Our senior supervisor, together with the assistance of our site coordinator, is responsible for the routine daily construction management and on-site supervision.

Further, to ensure sufficient and prompt deployment of manpower for our contracts on hand and newly awarded projects, we plan to recruit a technical team comprising staff who specialise in the design, assembly and customisation of the system formwork and continue to augment our main contracting team. In addition, to facilitate the operation of the cut and bend factory that we are going to set up, we plan to familiarise our employees with the skills to operate the cut and bend system.

## **OUR BUSINESS OPERATIONS**

### **As a subcontractor**

In our specialisation of reinforced concrete works, we offer services in steel reinforcement works, formwork erection and concrete works. We may provide these three work categories either individually or as a whole package, depending on the requirements of our customers. The characteristics of each of the work categories are set out below:

#### *Reinforced concrete works*

#### Steel reinforcement works

Our expertise in the area of steel reinforcement works encompasses provisions of on-site steel reinforcement installations. The major material required for steel reinforcement works is steel reinforcing bars, which are used as a tensioning device to reinforce concrete structures to help hold the concrete in a compressed state. To offer our steel reinforcement works, we are provided by our customers with steel reinforcing bars in most of our projects. Our major task is to provide labour to install these steel reinforcing bars and tie them in position based on structural engineering drawings. Once these reinforcing bars are placed, they are tied with annealed steel wires. These services are

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customised to suit the varied requirements and specifications of customers. Except for some minor cut and bend services we perform on the construction sites to cope with ad hoc requirements, cut and bend services for steel reinforcing bars are provided by cut and bend factory designated by our customers (i.e. main contractors).

### Formwork erection

Formwork is a temporary mould into which concrete is poured and allowed to set. For the purpose of formwork erection, falsework is often required. Falsework is a system of framework structures which locates and retains the formwork in the desired position in a stable and safe manner until the formwork becomes self-supporting. It is set in place at the exterior of the mould with a view to supporting the mould before concrete is poured in. The maximum load which the formwork is designed to withstand is determined by the type of reinforced concrete structure. The formwork services we provide include designing and constructing formwork system that best suits the needs of the construction project, and dismantling the formwork after the concrete reaches the requisite strength to be self-supporting.

Our Group adheres to the Singapore Standard Code of Practice for Formwork (SS580: 2012) (the "Code") for the design, erection, use, alteration and dismantling of formwork structure for any reinforced concrete works. The structural requirements under the Code for the formwork design are as follows:

- (a) **Stability:** The formwork structure shall resist overturning, uplift, sliding and sidesway under the action of all appropriate load combinations;
- (b) **Strength:** The formwork structure and its component members shall withstand the effects of all appropriate load combinations without permanent deformation or functional failure; and
- (c) **Stiffness:** The stiffness shall be such that the deformation under the appropriate loading on the formwork structure and its component members does not exceed the limits specified in the Code.

Primarily, we provide two types of formwork systems, namely, conventional formwork and system formwork. The materials we use for both conventional formwork and system formwork may include timber, aluminium and steel. The features of these two types of formwork systems are set out below:

#### *Types of formwork systems we provide*

##### *(1) Conventional formwork*

Conventional formwork is used in the construction of buildings of smaller scales or certain unique structures which do not involve repetitive use of structures in the construction process. Conventional formwork requires erection and dismantling of each component formwork structure. It is therefore labour intensive. Moreover, erection of conventional formwork normally takes a longer period of time in comparison with system formwork.

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### *(2) System formwork*

System formwork is generally more robust and enables higher recycled usage in the construction process. A combination of steel and aluminium can be used for system formworks. Buildings requiring identical structures, such as high-rise buildings and buildings with large scale identical units, may utilise system formworks for expeditious construction.

System formworks can be elevated to multiple storeys of a building, without being dismantled. There are generally two ways we can elevate system formworks. Firstly, the elevation of system formworks can be done by means of tower cranes. Secondly, system formworks can be elevated with the help of an automatic climbing system, which is a mechanic leverage equipment. The usage of system formworks requires less manpower compared with conventional formwork, and hence brings about savings in time.

### *Materials used in our formwork*

The materials we use for both conventional formwork and system formwork include timber, aluminium and steel. Our choice of materials to be used for each formwork project is subject to the characteristics of individual projects as well as our design. The characteristics of each of these materials are set out below:

#### *(1) Timber formwork*

Timber formwork is relatively simple to construct as timber is pliable. Because of its flexibility, it can be cut fast on-site with hand held tools. Another advantage of timber formwork is its low cost in comparison with formwork using aluminium or steel.

#### *(2) Aluminium formwork*

Aluminium formwork is often used in larger scale construction projects, especially in buildings with multiple levels which may each be built using the same system formwork. The advantages of aluminium formwork over timber formwork are that aluminium formwork is stronger and more durable with a longer lifespan, and allows for greater ease and speed in assembling and dismantling. However, aluminium is less flexible than timber in that it cannot be remoulded once fabricated.

#### *(3) Steel formwork*

Steel formwork, like aluminium formwork, is valued for their high reusability trait, which renders it suitable to construct repetitive structures. Steel formwork may be used to construct round concrete structures such as circular columns and bridge columns. Steel formwork is the strongest and most durable among the three. Hence, it carries the longest lifespan. Steel formwork also allows for faster and easier assembling and dismantling and offers better concrete finish quality compared with timber formwork and aluminium formwork.

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### *Formwork methodologies*

Two main formwork methodologies are used in reinforced concrete construction, namely, the bottom-up construction method, which is ideal for the construction of sub-structure and super-structure floors, and the top-down construction method, which is common in the construction of tall buildings with deep basements and underground structures such as car parks, underground vehicle tunnels and MRT stations.

Normally, before the tendering, the main contractor of a construction project decides which of the two formwork methodologies is to be used. As a subcontractor, we propose the type of formwork erection and the materials of formwork to be used to the main contractor after successfully bidding for the relevant project.

### *Falsework and shoring*

In the course of formwork erection, falsework and shoring are involved. Falsework is a system of framework structures which locates and retains the formwork in the desired position in a stable and safe manner until the formwork becomes self-supporting. When our Group participates in a formwork erection project, we will be involved in falsework design.

A falsework design is typically made up of construction drawings and framing specifications, mechanics calculation, construction details, methods and sequence of erection, standards of materials, standard of materials used and method statement for dismantling. Loadings which the falsework is expected to bear are taken into account in the design normally include (i) weights of the falsework, the formwork, the permanent structure, temporary storage of materials and machinery; (ii) the impact of construction operations; (iii) hydrostatic pressure including wet concrete or other external sources; (iv) variation effects such as those due to concrete variations, slenderness of props, traffic loads; and (v) other identified loadings. The falsework design we work out needs to be approved by a professional engineer.

### Concrete works

Our Group also performs concrete works. Our task is to provide labour to pour the concrete into the formwork moulds supported by steel reinforcing bars. Concrete is then allowed to set. When the concrete reaches the requisite strength, the formwork will be dismantled.

### **As a main contractor**

After years of experience in performing subcontracting work, our Group commenced taking up the role of a main contractor in 2016 when we participated in Project SICC. Our main contractor projects are not confined to reinforced concrete works. Instead they are projects for the entire building works. Our responsibilities as a main contractor consist of (i) overseeing overall building construction and project management; (ii) engagement of subcontractors, where necessary; (iii) ensuring that the construction works are conducted in accordance with the contract specifications and our customers' requirements; and (iv) coordinating and liaising with various professional parties. Our main contractor projects are managed by Mr. Kok Seng Yoong Peter, who will be supported by our project manager, who is responsible for general project management. In consideration of Mr. Kok's long career history, ample experience in the construction industry and his strong network with both public and private sector



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participants, our Directors believe that our Group can leverage Mr. Kok’s industry connections to gain better opportunities to tender for main contractor projects. For details of Mr. Kok’s biography, please refer to the section headed “Directors and Senior Management — Senior management” of this document.

Project SICC was our first contract as a main contractor. It was a private civil engineering project relating to the construction of a buggy track. The project commenced in November 2016 and was completed in June 2017. The contract sum of Project SICC was approximately S\$1.9 million. Revenue recognised for this project was approximately S\$1.4 million and S\$0.4 million for the year ended 31 December 2016 and the four months ended 30 April 2017, respectively. We incurred subcontracting charges of approximately S\$1.1 million, or approximately 68.8% of the total construction for Project SICC. Going forward, as a main contractor, our Group expects to engage more subcontractors instead of employing more workers in order to carry out the works required under the main contract. As such, we expect our subcontracting charges will increase as we take up more projects as a main contractor.

In April 2017, we were granted a letter of award in relation to construction of an industrial building as a main contractor for Project Tanjong Penjuru. The contract sum of Project Tanjong Penjuru was approximately S\$7.5 million. This project commenced work in around May 2017 and is expected to complete in around January 2018.

As a main contractor, net cash outflows are normally recorded at the early stage of works as we are required to pay certain set-up expenses, such as purchases of materials and consumables, rental of equipment, direct labour, and provision of performance bonds. Subject to the terms of our contracts with subcontractors, we may pay certain expenses such as costs of construction materials, rental of site equipment and labour cost on behalf of our subcontractors during the course of work and the same amounts will be deducted from the payment of contract fees to our subcontractors. Accordingly, we have to commit certain amount of cash and other financial resources prior to receiving any payments from our customers and thus, we typically incur costs associated with a project at the beginning stage of a project. We will receive progress payments after the commencement of our construction works subject to certification by our customers or authorised persons designated by our customers. As such, the cash flows of a particular project will turn into cumulative net cash inflows gradually as the construction work progress.

It is our Group’s cash management policy to closely monitor our liquidity to ensure that we will be able to meet all of our future obligations. Our finance department is responsible for monitoring our Group’s cash flows on an ongoing basis by regularly communicating with the project management teams to take note of the progress of each project and issue the payment applications to the customers or their representatives for certifying the actual work done on a timely basis.

According to our existing contracts with our subcontractors for Project SICC and Project Tanjong Penjuru, we are not required to make any advance payments of wages and/or necessary materials and equipment.

Going forward, we may be required to pay for purchases of materials and consumables, rental of equipment and direct labour on behalf of our subcontractors during the course of work and certain set-up expenses at the early stage of works, such expenses may come from the cash inflows we are expected to receive from our customers in relation to the actual work done for a project. The amount on behalf of our subcontractors of advance payment is subject to our negotiation with the subcontractors, with

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reference to (i) the credibility of the relevant customer including the recent history of default; (ii) the performance of the subcontractors in terms of the quality of their works and their ability to meet deadlines; (iii) the amounts of work done by the subcontractor exceeds the amount of advances made to them for the project; and (iv) our liquidity position.

**OUR PROJECTS**

The table below sets out the movement of the number of contracts and the contract sum during the Track Record Period:

	<b>Number of contracts<sup>(1)</sup></b>	<b>Amount S\$'000</b>
<b>As at 1 January 2015</b>		
Existing contracts <sup>(2)</sup>	8	42,828
<b>During the year ended 31 December 2015</b>		
Contracts completed	(6)	(10,842)
New contracts awarded and/or commenced <sup>(3)</sup>	7	57,898
Remeasurements certified <sup>(4)</sup>		5,585
Variation orders certified <sup>(5)</sup>		2,424
Total value of new contracts awarded and/or commenced, remeasurements and variation orders which were certified during the year ended 31 December 2015		65,907
<b>As at 1 January 2016</b>		
Existing contracts <sup>(2)</sup>	9	97,893
<b>During the year ended 31 December 2016</b>		
Contracts completed	(11)	(47,257)
New contracts awarded and/or commenced <sup>(3)</sup>	8	50,440
Remeasurements certified <sup>(4)</sup>		1,557
Variation orders certified <sup>(5)</sup>		127
Total value of new contracts awarded and/or commenced, remeasurements and variation orders which were certified during the year ended 31 December 2016		52,124
<b>As at 31 December 2016</b>		
Existing contracts <sup>(2)</sup>	6	102,760

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	<b>Number of contracts<sup>(1)</sup></b>	<b>Amount S\$'000</b>
<b>During the four months ended 30 April 2017</b>		
Contracts completed	(1)	(150)
New contracts awarded and/or commenced <sup>(3)</sup>	1	150
New contracts awarded and not yet commenced <sup>(3)</sup>	1	7,518
Remeasurements certified <sup>(4)</sup>		106
Variation orders certified <sup>(5)</sup>		1,746
Total value of new contracts awarded and/or commenced, remeasurements and variation orders which were certified during the four months ended 30 April 2017		
		9,520
<b>As at 30 April 2017</b>		
Existing contracts <sup>(2)</sup>	7	112,130
<b>For the period between 1 May 2017 and immediately before the Latest Practicable Date</b>		
Contracts completed	(3)	(17,726)
New contracts awarded and/or commenced <sup>(3)</sup>	2	7,814
Remeasurements certified <sup>(4)</sup>		12
Variation orders certified <sup>(5)</sup>		481
Total value of new contracts awarded and/or commenced, remeasurements and variation orders which were certified during the period between 1 May 2017 and immediately before the Latest Practicable Date		
		8,307
<b>As at the Latest Practicable Date</b>		
Existing contracts <sup>(2)</sup>	6	102,711

*Notes:*

1. There may be more than one contract granted by our customers in the same location that cover different scopes or stage of works.
2. The amount of existing contracts includes the aggregate remeasurements and/or variation orders (where applicable) since commencement of a project and up to the dates as indicated.
3. The amount of new contracts awarded and/or commenced represents the initial contract value of a contract.
4. Remeasurements occur when the actual as-built quantity of the work done differs from the quantity that is originally contracted and such changes are anticipated at the time of entering into the contract.
5. Variation orders occur when there are additional works, omissions or changes requested by the customer for specifications not included in the original contract.

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The table below sets out the movement of our projects by outstanding contract value during the Track Record Period:

	<b>For the year ended</b>		<b>For the four</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2015</b>	<b>2016</b>	<b>30 April</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Total outstanding contract value <sup>(1)</sup> brought forward from the previous financial year	17,819	53,784	75,840
<i>Add:</i> Total value of the new projects awarded and/or commenced, remeasurements and variation orders which were certified in the financial year	65,907	52,124	9,801 <sup>(2)</sup>
<i>Less:</i> Total revenue recognised in the financial year	<u>(29,942)</u>	<u>(30,068)</u>	<u>(12,155)</u>
 Total outstanding contract value on hand as at the year end date	 <u>53,784</u>	 <u>75,840</u>	 <u>73,486</u>

*Notes:*

1. Outstanding contract value represents the difference between the revised contract value as at the reporting date and the recognised revenue of a project as prior to the relevant reporting date.
2. The contract value comprises revenue amounting to approximately S\$281,000 for Project Jurong Hotel recognised during the four months ended 30 April 2017. Project Jurong Hotel was completed in 2014 and the revenue resulted from work done for remeasurements was subsequently certified during the four months ended 30 April 2017. Hence, it was not classified as a contract completed during the corresponding period.

The total contract value of a construction contract is an estimate that comprises the initial contract value, remeasurements, variation orders and penalties arising from delay, if any.

Our Group recognises the estimated contract value in the profit and loss account as revenue by reference to the stage of completion i.e. total contract value multiplied by the stage of completion. Stage of completion of a construction contract is determined by the actual costs incurred divided by the estimated total contract costs.

For illustrative purposes,

*Accumulative revenue recognised = Contract sum × Stage of completion*

*Stage of completion =  $\frac{\text{Actual costs incurred}}{\text{Estimated total construction costs}}$*

*Revenue recognised during the report period =  $\frac{\text{Accumulative revenue recognised up to the reporting date} - \text{Revenue recognised prior to the reporting period}}{\text{Estimated total construction costs}}$*

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At the end of each reporting date, our Group reviews the contract sum and the estimated total construction costs of each project and revises as events occur, for example, conclusion of variation orders with customers.

When our Group anticipates a variation order to be issued by our customer, the estimated total construction costs will be adjusted to include the costs to perform the variation order. Upon the issuance of the variation order, the expected revenue to be received from the variation order cannot be ascertained until it is approved by our customer. Our Group will adjust the total contract sum to include the revenue generated from the variation order upon our Group’s receipt of the payment certificates from our customer.

The table below sets out the construction contract revenue of our Group generated from our construction projects, which is categorised by project sectors as well as by business segments, for each of the two years ended 31 December 2016 and for the four months ended 30 April 2017, respectively:

Categorisation	Construction contract revenue					
	For the year ended 31 December				For the four months ended 30 April	
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Public sector projects	6,540	21.8	21,790	72.5	11,123	91.5
Private sector projects	23,402	78.2	8,278	27.5	1,032	8.5
<b>Total</b>	<u>29,942</u>	<u>100.0</u>	<u>30,068</u>	<u>100.0</u>	<u>12,155</u>	<u>100.0</u>
General building works	28,873	96.4	21,859	72.7	10,247	84.3
Civil engineering works	1,069	3.6	8,209	27.3	1,908	15.7
<b>Total</b>	<u>29,942</u>	<u>100.0</u>	<u>30,068</u>	<u>100.0</u>	<u>12,155</u>	<u>100.0</u>

The type of projects we undertake depends on the projects we receive from our customers which may be public or private. According to the Euromonitor Report, the public sector construction demand accounted for approximately 31.0% in 2012 and increased to approximately 60.5% in 2016. Our Group leveraged this trend by engaging in more public sector projects during the Track Record Period.

### Public sector projects and private sector projects

Our public sector projects are projects where the ultimate employer(s) are Singapore government departments and statutory bodies. During the Track Record Period, our Group completed four public sector projects, namely, Project Jalan Buroh, Project Sengkang General Hospital 1 and two other short-term projects and aggregate revenue recognised for these four projects was approximately S\$3.0 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. As at 30 April 2017 and based on the terms of the relevant contracts, we had four ongoing public sector projects of aggregate contract sum of approximately S\$101.2 million, of which approximately S\$36.5 million had been recognised as revenue during the Track Record Period. Subsequent to the Track Record Period, Project Sengkang General Hospital 2 was completed in June 2017. To our Directors’ best estimation, approximately S\$16.9 million and S\$35.1 million is expected to be recognised as our

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revenue for the four months ending 31 December 2017 and the year ending 31 December 2018, respectively from the four public sector projects on hand, namely, Project Outram Community Hospital, Project New State Courts, Project Orchard Station and Project Woodlands, as at 31 August 2017.

Our private sector projects are projects where the ultimate employer(s) are corporate property developer(s) or land owners. During the Track Record Period, our Group completed 14 private sector projects with aggregate recognised revenue of approximately S\$30.3 million. In addition, our Group also recognised revenue of approximately S\$0.3 million from Project Jurong Hotel during the Track Record Period, which was completed in September 2014 but of which remeasurements work was subsequently certified during the four months ended 30 April 2017. As at 30 April 2017 and based on the terms of the relevant contracts, we had three ongoing private sector projects of aggregate contract sum of approximately S\$11.2 million, of which approximately S\$2.2 million had been recognised as revenue during the Track Record Period. Subsequent to the Track Record Period, (i) Project SICC was completed in June 2017; and (ii) we commenced one private sector project with the contract sum of approximately S\$7.5 million which was awarded in April 2017. To our Directors’ best estimation, approximately S\$6.8 million and S\$1.0 million is expected to be recognised for the four months ending 31 December 2017 and the year ending 31 December 2018, respectively from the two private sector projects on hand, Project Paya Lebar Central and Project Tanjong Penjuru, as at 31 August 2017.

Please refer to the tables under the paragraphs headed “Projects on hand” and “Projects completed” in this section for further details of our public sector projects and private sector projects.

### **General building works and civil engineering works**

Our projects can be broadly categorised into general building works and civil engineering works. Our Group has held a GB1 Licence issued by BCA since 2014. Also, our Group has been registered with BCA under the CRS under the CW01 workhead for “General Building” at C1 Grade since 2015 as well as under the CW02 workhead for “Civil Engineering” at C1 Grade since 2015.

In accordance with the Euromonitor Report, general building works refer to general construction and major repair works, piling works, finishing works, installation of doors, windows, sanitary products, curtail walling/cladding works, structural works, other special trade construction such as scaffolding and sandblasting, and production of pre-cast components. Our general building works relate primarily to the construction of hotels, hospitals, mixed development and court buildings.

During the Track Record Period, we recognised an aggregate revenue of approximately S\$61.0 million from general building works. Our Group completed 18 projects involving general building works with aggregate recognised revenue of approximately S\$32.7 million and approximately S\$28.0 million of our Group’s revenue was recognised from the other four ongoing projects involving general building works up to 30 April 2017. As at 30 April 2017 and based on the terms of the relevant contracts, we had five projects on hand involving general building works of aggregate contract sum of approximately S\$72.7 million. Subsequent to the Track Record Period, Project Sengkang General Hospital 2 was completed in June 2017. To our Directors’ best estimation, approximately S\$19.8 million and S\$21.8 million is expected to be recognised for the five general building works projects on hand, namely, Project Paya Lebar Central, Project Outram Community Hospital, Project New State Courts, Project Tanjong Penjuru and Project Woodlands, as at 31 August 2017 as our revenue for the four months ending 31 December 2017 and the year ending 31 December 2018, respectively.



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In accordance with the Euromonitor Report, civil engineering works refer to non-building construction such as the construction of roads, bridges, tunnels, railways, viaducts, water and gas pipelines, sewers, communications and power lines, marine construction as well as site-preparation and construction-related landscaping works. Our civil engineering works relate primarily to the construction of MRT stations.

During the Track Record Period, we recognised an aggregate revenue of approximately S\$11.2 million from civil engineering. Our Group completed one project involving civil engineering works with aggregate recognised revenue of approximately S\$0.5 million and approximately S\$10.6 million of our Group’s revenue was recognised from the other two ongoing projects involving civil engineering works up to 30 April 2017. As at 30 April 2017 and based on the terms of the relevant contracts, we had two ongoing projects involving civil engineering works of aggregate contract sum of approximately S\$39.8 million. Subsequent to the Track Record Period, Project SICC was completed in June 2017. To our Directors’ best estimation, approximately S\$3.8 million, S\$14.3 million and S\$7.3 million is expected to be recognised for Project Orchard Station as our revenue for the four months ending 31 December 2017 and the two years ending 31 December 2019, respectively.

Please refer to the tables under the paragraphs headed “Projects on hand” and “Projects completed” for further details of our projects involving general building and civil engineering works.

## Projects on hand

As at the Latest Practicable Date, we had six projects on hand, details of which are set out as follows:

No. of project <sup>(1)</sup>	Name	Location of project	Nature of project	Customer	Type of services offered	Contract sum <sup>(2)</sup> S\$'000	Commencement date	Expected completion date <sup>(3)</sup>	Revenue recognised for the year ended 31 December 2015 S\$'000	Revenue recognised for the four months ended 30 April 2017 S\$'000	Cumulative revenue recognised since commencement date up to the end of the Track Record Period <sup>(4)</sup> S\$'000	Percentage of completion as at 30 April 2017 %	Outstanding contract value as at 31 August 2017 S\$'000	Expected revenue recognised for the four months ending 31 December 2017 <sup>(5)</sup> S\$'000	Expected revenue recognised for the year ending 31 December 2018 S\$'000	Expected revenue recognised for the year ending 31 December 2019 <sup>(5)</sup> S\$'000
1	Project Paya Lebar Central	Paya Lebar Road, Singapore	Mixed development (private — general building)	JDC	Steel reinforcement works	1,897	September 2016	January 2018	—	223	379	20.0	702	1,115	80	—
2	Project Outram Community Hospital	Jalan Bukit Merah, Singapore	Hospital (public — general building)	Penta-Ocean	Steel reinforcement works	23,982	August 2016	July 2018	—	3,666	8,337	34.9	14,570	3,886	5,526	—
3	Project New State Courts	Havelock Square, Singapore	Courts (public — general building)	Samsung	Reinforced concrete works	23,544	June 2016	October 2018	—	1,992	4,135	17.7	6,901	5,743	10,900	—
4	Project Orchard Station	Orchard Station & tunnels for Thomson-East Coast Line	Hospital (public — civil engineering)	Penta Bachy Joint Venture	Reinforced concrete works	37,977	October 2015	October 2019	529	1,530	8,874	23.4	12,548	3,811	14,343	7,275
5	Project Tanjong Pagar	Tanjong Pagar, Singapore	Industrial building (private — general building)	Customer J	Main contract	7,518	May 2017	January 2018	—	—	—	N/A	901	5,672	945	—
6	Project Woodlands <sup>(6)</sup>	Woodlands Drive, Singapore	Hospital (public — general building)	Penta-Ocean	Steel reinforcement works and formwork erection	7,793	November 2017	March 2018	—	—	—	N/A	—	3,415	4,378	—
Total						102,711			529	13,785	21,725		35,622	23,642	36,172	7,275

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*Notes:*

1. There may be more than one contract granted by our customer in the same location that cover different scopes or timing of works.
2. The contract sum includes the aggregate remeasurements and/or variation orders (where applicable) since commencement of a project and up to the Latest Practicable Date.
3. Expected completion date in general refers to the expected completion date of the entire project as specified in the relevant contract, and if an extension of time has been ordered or approved by the customers, or if on the other hand management expects completion will occur earlier than contractually required, such updated completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, or where the final accounts are still being finalised, expected completion date refers to the completion date to the best estimation of the management of our Group.
4. The cumulative revenue recognised during the Track Record Period normally deviates from the contract sum on account of the facts that (i) revenue may have been recognised for work undertaken before the Track Record Period; (ii) works completed during the Track Record Period may need our customer's confirmation, which was granted after the Track Record Period; or (iii) the value of our work may increase or decrease after remeasurement of works, additions, modifications or deletions due to subsequent variation orders. Please refer to the paragraph headed “Customers — Key contract terms” in this section for further details of variation orders.
5. To the best estimation of the management of our Group, expected revenue recognised for the eight months ending 31 December 2017 and each of the two years ending 31 December 2019 is estimated based on the work programme as specified in the relevant contract, assuming there is no material delay in the foreseeable future as at the Latest Practicable Date.
6. Project Woodlands was awarded in September 2017. It is expected to commence in around November 2017 and to be completed in around March 2018.

Up to 31 August 2017, approximately S\$0.9 million had been recognised as revenue for Project Tanjong Penjuru. This project commenced work in May 2017 and is expected to complete in around January 2018. No revenue had been recognised for Project Woodlands as at the Latest Practicable Date as it was awarded to us in September 2017 and is expected to commence in around November 2017.

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**Projects completed**

During the Track Record Period and up to the Latest Practicable Date, we completed the following projects with initial contract value of over S\$300,000<sup>(1)</sup>:

No.	Name of project <sup>(2)</sup>	Location of project	Nature of project	Customer	Type of services offered	Duration of project <sup>(3)</sup>	Contract sum <sup>(4)</sup> S\$'000	Revenue recognised for the year ended 31 December 2015 S\$'000	Revenue recognised for the four months ended 30 April 2017 S\$'000	Cumulative revenue recognised during the Track Record Period <sup>(5)</sup> S\$'000	Cumulative revenue recognised since commencement date up to 31 August 2017 S\$'000 (Unaudited)	Overall gross profit margin %
1	Project Tajjong Pagar Mixed Development <sup>(6)</sup>	Peck Seah Street/Choon Guan Street, Singapore	Mixed development (private — general building)	Samsung	Reinforced concrete works	September 2013 to June 2016	27,908 <sup>(6)</sup>	—	9,548 <sup>(6)</sup>	27,908	11.0	
2	Project Micron	Admiralty, Singapore	Industrial building (private — general building)	JDC	Reinforced concrete works	around May 2015 to November 2016	4,096	3,039	7,135	7,135	11.8	
3	Project Tajjong Pagar Hotel	Peck Seah Street/Choon Guan Street, Singapore	Hotel (private — general building)	Samsung	Reinforced concrete works	July 2014 to June 2016	4,795	1,754	6,549	6,549	0.9	
4	Project Jalan Pemimpin	Jalan Pemimpin, Singapore	Industrial building (private — general building)	JDC	Reinforced concrete works	April 2014 to October 2016	1,804	—	1,804	4,600	4.3	
5	Project Amkor	Science Park Drive, Singapore	Industrial building (private — general building)	Customer D/ Supplier C/ Subcontractor A	Steel reinforcement works and formwork erection	July 2014 to January 2016	3,233	150	3,383	4,227	9.3	
6	Project Sengkang General Hospital 1	Sengkang East Road, Singapore — ground floor and above	Hospital (public — general building)	Penta-Ocean	Steel reinforcement works	October 2014 to May 2015	2,233	—	2,233	2,746	8.1	
7	Project Jurong Island	Merlimau Road, Singapore	Industrial building (private — general building)	JDC	Steel reinforcement works	October 2010 to May 2015	759	—	759	2,730	22.8	
8	Project Jalan Baroh	Jalan Baroh, Singapore	MRT station (public — civil engineering)	Customer E	Steel reinforcement works	November 2014 to June 2015	540	—	540	679	2.0	
9	Project SICC	Sime Road, Singapore	Buggy track (private — civil engineering)	Customer G	Main contract	November 2016 to June 2017	—	1,394	1,772	1,914	18.8	
10	Project Sengkang General Hospital 2	Sengkang East Road, Singapore — basement level	Hospital (public — general building)	Penta Ocean	Steel reinforcement works	September 2015 to June 2017	3,168	8,045	15,148	15,791	36.3	
<b>Total</b>							<b>74,664</b>	<b>29,133</b>	<b>15,425</b>	<b>48,871</b>	<b>74,664</b>	

## BUSINESS

*Notes:*

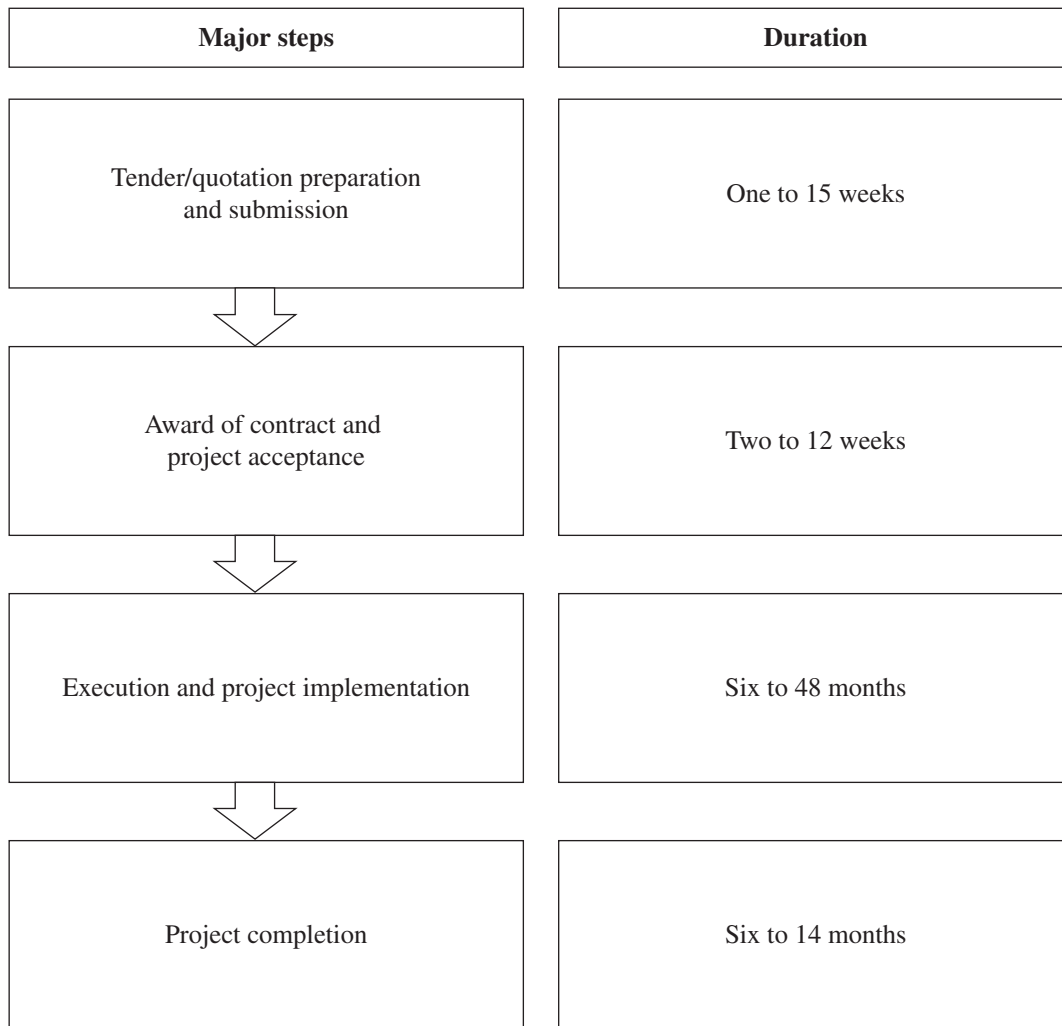
1. From time to time, our Group also undertakes short-term projects to supply labour workforce for reinforced concrete works to our customers who are subcontractors of these projects. For this type of projects, the contract amount is relatively small. For the two years ended 31 December 2016 and the four month ended 30 April 2017, we participated in five, seven and one projects with the respective contracts in relation to short-term arrangements of supplying labour workforce, which were on a unit rate basis. The revenue generated from each of these projects ranged from approximately S\$1,440 to approximately S\$300,000 and the total revenue we generated from this type of projects was approximately S\$0.3 million, S\$0.9 million and S\$0.2 million for the two years ended 31 December 2016 and the four month ended 30 April 2017, respectively, representing 1.0%, 3.0% and 1.6% of our total revenue for the corresponding periods.
2. There may be more than one contract granted by our customer in the same location that cover different scopes or timing of works.
3. Duration of project covers the duration of our works with reference to the commencement date of our works set out in our record or letter of acceptance and the completion date of our works set out in the payment certificate issued by our customer or based on the finalisation of accounts for the particular project as well as our Directors’ judgment as to the practicable commencement or completion of the project.
4. The contract sum includes the aggregate remeasurements and/or variation orders (where applicable) since commencement of a project and up to the Latest Practicable Date.
5. The date of completion is based on the finalisation of accounts for the project and/or the confirmation/advice from the customer of the relevant project.
6. For Project Tanjong Pagar Mixed Development, we offered Samsung reinforced concrete works, comprising steel reinforcement works, formwork erection and concrete works, under the contract with the contract sum of approximately S\$27.9 million. We engaged Subcontractor A/Customer D/Supplier C to perform the formwork part of Tanjong Pagar Mixed Development. Under the Joint Operation with Joint Operator, all financial benefits from the formwork part with the value of approximately S\$15.4 million were equally shared between us and Joint Operator. As such, 50% of the revenue in relation to the formwork part of Project Tanjong Pagar Mixed Development was recorded in our Group’s accounts. For further details of the Joint Operation, please refer to the paragraphs headed “Business — Joint Operation” and “Financial Information — Joint Operation” of this document.

## BUSINESS

### OPERATION PROCESS

Our operation process typically involves four major phases, diagrammatically as follows:

#### Overview



#### Notes:

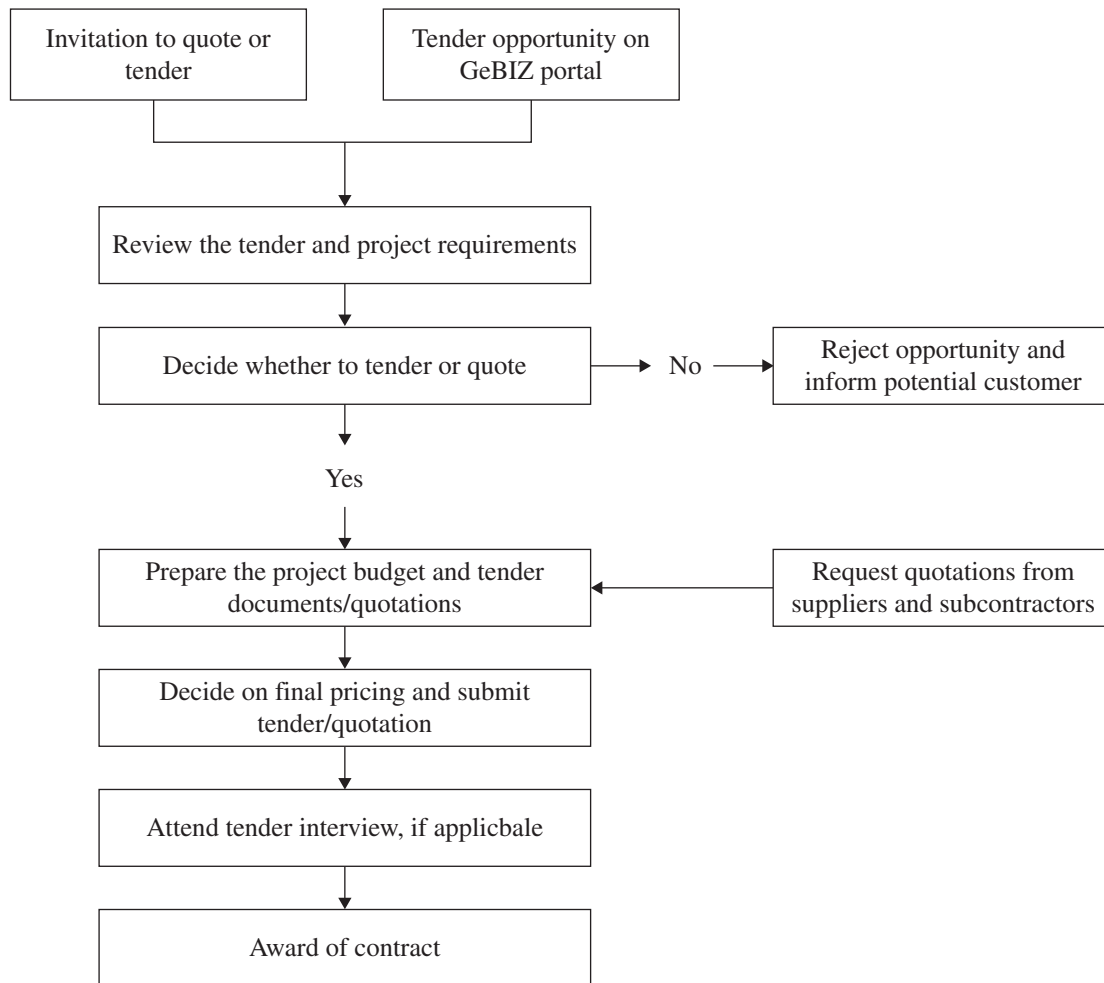
1. The time frame is for illustrative purposes only. The actual frame of a given project may vary significantly as it depends on various factors, including (i) change of designs; (ii) adjustment to the scope of work; and (iii) inclement weather conditions.
2. We would have internal evaluation where our tender or quotation submissions are unsuccessful.

The average duration of the construction projects our Group undertook during the Track Record Period was approximately 27 months from tender/quotation preparation to project completion.



**BUSINESS**

**Tender/quotation preparation and submission**



*(i) Pre-tender assessment*

Our projects come from two sources. For private sector projects, we are typically invited by our existing customers or potential customers, which are primarily main contractors of civil engineering and general building projects, to quote or tender; for public sector projects, tender opportunities are published on the GeBIZ portal, the Singapore government’s one-stop e-procurement portal. We monitor the GeBIZ system weekly and identify suitable tenders that we may bid for.

Upon receipt of an invitation to quote or tender for a project and prior to submitting a bid for the said project, we normally set up a tender team consisting of our managing director, operation director, general manager and contracts manager. These personnel examine 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. The tender team may also attend site visits and/or briefing sessions to gain a better understanding

## BUSINESS

of the site environment, site conditions and the environment nearby. To decide whether we will submit a quote or a tender, our tender team will take into consideration, among others, the following factors:

- our ability and capacity to meet the project requirements;
- our history with the customer, including whether or not there were any previous successful tenders;
- the customer's reputation;
- our market position, tendering resources and competitiveness in the current industry climate;
- site environment;
- the availability of foreign workers;
- the availability and cost of raw materials and consumables;
- the commercial and technical risks involved;
- the approximate project value; and
- the estimated tendering costs.

*(ii) Tender preparation and review*

Once a decision to proceed with the tender has been made, our contracts department, with the assistance of our quantity surveyor, will prepare the tender submission documents and quotations as required for the particular project. Such documents will be prepared with due consideration given to 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 (including any follow-up efforts in obtaining quotations from suppliers and subcontractors), review of the general and specific equipment requirements and associated costs, calculation of the man-hours as well as determination of the number of foreign workers required to perform the project at each stage of construction.

On completion of the above, we will hold a tender review meeting with our management, during which we will confirm our Group's readiness to submit the tender. Our management team will make the final decision on the submission of the tender, having regard to our Group's ability and capacity to meet the project requirements as well as our history with the customer in relation to other contracts, and the commercial terms and conditions of the project. Our management team will also evaluate the risks of the tender, explore the use of new technologies, materials or equipment, review the project financing requirements comparative to the profit/margins of our Group and ascertain our Group's ability to meet deadlines.

## BUSINESS

### *(iii) Submission of tender*

Submission of any tender is made in accordance with the following prescribed levels of authority, which were applicable as at the Latest Practicable Date:

- for tender amounts up to S\$100,000, approval can be granted by our contracts manager or operation director; and
- for tender amounts exceeding S\$100,000, approval is granted by our managing director or general manager.

The tender package is formally submitted to the customer only when our management is satisfied that all issues have been addressed and approval has been obtained from our board, where necessary.

For our short-term projects, the approval requirements are the same as those of our projects requiring submission of tenders, depending on the contract value of the projects.

### *Pricing Strategy*

Our tender pricing is prepared by our contracts department with the assistance of our quantity surveyors. It is usually determined by the project size based on the quantum of works involved and complexity of the project as well as the site environment. In addition, our submission of tender prices usually has taken into account a number of factors, including our existing manpower and resources, the cost of raw materials (where not provided for by main contractors), the number of foreign workers offered, 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.

Our Group's contracts can be classified into two types: (i) fixed price contracts; and (ii) provisional price contracts subject to remeasurements. 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 variations ordered by our clients. For our provisional price contracts, the initial contract value is an estimate of the value of work to be done, based on the bills of quantities submitted for tendering. Remeasurements based on the actual as-built quantities of work according to the unit price or rate provided in the contract are anticipated. We are entitled to claim the variation orders initiated by our customers and stated in our contract.

**BUSINESS**

For illustrative purposes, the table below sets out the breakdown of the total contract sum (i.e. the summation of the contract sum of existing contracts as at the beginning of the reporting period, the total initial contract value of new contracts awarded and/or commenced and the total amounts of remeasurements and variation orders certified during the relevant reporting period) in terms of fixed and provisional price contract as at the dates indicated:

	As at 31 December						As at		
	2015			2016			30 April 2017		
	No. of projects	S\$'000	%	No. of projects	S\$'000	%	No. of projects	S\$'000	%
Fixed price contract	1	5,126	4.7	2	6,928	4.6	2	9,320	8.3
Provisional price contract	14	103,609	95.3	15	143,089	95.4	6	102,960	91.7
<b>Total contract sum</b>	<b>15</b>	<b>108,735</b>	<b>100.0</b>	<b>17</b>	<b>150,017</b>	<b>100.0</b>	<b>8</b>	<b>112,280</b>	<b>100.0</b>

During the Track Record Period, our Directors confirm that our Group did not experience any material inaccurate estimation or material cost overruns in the construction projects we completed or had in hand.

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

During the Track Record Period, all of our subcontractor projects were obtained through quotations whilst our main contractor projects were mainly obtained through the process of tendering. All of our tender and quotation submissions were made in response to invitations. The following tables set out the success rate of our tender/quotation submissions for our subcontractor projects and our main contractor projects during the Track Record Period and further to the Latest Practicable Date:

Subcontractor projects	For the year ended		For the four months ended	For the period from
	31 December 2015	31 December 2016		
Number of quotation invitations <sup>(1)</sup>	22	15	2	4
Number of quotations submitted	22	15	2	4
Number of successful quotation submissions	4	3	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
Quotation success rate (%)	18.2%	20.0%	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>

**BUSINESS**

*Notes:*

1. Only quotations with intended project sum exceeding S\$1 million are included.
2. The results of the quotation submissions we made during the period were pending as at the Latest Practicable Date.

<b>Main contractor projects</b>	<b>For the year ended 31 December</b>		<b>For the four months ended 30 April 2017</b>	<b>For the period from 1 May 2017 to the Latest Practicable Date</b>
	<b>2015</b>	<b>2016</b>		
<i>(i) Through tendering</i>				
Number of tender invitations <sup>(1)</sup>	N/A	3	2	0
Number of project bids	N/A	3	2	0
Number of successful project bids	N/A	1	1	N/A
Tender success rate (%)	N/A	33.3%	50.0%	N/A
<i>(ii) Through quotations</i>				
Number of quotation invitations <sup>(1)</sup>	N/A	1	0	0
Number of quotations submitted	N/A	1	0	0
Number of successful quotation submissions	N/A	0	N/A	N/A
Quotation success rate (%)	N/A	0%	N/A	N/A

*Note:*

1. Only tenders or quotations with intended project sum exceeding S\$1 million are included.

All of our tender or quotation submissions are made in response to invitation. We generally submit tenders or quotations when invited to do so, as a matter of respect for our customers. Depending on our inclination to clinch the projects and taking into account the nature of work and risks involved, we may factor in slightly higher profit margins. Our quotation success rate for subcontractor projects increased from approximately 18.2% for the year ended 31 December 2015 to approximately 20.0% for the year ended 31 December 2016. We submitted two quotations for the four months ended 30 April 2017 and four quotations for the period from 1 May 2017 up to the Latest Practicable Date for subcontractor projects, respectively. The results of these submissions during these periods had not yet been released as at the Latest Practicable Date. In addition, our tender success rate for main contractor projects increased from 33.3% for the year ended 31 December 2016 to 50.0% for the four months ended 30 April 2017. Our Group did not receive any tender invitations for main contractor projects for the period from 1 May 2017 up to the Latest Practicable Date. As for main contractor projects through quotations, our success rate was nil for the year ended 31 December 2016. We had not received any quotation invitations for main contractor projects for the four months ended 30 April 2017 and for the period from 1 May 2017 up to the Latest Practicable Date.

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As part of our expansion plans, we have also been seeking to tender for main contractor projects. In this regard, we have been actively looking for large scale projects in order to establish our presence as a main contractor.

### **Award of contract and project acceptance**

Upon notification from the customer that we have been awarded the contract, our contracts department normally receives a letter of award or a letter of intent from the customer. Our contracts department reviews the contract award documentation against the original tendering documents to identify any variations.

Upon receipt of the formal contract, we will review the contract documentation award package against the original tendering documentation to identify any changes, variations or discrepancies. In the event of such changes, variations or discrepancies, we will notify the customer in writing, clearly documenting any discrepancies.

Following the satisfactory review of the award documentation, our operation director appoints a project manager. The appointed project manager is responsible for collating all relevant information and documentation in preparation for the initial project meeting, which include:

- commercial and tender reviews;
- drawings and the documentation register;
- the scope of work;
- the organisation chart;
- the baseline duration and manning schedule;
- a budget summary; and
- the award documentation.

For any awarded contract which requires a performance bond, we typically arrange to provide for such a performance bond between 14 and 28 days from the award date. Generally, the quantum of a performance guarantee required is 5% or 10% of our initial contract value. The managing director and the operation director of our Group would hold discussions on the formation of the project team and various issues including deployment of manpower, allocation of machinery usage, engagement of subcontractors and suppliers and other resources with respect to the awarded contract.

The project manager appointed to take charge of the project is also responsible for discussing with the customer's project representatives on project matters including the allocation of site offices, working schedules, machinery and material storage areas.



## BUSINESS

### *Forming a project team*

To implement our construction project, we need to form a project team, the size of which may vary with the scale and complexity of the project. A project team of ours typically comprises the following key personnel: operation director, project manager, quantity surveyor, project engineer, site supervisor and workplace safety and health coordinator. On the one hand, our managing director will closely monitor the progress of the project on a continuous basis and ensure that the relevant legal and contractual requirements are complied with. On the other hand, our project team will oversee the project on site and report the project status to our managing director and identify any problems that need to be resolved from time to time.

Set out below are some general duties individually performed by members of a project team:

### *Operation director*

Our operation director is responsible for overseeing the on-going projects of our Group with the assistance of our project managers. Our operation director monitors the overall progress of the projects and the actual expenses incurred in each project against our budget plan. He reports the progress of the projects directly to our managing director.

### *Quantity surveyor*

Our quantity surveyor is responsible for preparing tendering documents, performing cost estimation, assessing the quantity of completed works, preparing interim payment submissions, and approving the value of work done by our subcontractors, payment to suppliers and quantitative information for claims and final accounts.

### *Project manager*

Our project manager is responsible for the day-to-day execution and administration of our construction project. He prepares, supervises and approves the project execution plan. He is also responsible for liaising with the main contractor, the subcontractor(s), and the customer's representatives regarding work schedules, resource allocation, technical compliance as well as attending progress meetings.

Our project manager also monitors workmanship, manages the work performance and progress of subcontractors and suppliers designated for the project and handles complaints from customers or other external parties. In addition, he generates progress reports and ensures that all works are carried out in accordance with the applicable safety requirements and safe work procedures of the project.

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### *Project engineer*

Our project engineer prepares daily activity schedules in accordance with the main works schedules and sequence of works. He also monitors the progress of works against planned schedules, and manages workers and subcontractors as regards quality control, work progress, material wastage control and resource allocation.

Our project engineer also assists in overseeing the progress of works for the submission of progress reports to the customer. In addition, he ensures all works are carried out and all the installations are done in accordance with the approved drawings and specifications.

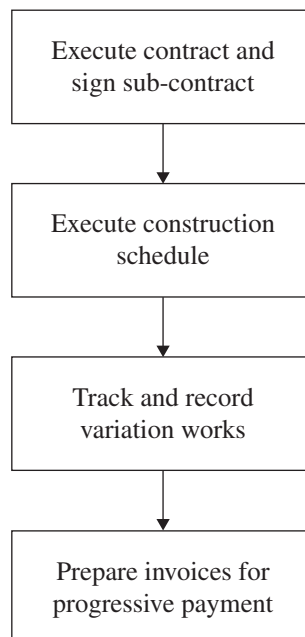
### *Site supervisor*

Our site supervisor supervises workers and ensures that they perform works in accordance with the instructions from our project engineer. Our site supervisor also allocates manpower according to the work schedules and reports the progress of the project to our project manager.

### *Workplace safety and health coordinator*

Our workplace safety and health coordinator is responsible for ensuring the safety of our operations. He identifies all potential work hazards prior to the commencement of any work and disseminates all safety information to all workers via the daily toolbox meeting. He, with the assistance of our site safety supervisor(s), enforces safety measures, prepares safety equipment and reports safety incidents.

## **Execution and project implementation**



## BUSINESS

### *Executing contracts and signing sub-contracts*

Upon agreement of contractual terms, contracts and sub-contracts will be signed and executed by the relevant parties.

### *Executing the construction schedule*

Upon execution of the contract of the project, our operation director commences discussion with members of the project team at the site office on works execution processes including the timeframe for completion of works, planning and allocation of manpower and machinery resources and other pertinent matters for the smooth completion of the works. The personnel in our project team will each carry out their roles in the project implementation. Our project manager bears the overall responsibility in managing the project.

Our project team ensures that all resources, manpower and machinery are kept to optimum requirements and are deployed 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. Our contracts manager or our project manager is responsible for the procurement of materials, the lease of machinery and equipment as well as the engagement of subcontractors, subject to approval from our managing director and operation director. Our safety team, comprising our workplace safety and health coordinator and our site safety supervisors seek to ensure the proper execution of safety measures as well as the fulfilment of safety requirements. Expenses including labour, materials, subcontracts and overheads are regularly recorded, summarised and compared against budgets. Reports are submitted by our project manager to management for review on a monthly basis.

### *Tracking and recording variation works*

Our quantity surveyor, in consultation of our project manager and our contracts manager, prepares and submits the monthly interim claim to the customer's representatives. Our quantity surveyor, with the assistance from other site team members, monitors and updates all claim records and variation orders at all times.

Our quantity surveyor, our project manager and our contracts manager would also evaluate claim records from our subcontractors and suppliers and issue payment certificates to them.

Our quantity surveyor submits the monthly progress claim, including the claim in relation to variation orders for the corresponding period, to the customer's project representatives for evaluation. Also, our quantity surveyor has to ensure that the payment certificates or payment response issued by the customer will be received within 21 days, from the date of claim.

### *Preparing invoices for progressive payment*

Upon receipt of the payment certificate or payment response, our finance department will prepare and present a tax invoice to the customer for payment. Payment shall typically be received within 35 days from the date of tax invoice.

## BUSINESS

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

### **Project completion**

Upon completion of the project work, our project team prepares for the handing over of the completed works to the customer's representatives, which involves assisting the customer's representatives in the preparation of as-built drawings. Our project team also plans for the demobilisation of resources. When all these procedures finish, our project team will arrange a final inspection for the customer. Should the customer be satisfied with the inspection result, our project team will hand over the site to the customer. Our operation director and our project manager will then commence to redeploy manpower and machinery to other sites. All temporary structures and facilities at site shall be demolished and removed.

Our contracts manager and quantity surveyor submit to our customer's representatives the final accounts, which shall typically be settled within six months from the date of completion of the works. Our quantity surveyor, in consultation with our project manager and our contracts manager, prepares the final accounts, taking into account items including contra charge and late penalty. Upon agreement on the final accounts with our customer's representatives, our quantity surveyor submits the penultimate claim and seeks the release of first half of retention monies, which is usually 2.5% or 5% of the certified amount. Upon receipt of a payment response 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 up to 18 months from project completion. When the defects liability period ends, our contracts manager and our quantity surveyor will request the discharge of the performance bond or performance guarantee and collect the original of the said document from our customer.

Upon discharge of the performance bond, our contracts manager and our quantity surveyor will submit the final claim to the customer's representatives, including seeking the release of the remaining half of the retention monies, which is usually 2.5% or 5% of the certified amount.

Our Directors confirm that our Group did not experience any material deduction of the retention monies we were entitled to receive or any forfeiture or deduction of the performance bonds we took out during the Track Record Period.

## **CUSTOMERS**

For the two years ended 31 December 2016 and the four months ended 30 April 2017, our revenue amounted to approximately S\$29.9 million, S\$30.1 million and S\$12.2 million, respectively.

Our direct customers are primarily the main contractors of various types of general building or civil engineering projects in Singapore, including main contractors engaged by government bodies and project developers. During the Track Record Period and up to the Latest Practicable Date, our Group was awarded two projects in which we acted as a main contractor and hence these two customers were

## BUSINESS

project developers. All our customers and projects are located in Singapore and all of our service fees are denominated in Singapore dollars. During the Track Record Period and up to the Latest Practicable Date, three of our customers awarded more than one contract to us.

For the two years ended 31 December 2016 and the four months ended 30 April 2017, the percentage of our Group’s aggregate revenue attributable to our largest customer, namely, Samsung and Penta-Ocean in terms of revenue, was approximately 44.4%, 42.3% and 62.5% 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 97.3%, 96.6% and 97.7% respectively.

For the two years ended 31 December 2016 and the four months ended 30 April 2017, the percentage of our Group’s aggregate revenue attributable to our largest customer and its affiliates, in terms of revenue, was approximately 44.4%, 65.0% and 75.1%, respectively, for the corresponding periods, respectively, while the percentage of our Group’s aggregate revenue attributable to our five largest customers and its affiliates, in terms of revenue, was approximately 99.1%, 96.6% and 97.7% respectively.

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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 the year ended 31 December 2015**

Rank	Customer	Background of customer	Year in which business relationship with our Group commenced	Credit term	Revenue derived from customer for the year S\$'000	Percentage of total revenue
1	Samsung	A construction contractor headquartered in Korea and listed on the Korea Exchange (stock code: KRX 028260)	1998	35 days upon receipt of invoice	13,302	44.4%
2	JDC	A construction contractor headquartered in Japan with the parent company established in 1951	1997	35 days upon receipt of invoice	6,659	22.2%
3	Penta-Ocean	A construction contractor headquartered in Japan with the parent company established in 1896 and listed on the Tokyo Stock Exchange (stock code: TYO1893) and the Nagoya Stock Exchange (stock code: NAG1893)	1999	35 days upon receipt of invoice	5,401	18.1%
4	Customer D/ Supplier C/ Subcontractor A	A construction company incorporated in Singapore	2006	30 days upon receipt of invoice	3,233	10.8%
5	Customer E	A limited liability company incorporated in Singapore and engaging in minor construction works	2016	30 days after invoice date	540	1.8%
Five largest customers in aggregate					29,135	97.3%
Affiliate(s) of the five largest customers					529	1.8%
All other customers					278	0.9%
Total revenue for the year					<u>29,942</u>	<u>100.0%</u>

**BUSINESS**

**For the year ended 31 December 2016**

Rank	Customer	Background of customer	Year in which business relationship with our Group commenced	Credit term	Revenue derived from customer for the year S\$'000	Percentage of total revenue
1	Penta-Ocean	A construction contractor headquartered in Japan with the parent company established in 1896 and listed on the Tokyo Stock Exchange (stock code: TYO1893) and the Nagoya Stock Exchange (stock code: NAG1893)	1999	35 days upon receipt of invoice	12,716	42.3%
2	Penta Bachy Joint Venture <sup>(1)</sup>	A joint venture construction contractor established by Penta-Ocean and Bachy Soletanche	2015	35 days upon receipt of invoice	6,815	22.7%
3	Samsung	A construction contractor headquartered in Korea and listed on the Korea Exchange (stock code: KRX 028260)	1998	35 days upon receipt of invoice	4,940	16.4%
4	JDC	A construction contractor headquartered in Japan with the parent company established in 1951 in Japan	1997	35 days upon receipt of invoice	3,195	10.6%
5	Customer G	A golf and country club operator in Singapore	2016	35 days upon receipt of invoice	1,393	4.6%
Five largest customers in aggregate					29,059	96.6%
Affiliate(s) of the five largest customers					—	—
All other customers					1,009	3.4%
Total revenue for the year					<u>30,068</u>	<u>100.0%</u>

*Note:*

- Penta Bachy Joint Venture is a joint venture formed by Penta-Ocean and Bachy Soletanche specifically for Project Orchard Station.



**BUSINESS**

**For the four months ended 30 April 2017**

Rank	Customer	Background of customer	Year in which business relationship with our Group commenced	Credit term	Revenue derived from customer for the period S\$'000	Percentage of total revenue
1	Penta-Ocean	A construction contractor headquartered in Japan with the parent company established in 1896 and listed on the Tokyo Stock Exchange (stock code: TYO1893) and the Nagoya Stock Exchange (stock code: NAG1893)	1999	35 days upon receipt of invoice	7,601	62.5%
2	Samsung	A construction contractor headquartered in Korea and listed on the Korea Exchange (stock code: KRX 028260)	1998	35 days upon receipt of invoice	1,992	16.4%
3	Penta Bachy Joint Venture <sup>(1)</sup>	A joint venture construction contractor established by Penta-Ocean and Bachy Soletanche	2015	35 days upon receipt of invoice	1,530	12.6%
4	Customer G	A golf and country club operator in Singapore	2016	35 days upon receipt of invoice	378	3.1%
5	JDC	A construction contractor headquartered in Japan with the parent company established in 1951 in Japan	1997	35 days upon receipt of invoice	373	3.1%
Five largest customers in aggregate					11,874	97.7%
Affiliate(s) of the five largest customers					—	—
All other customers					281	2.3%
Total revenue for the period					<u>12,155</u>	<u>100.0%</u>

*Note:*

- Penta Bachy Joint Venture is a joint venture formed by Penta-Ocean and Bachy Soletanche specifically for Project Orchard Station.

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None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company during the Track Record Period and up to the Latest Practicable Date or had any interest in any of the top five customers of our Group during the Track Record Period and up to the Latest Practicable Date.

### *Our relationship with Samsung*

#### *Background of Samsung*

Founded in 1963, Samsung is a construction company headquartered in Korea and currently listed on the Korea Exchange (stock code: KRX 028260). Over the years of operation, Samsung has actively participated in numerous large-scale building and infrastructure projects around the world, including Petronas Twin Towers in Malaysia, the Barakah Nuclear Power Plant project in United Arab Emirates, the Mersey Gateway Bridge project in the United Kingdom and the Riyadh Metro project in Saudi Arabia. As at the Latest Practicable Date, the market capitalisation of Samsung was approximately KRW28 trillion. Samsung is one of the largest construction companies in Singapore with currently a total of approximately 10,000 employees as of 2016. According to the Euromonitor Report, Samsung ranked first, occupying a market share of 2.45%, in the construction industry in terms of revenue receipt generated from provision of construction works in Singapore in 2016. Samsung has engaged in various construction projects in Singapore, including UIC Building, Changi Airport and the expansion of the Singapore LNG Terminal.

#### *Business relationship with Samsung*

Our Group has maintained business relationship with Samsung since 1998, started with providing steel reinforcement works. Prior to the Track Record Period, we had participated in three projects from Samsung, namely, Project Tanjong Pagar Hotel with a contract sum of approximately S\$6.9 million, Project Tanjong Pagar Mixed Development with a contract sum of approximately S\$27.9 million and an alteration and addition construction project at Suntec City, Singapore with the contract sum of approximately S\$1.0 million.

During the Track Record Period, we had undertaken three projects from Samsung namely, Project Tanjong Pagar Mixed Development, Project Tanjong Pagar Hotel and Project New State Courts, the contract sum of each of which was approximately S\$27.9 million, S\$6.9 million and S\$23.4 million, respectively.

Over the years of our operations, we have maintained good and stable business relationship with Samsung, which is evidenced by the numerous awards granted by Samsung, including “Most Behavior Based Safety (BBS) Observation Contractor” and “Appreciation for Excellent Performance” prior to the Track Record Period, “Best Safety Conscious Contractor”, “Global Partnership Agreement” and “Safest WHSO” and “Best HSE Conscious Subcontractor Award” up to the Latest Practicable Date. Please refer to the paragraph headed “Awards and Accreditation” in this section for further details.

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### ***Our relationship with JDC***

#### *Background of JDC*

JDC is a construction contractor headquartered in Japan with its operations in Singapore commenced in 1979. JDC provides civil engineering and building construction works in Japan as well as internationally. The wide-ranging projects undertaken by this customer include buildings, roads, bridges, dams, power plants, hotels, resorts and even townships. Over the years of operation, JDC has been involved in numerous building and civil engineering projects in Singapore, including the additions and alterations project of the oil refinery at Merlimau Road, Singapore, the Tuas Tembusu BMCC Plant at Jurong Island, Singapore and the Lonza Biologics Bioreactor Plant project. JDC currently has approximately 100 employees in Singapore. The total assets of JDC's branch office in Singapore were worth S\$24.8 million as at 31 May 2015.

#### *Business relationship with JDC*

Our Group has maintained business relationship with JDC since 1997, started with providing steel reinforcement works. Prior to the Track Record Period, we had participated in four projects from JDC. In addition to Project Jurong Island and Project Jalan Pemimpin with a contract sum of approximately S\$2.7 million and S\$4.6 million, respectively, we had also participated in a project at Bishan, Singapore and a project at Jurong Gateway, the initial contract value of each of which was approximately S\$0.4 million and S\$17.8 million, respectively.

During the Track Record Period, we had undertaken four projects from JDC, namely, Project Micron, Project Jalan Pemimpin, Project Jurong Island and Project Paya Lebar Central, the contract sum of each of which was approximately S\$7.1 million, S\$4.6 million, S\$2.7 million and S\$1.9 million, respectively.

### ***Our relationship with Penta-Ocean***

#### *Background of Penta-Ocean*

Penta-Ocean is a foreign office of a construction contractor headquartered in Japan which was established in 1896 and listed on both the Tokyo Stock Exchange (stock code: TYO1893) and the Nagoya Stock Exchange (stock code: NAG1893). The headquarters of Penta-Ocean are one of the world's top players in coastal and waterfront engineering. Over the 121 years of operation, the headquarters of Penta-Ocean have been involved in the development of, among others, harbours and ports, airports, railroads, roads and tunnels, bridges and sewerage systems in Japan and overseas. As at the Latest Practicable Date, the market capitalisation of Penta-Ocean was approximately JPY207 billion. Penta-Ocean itself was registered in Singapore in 1965 and has been participating in the construction industry in Singapore for more than 20 years. Penta-Ocean is currently one of the largest construction companies in Singapore with approximately 1,500 employees. According to the Euromonitor Report, Penta-Ocean ranked second, occupying a market share of 2.36%, in the construction industry in terms of revenue receipt generated from provision of construction works in Singapore in 2016. Penta-Ocean is actively involved in a broad range of projects in Singapore, including Pasir Panjang Container Terminal Phases 3 and 4, Mount Elizabeth Novena Hospital, ArtScience Museum, Ion Orchard and Orchard Residences and the reclamation project of Jurong Island.

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### *Business relationship with Penta-Ocean*

Our Group has maintained business relationship with Penta-Ocean since 1999, started with providing steel reinforcement works. Prior to the Track Record Period, we had participated in four projects from Penta-Ocean. In addition to Project Sengkang General Hospital 1 with a contract sum of approximately S\$2.7 million, we had also participated in a hospital project at Simei Street, Singapore, a hospital project at Novena Terrace, Singapore and a medical centre at Lower Kent Ridge Road, Singapore, the initial contract value of each of which was approximately S\$2.5 million, S\$1.9 million and S\$2.3 million, respectively.

During the Track Record Period, we had undertaken three projects from Penta-Ocean, namely, Project Sengkang General Hospital 1, Project Sengkang General Hospital 2 and Project Outram Community Hospital, the contract sum of each of which was approximately S\$2.7 million, S\$15.8 million and S\$23.8 million, respectively. Subsequent to the Track Record Period, we were awarded one project from Penta-Ocean, namely, Project Woodlands, the contract sum of which was approximately S\$7.8 million. It is expected to commence in around November 2017.

### ***Our relationship with Customer D/Supplier C/Subcontractor A***

#### *Background of Customer D/Supplier C/Subcontractor A*

Customer D/Supplier C/Subcontractor A was incorporated in Singapore in 1992 with the issued and paid up capital of S\$300,000. Customer D/Supplier C/Subcontractor A engages in construction projects in Singapore, specialising in reinforced concrete works. Customer D/Supplier C/Subcontractor A currently has approximately 30 staff members.

#### *Business relationship with Customer D/Supplier C/Subcontractor A*

Our Group has maintained business relationship with Customer D/Supplier C/Subcontractor A by commencing the provision of steel reinforcement works since 2006. Prior to the Track Record Period, we had participated in three projects from Customer D/Supplier C/Subcontractor A. In addition to Project Amkor with a contract sum of approximately S\$4.2 million, we had also participated in a project at Admiralty Street, Singapore and a project at Paya Lebar Road, Singapore, the initial contract value of which was approximately S\$1.3 million and S\$0.8 million, respectively.

During the Track Record Period, we had undertaken one project, namely, Project Amkor, from Customer D/Supplier C/Subcontractor A, the contract sum of which was approximately S\$4.2 million. Customer D/Supplier C/Subcontractor A was also our subcontractor in Project Tanjong Pagar Mixed Development during the Track Record Period.

### ***Our relationship with Customer E***

#### *Background of Customer E*

Customer E is a limited liability company incorporated in Singapore with the issued and paid up capital of S\$200 million as at 31 March 2016. Customer E is a steel mill in Singapore with an integrated upstream and downstream operation. Being one of the top steel providers in the Asia Pacific currently with over 3,000 employees across the region, Customer E engages in supplying steel products and

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solutions, which have been used in various construction projects in Singapore, for example, Changi International Airport, Stevens MRT station, Marina Coastal Expressway and Marina Bay Financial Centre. The ultimate holding company of Customer E is a global steel company and listed on the National Stock Exchange of India and the Bombay Stock Exchange.

### *Business relationship with Customer E*

Our Group has maintained business relationship with Customer E since 2016. Prior to the Track Record Period, we had participated in one project from Customer E, namely, Project Jalan Buroh, of which the contract sum was approximately S\$0.7 million.

During the Track Record Period, we had undertaken one project from Customer E, namely, Project Jalan Buroh, in which we provided steel reinforcement works. The contract sum of Project Jalan Buroh was approximately S\$0.7 million.

### *Our relationship with Penta Bachy Joint Venture*

#### *Background of Penta Bachy Joint Venture*

Penta Bachy Joint Venture is a joint venture established by Penta-Ocean and Bachy Soletanche, a Singapore subsidiary of a construction group headquartered in France. The group to which Bachy Soletanche belongs is a renowned geotechnical construction company in the world, which specialises in geotechnical engineering processes, special foundations, underground works, ground improvement and pollution treatment and control. The expertise which the Bachy Soletanche’s group possesses is wide-ranging, covering repairing foundations, stabilising slopes or soil faces, carrying out major urban excavations and engineering dam cut off systems. The ultimate owner of Bachy Soletanche is listed on the Euronext’s Paris Stock Exchange. Being a specialist in geotechnical and civil engineering works, Bachy Soletanche has been actively involved in the construction of MRT stations in Singapore, including Telok Ayer station, Bugis station and Project Orchard Station, which we are currently working on. Please refer to the paragraph headed “Customers — Top five customers — Our relationship with Penta-Ocean” above in this section for details of Penta-Ocean.

#### *Business relationship with Penta Bachy Joint Venture*

Our Group has maintained business relationship with Penta Bachy Joint Venture since 2015. During the Track Record Period, we had undertaken one project from Penta Bachy Joint Venture, namely, Project Orchard Station, in which we provided reinforced concrete works. The contract sum of Project Orchard Station was approximately S\$38.0 million.

Since our Group’s cooperation with Penta Bachy Joint Venture, we have been granted three awards by Penta Bachy Joint Venture, namely, “Best Sub Contractor”, “1 Million Safe Man Hour Celebration” and “2 Million Hours LTI (Lost Time Injury) Free Celebration” up to the Latest Practicable Date, which can demonstrate the good business relationship between our Group and Penta Bachy Joint Venture. Please refer to the paragraph headed “Awards and Accreditation” in this section for further details.

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### *Our relationship with Customer G*

#### *Background of Customer G*

Customer G is a golf and country club operator in Singapore with its history dated back to 1891. Being a respected and prestigious golf and country club with currently a total membership of approximately 18,000 in Singapore, Customer G offers premium golf courses, recreational facilities and services to its members.

#### *Business relationship with Customer G*

Our business relationship with Customer G commenced in 2016 when we undertook the first project as a main contractor for Project SICC during the Track Record Period. We were involved in the construction work of a buggy track. The contract sum of Project SICC was approximately S\$1.9 million.

### **Other major customers prior to the Track Record Period**

The year of 2013 denotes a major milestone of our corporate history as we undertook the project of the tallest building in Singapore as at the Latest Practicable Date. Other than the customers we had during the Track Record Period, we also worked with seven other customers from 2013 to 2014, three of which had individually contributed a revenue of over S\$1.0 million during the said period. The background of these seven customers is set out below:

- a construction company incorporated in Singapore. For the two years ended 31 December 2014, we had individually participated in a hospital project at Jurong East Street, Singapore from this customer, the initial contract sum of which was approximately S\$1.5 million.
- the Singapore branch of a Korea-based company, mainly engaging in the construction and civil engineering businesses. This Korea-based company was founded in 1969 and its shares are listed on the Korea Exchange. For the two years ended 31 December 2014, we had participated in three hospital projects at Jurong East Street, Singapore from this customer, the initial sum of each of which was approximately S\$6.4 million, S\$4.0 million and S\$9.8 million, respectively.
- a construction company incorporated in Singapore. For the two years ended 31 December 2014, we had participated in a project at Shenton Way, Singapore and a project at Sungai Kadut Street, Singapore from this customer, the contract sum of each of which was approximately S\$0.1 million and S\$59,000, respectively.
- a company incorporated and listed in Singapore, engaging in, among others, general building and civil engineering businesses. For the two years ended 31 December 2014, we had participated in Project Jurong Hotel, a shopping complex project above Serangoon MRT station in Singapore, a residential project at Upper Serangoon Road, Singapore, a commercial development project at Paya Lebar Road, Singapore, and a condominium project at Delta Road, Singapore from this customer, the contract sum of each was approximately S\$3.6 million, S\$2.4 million, S\$3.0 million, S\$1.9 million and S\$0.5 million, respectively.

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- a construction company incorporated in Singapore. For the two years ended 31 December 2014, we had participated in a project at Tuas Biomedical Park, Singapore from this customer, the contract sum of which was S\$0.1 million.
- a construction company incorporated in Singapore. For the two years ended 31 December 2014, we had participated in an MRT project from this customer, the contract sum of which was approximately S\$0.3 million.
- a joint venture construction contractor formed by Samsung and a construction contractor incorporated in Singapore of which its holding company is listed on the Singapore Stock Exchange. For the two years ended 31 December 2014, we had participated in a mixed development project at Farrer Park from this customer, the initial contract value of which was approximately S\$0.9 million.

### Customer concentration

For the two years ended 31 December 2016 and the four months ended 30 April 2017, the aggregate percentage of our total revenue attributable to our five largest customers amounted to approximately 97.3%, 96.6% and 97.7%, respectively. For the same periods, the percentage of our total revenue attributable to our largest customer, namely, Samsung, Penta-Ocean and Penta-Ocean, amounted to approximately 44.4%, 42.3% and 62.5%, respectively. In addition, the percentage of our Group's aggregate revenue attributable to our largest customer and its affiliates, in terms of revenue, was approximately 44.4%, 65.0% and 75.1%, respectively, for the two years ended 31 December 2016 and the four months ended 30 April 2017. For the same periods, the percentage of our Group's aggregate revenue attributable to our five largest customers and its affiliate, in terms of revenue, was approximately 99.1%, 96.6% and 97.7%, 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 our priority to work with reputable and sizable main contractors, which in turn tend to undertake large construction or infrastructure projects. 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 Samsung, JDC and Penta-Ocean), which are renowned main contractors, had long-standing business relationship with us over 18 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;
- (ii) we believe that our business relationship with major customers, technical expertise, industry experience of the management and proven track record as a quality contractor in handling reinforced concrete works are conducive to the execution of our major customers' projects in terms of delivery time as well as quality of works;
- (iii) our Group has endeavoured to enlarge our client base by tendering for projects as a main contractor. During the Track Record Period, we had undertaken two projects in which we acted as a main contractor. In addition, we intend to upgrade both our CW01 workhead for



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“General Building” and CW02 workhead for “Civil Engineering” from our current C1 Grade to B2 Grade, which would allow us to undertake public sector projects with tendering limits increased from S\$4 million to S\$13 million. Our Directors believe that by undertaking projects as a main contractor and/or participating in projects of larger scale, our corporate profile and recognition would be enhanced. Please refer to the paragraph headed “Our Business Strategies — Upgrade our licences so as to expand our business through bidding for larger public sector projects” in this section for further details;

- (iv) We have the skills and expertise to participate in reputable general building projects such as Project Tanjong Pagar Hotel and Project Tanjong Pagar Mixed Development as well as civil engineering projects such as Project Jalan Buroh and Project Orchard Station, which allows us to work with a larger range of customers specialising in a wide spectrum of projects. Hence, this offers our Group greater flexibility in the selection of projects; and
- (v) certain of our customers demanded our services during the Track Record Period as evidenced by the number of invitations for tenders or quotations during the same period.

Our Group plans to broaden our customer base so as to reduce the reliance on our major customers. As such, our business strategies are devised to work towards this goal. Please refer to the paragraph headed “Our Business Strategies” in this section for further details.

### SUSTAINABILITY OF OUR BUSINESS

Our Directors believe that our Group’s business is sustainable in view of the following:

- according to the Euromonitor Report, outlook for the construction industry in Singapore in the coming years remains positive. Annual construction demand is expected to increase from S\$26.4 billion in 2016 to S\$35.0 billion annually in 2018 and 2019, and further increase to S\$37.0 billion in 2020 and 2021. Moreover, according to the Euromonitor Report, public sector construction projects will be a key driver for the construction industry in Singapore in the coming years. Accordingly, we had leveraged this industry trend by actively participating in public sector projects.
- among seven of our top five customers during the Track Record Period, we had maintained consecutive business relationship with Samsung, JDC, Penta-Ocean and Subcontractor A/ Customer D/Supplier C since 2013, a major milestone of our corporate history after being awarded the contract for Project Tanjong Pagar Mixed Development. Given our stable relationship with these major customers, we expect that we will be able to secure construction projects from them in the future.
- our Group had been actively involved in construction projects of various sizes during the Track Record Period, the contract values of which ranged from approximately S\$1,000 to approximately S\$38.0 million. We expect that our capability of undertaking projects of different scales and proven track record as a quality contractor in handling both public and private sector projects such as Project Tanjong Pagar Mixed Development and Project Sengkang General Hospital 1 and 2 will enable us to cater to customers of various kinds.



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- as for our construction projects on hand, our expected revenue recognised for the two years ending 31 December 2019 is approximately S\$36.2 million and S\$7.3 million, respectively. Moreover, we continue to make quotation submissions for subcontractor projects. For the period from 1 May 2017 up to the Latest Practicable Date, our Group submitted four quotations for subcontractor projects, the quotation amount of which is approximately S\$35.3 million, S\$26.8 million and S\$41.2 million and S\$25.5 million, respectively. It generally takes our customers around 1.5 months to 11 months to consider our quotation and confirm our engagement based on our Directors’ experience. As such, the results of these submissions during this period had not yet been released as at the Latest Practicable Date. Our Group will continue to make quotation submissions when we identify suitable opportunities in the market.
- In addition to subcontractor projects, our Group also participated in main contractor projects during the Track Record Period. We commenced taking up the role of a main contractor in 2016 when we participated in Project SICC. We were also awarded another main contractor project, namely, Project Tanjong Penjuru, which commenced in May 2017. To enhance our Group’s capability of handling main contractor projects, we have employed Mr. Kok Seng Yoong Peter. In consideration of Mr. Kok’s long career history, ample experience in the construction industry and his strong network with public and private sector participants, our Directors believe that our Group can leverage Mr. Kok’s industry connections to gain better opportunities to tender for main contractor projects. For details of Mr. Kok’s biography, please refer to the section headed “Directors and Senior Management — Senior management” of this document. In addition, the additional capital resources which our Group is able to obtain from the [REDACTED] will provide us with sufficient funds for participating in main contractor projects.

### Key contract terms

Generally, the contracts with our customers contain terms relating to the contract price, scope of work, payment terms, retention monies, defects liability period provisions, performance bonds, liquidated damages, variation and termination.

Initial contract value : The initial amount for carrying out the scope of work

For 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 variations ordered by our clients.

For provisional price contracts, the initial contract value is an estimate of the work to be done, based on the bills of quantities submitted for tendering. Remeasurements based on the actual as-built quantities of work done according to the unit price or rate provided in the contract are anticipated at the time of entering into the contract.

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- Time for commencement and completion : Our contracts typically stipulate when we are expected to commence the works, when we are required to complete the works for each phase, and the extension period permitted for completion where there are delays notwithstanding our due diligence and the taking of all reasonable steps or the occurrence of certain events set out under the contracts.
- Type and scope of work : The type and scope of work we are required to provide
- Progress claims and credit terms : We make monthly progress claims and submit them to our customers. Subject to our customer's payment response, we will proceed to issue an invoice with a credit term in accordance with the contract. Under the Building and Construction Industry Security of Payment Act, Chapter 30B of Singapore ("BCISPA"), any person who has carried out any construction work or supplied any goods or services under a contract is entitled to a progress payment. Monthly progress claims are to be certified by the customer within 21 calendar days from the submission of our progress claims and payment is to be made within 35 days of such certification. The BCISPA also contains provisions setting out, amongst others, the basis of calculation of the progress payment to which a person is entitled under a contract, valuation of the construction work carried out under a contract and the date on which a progress payment becomes due and payable. Therefore, we have the right to the progress claims that we make in accordance with the work we have carried out and based on the agreed contract terms with our customers.
- 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.
- Variation orders : Our customers may from time to time order variation by amending the specification and scope of works from that originally contracted. The variation clause will set out, *inter alia*, the details of what constitutes a variation, quotations involved in a variation order and alternative proposals that we as the subcontractor may have. A variation order may increase, omit or vary the original scope of work and alter the initial contract value and the variations are often valued by referencing to the rates and prices in the bills of quantities or schedule of rates in the contract. However, if the varied work does not involve similar character or is not to be executed under similar conditions to the work originally contracted, we may submit further quotations to our customers in respect of costs.

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Retention monies : The sum generally provided in a contract to be retained by our customer at each interim payment. Typically, the amount to be held up is 5% or 10% of each of the certified amounts and up to a maximum limit of 5% or 10% of the initial contract value. Half of the retention is to be released upon agreement of the final accounts. The remaining half of the retention monies is usually to be released (i) upon completion of our part of our works; (ii) upon completion of the works under the main contract; (iii) upon expiration of the defects liability period as stipulated in the contract with our customer; or (iv) upon expiration of the defects liability period as stipulated in the main contract. Generally, the defects liability period lasts for up to 18 months from the date of completion for our projects as subcontractors. As for the projects in which we act as a main contractor, the defects liability period lasts for 12 months from the date of completion.

Performance bonds : For contracts undertaken from our customers, 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 this customer, which will remain in effect until the release of the performance bond or upon expiry of the bond, which is upon or after completion of the project. The customer may utilise the performance bond to make good any loss or damages sustained as a result of any breach by us of the contract with this customer.

During the Track Record Period, four of our contracts required us to take out performance bonds. Three of them were contracts with main contractors, namely, Project Tanjong Pagar Hotel, Project Tanjong Pagar Mixed Development and Project New State Courts and one was a main contract, namely, Project SICC. Subsequent to the Track Record Period and up to the Latest Practicable Date, one main contract, namely, Project Tanjong Penjuru, required us to take out a performance bond. For each of the two years ended 31 December 2016 and for the four months ended 30 April 2017, no claim had been made on any performance bonds.

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- Contra charge arrangement : In the event that we lease certain machines or equipment from our customers or request our customers to place orders for the materials required for our work or to provide to us certain services like scaffolding and plastering, our customers may pay on our behalf and claim us back. In certain projects, we may be charged by our customers a handling and administration charge of approximately 15% of the amount to be claimed. The contra charge amount is to be deducted from the payments made by our customers to us. Please refer to the paragraph headed “Contra charge arrangement with our customers” in this section for further details.
- Default : In the event that there is default of contract on our part, for example, failing to execute the works or perform our obligations pursuant to the contract, our customer may terminate the contract with us, order us to vacate and surrender possession of the construction site to our customer and claim us for damages.
- Defects liability period : Our contracts generally include a defects liability period, during which we are responsible for rectifying defects which were due to our fault at no extra cost to our customers. If the materials used are not in accordance with the contract, we will replace them during the defects liability period. If the part of work in which the materials are involved is subcontracted to our subcontractor, we will request the relevant subcontractor to do the replacement. Generally, the defects liability period lasts for up to 18 months from the date of completion for our projects as a subcontractor. As for the projects in which we act as a main contractor, the defects liability period lasts for 12 months from the date of completion.
- During the Track Record Period, no material claim had been brought against our Group by our customers, nor was there any significant customer complaint during the Track Record Period.
- Insurance : Where we are the main contractor for our projects, we are required to procure insurance such as contractors’ all risks insurance and work injury compensation insurance specifically for the project. In projects for which we act as a subcontractor, the project-based insurance policies are taken out by the main contractor. For further details of the insurance policies taken out by our Group, please refer to the paragraph headed “Insurance” in this section.

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Foreign workers : Our contracts typically include a clause stating the number of MYE quotas we are allocated by our main contractor for the execution of our project. We are responsible for ensuring that the foreign workers we employ possess valid work permits issued by the MOM and are certified workers, foremen and supervisors who meet the requisite regulatory requirements. We are liable for and shall indemnify our customers against any liability, damage or losses or arising any breach of the laws in relation to employment or immigration.

During the Track Record Period, we did not hire any illegal foreign workers and no action or notifications were taken against us or issued to us in connection with the employment of illegal foreign workers.

Construction materials : Most of our contracts do not require us to provide construction materials such as steel reinforcing bars and concrete.

In contracts regarding formwork erection, we are required to provide formworks and formwork-related components for the project.

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 result in liquidated damages imposed on our customer, we shall pay the customer the liquidated damages calculated at the rates stipulated in the contract. There were no material liquidated damages paid by our Group during the Track Record Period.

Termination : Our customers are entitled to terminate our contracts under certain circumstances, including, events of default, failure to commence the contract works in accordance with the conditions as contracted, to renew or maintain any licence required to carry out the contractual works or to insure or deposit insurance policies as agreed 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 termination of contracts by our customers.

### **Credit policy and retention monies**

Before deciding whether to submit a tender proposal or a quotation, we typically take into account the creditworthiness of our customers. Our contracts with our customers specify the credit term, including the payment stages, retention monies to be withheld and the release of retention.

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Upon the entering into of a formal contract and the commencement of the construction project, our accounting staff together with our costing personnel are responsible for collecting receivables. To do this, they maintain a register of interim payment applications to monitor whether all payment certificates have been duly issued by our customer at various stages and ensure the settlement of the accounts by our customers. This will be compared by our accounting staff against the payment application and invoices issued in order to follow up with outstanding receivables. In case of any long overdue payment from any of our customers, our managing director will be responsible for liaising with them in order to collect receivables.

We will usually grant our customers a credit period of within 35 days from the date of our invoice. Our customers will usually retain 5% or 10% of each interim payment and up to a maximum limit of 5% or 10% of the initial contract value as retention monies. Typically, half of the retention money will be released upon agreement of the final accounts. The remaining half of the retention monies is usually to be released (i) upon completion of our part of our works; (ii) upon completion of the works under the main contract; (iii) upon expiration of the defects liability period as stipulated in the contract with our customer; or (iv) upon expiration of the defects liability period as stipulated in the main contract. Generally, the defects liability period lasts for up to 18 months from the date of completion for our projects as subcontractor. As for the projects in which we act as a main contractor, the defects liability period lasts for 12 months from the date of completion.

As at 30 April 2017, our retention sum receivables amounted to approximately S\$6.5 million, representing approximately 9.0% of our total revenue of approximately S\$72.2 million for the two years ended 31 December 2016 and the four months ended 30 April 2017. A provision of impairment loss for the retention sum receivables of approximately S\$225,000 from Customer Z/Subcontractor Z was recognised for the year ended 31 December 2015. Customer Z/Subcontractor Z is a construction company incorporated in Singapore, which is an Independent Third Party. It was neither one of our top five customers nor one of our top five subcontractors during the Track Record Period. For the two years ended 31 December 2016, our revenue attributable to Customer Z/Subcontractor Z amounted to approximately S\$0.1 million and S\$0.2 million, respectively. Provision of impairment loss being made for the retention sum receivables from Customer Z/Subcontractor Z is due to our Directors’ belief that Customer Z/Subcontractor Z was in a financial difficulty and therefore our Directors considered such amount of retention sum receivables would become potentially uncollectible. Subsequently, we had negotiations with Customer Z/Subcontractor Z, and Customer Z/Subcontractor Z agreed to settle the outstanding retention sum receivables balance in full by instalments. All the outstanding retention sum receivables from Customer Z/Subcontractor Z had been settled by August 2017. No further provision was made for the year ended 31 December 2016. Please refer to the section headed “Financial Information — Trade and retention sum receivables” of this document for further details. During the Track Record Period and up to the Latest Practicable Date, we had no disputes with our customers in relation to the collection of retention monies.

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### Sales and marketing

A significant number of our customers are our long-time customers who have worked with us repeatedly for more than a decade. There are also some customers who come to know of us by word of mouth. We also monitor the Singapore government’s online public tender system GeBIZ regularly for any suitable tenders. Please refer to the paragraph headed “Operation process — Tenders and quotations submitted during the Track Record Period and up to the Latest Practicable Date” in this section for details of our tender success rates and quotation success rates during the Track Record Period. Tender invitations and invitations to quote mainly come to us by word of mouth, reputation and established track record, rather than advertising and promotion. Our executive Directors continue to network and maintain good relations with other main contractors and subcontractors in Singapore. Further, our Group has been a member of the Singapore List of Trade Subcontractors, issued by the Singapore Contractors Association Ltd. since 24 May 2002. This membership provides us with a platform to network with contractors in Singapore. In addition, our executive Directors have 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. The business development role is inherently played by our executive Directors; thereby obviating the need for a sales and marketing team.

### Seasonality

Our Directors believe that the construction industry in Singapore does not exhibit any significant seasonality.

### SUPPLIERS

Our suppliers mainly supply the following to us: (i) accommodation for the foreign workers we employ; and (ii) construction materials and consumables such as steel, timber, metal formwork as well as metal ware products. Our construction work is primarily performed by foreign workers and we are required to provide accommodation for the foreign workers we employ. The provision of construction materials depends on the terms of the contract with our customers. There are contracts under which our customers provide us with the construction materials required for the projects. As such, we do not need to procure construction materials. Where construction materials are not provided by our customers as agreed in the contracts, we need to make our own purchases. Whether we need to provide construction materials depends on the type of work we have to provide under the contract and the arrangement as agreed by the relevant parties. Please refer to the paragraph headed “Raw Materials” in this section for further details. We do not enter into any long-term contract with our suppliers. We generally procure construction materials by placing orders on an anticipated consumption and need basis. We maintain good relationships with our suppliers. During the Track Record Period, we had not experienced any significant quality or fulfilment issues with our suppliers.

As at the Latest Practicable Date, there were approximately 111 suppliers on our list of approved suppliers, which is reviewed and updated regularly. During the Track Record Period, our Group did not experience any material price fluctuations in relation to our accommodation costs and construction materials costs, nor did we experience any material difficulties or delays in the supply of accommodation services for our foreign workers or in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low, given the abundance of suppliers with respect to our required materials in the market.



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**Top five suppliers**

Supplies of accommodation for foreign workers and construction materials and consumables from our largest supplier (excluding our subcontractors) accounted for 15.8%, 33.4% and 67.7% of our total supplies for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. Supplies from our top five suppliers (excluding our subcontractors) accounted for approximately 44.7%, 80.5% and 85.1% of our total supplies for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. Supplies from our top five suppliers increased significantly from 44.7% for the year ended 31 December 2015 to 80.5% for the year ended 31 December 2016 mainly because of the incurrence of the construction material costs for (i) Penta-Ocean arising from Project Outram Community Hospital; and (ii) JDC arising from Project Micron. Supplies from our top five suppliers further increased to approximately 85.1% of our total supplies for the four months ended 30 April 2017, which was mainly because of the incurrence of the construction material costs for Project Outram Community Hospital. These involved purchases of steel reinforcing bars by Penta-Ocean and JDC for us, which was and settled by the contra change arrangement for the year ended 31 December 2016 and the four months ended 30 April 2017. Please refer to the paragraph headed “Contra charge arrangement with our customers” in this section for further details.

The tables below set out a breakdown of our total supplies incurred (excluding subcontracting charges incurred) by our top five suppliers during the Track Record Period and their background information:

**For the year ended 31 December 2015**

Rank	Supplier	Background of supplier	Type of purchase/service from the supplier	Year in which business relationship with our Group commenced	Credit term	Total supplies \$S'000	Approximate percentage of our total supplies attributable to the supplier
1	JDC	A construction contractor headquartered in Japan with the parent company established in 1951 in Japan	Steel reinforcing bars	1997	N/A <sup>(1)</sup>	963	15.8%
2	Supplier B	A limited liability company incorporated in Singapore	Accommodation of workers	2014	Prepayment	833	13.7%



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Rank	Supplier	Background of supplier	Type of purchase/service from the supplier	Year in which business relationship with our Group commenced	Credit term	Total supplies S\$'000	Approximate percentage of our total supplies attributable to the supplier
3	Supplier C/ Customer D/ Subcontractor A	A construction company incorporated in Singapore	Project management service and general construction equipment and supplies	2006	N/A <sup>(1)</sup> /35 days <sup>(2)</sup> from date of invoice	382	6.3%
4	Supplier D	A limited liability company incorporated in Singapore	Accommodation of workers	2011	Prepayment	271	4.5%
5	Supplier E	A limited liability company incorporated in Singapore	Timber and plywood	2011	60 days from date of invoice	269	4.4%
Five largest suppliers in aggregate						2,718	44.7%
All other suppliers						<u>3,368</u>	<u>55.3%</u>
Total supplies for the year						<u><u>6,086</u></u>	<u><u>100%</u></u>

*Notes:*

1. The purchase or service from the supplier had arisen due to the contra charge arrangement with our customer and the contra charge was deducted from our customer's payment to us in setting our contract fee for the relevant construction project. Please refer to the paragraph headed “Contra charge arrangement with our customers” in this section for further details.
2. Included in the total purchase from Supplier C/Customer D/Subcontractor A, there was a project management fee amounting to approximately S\$222,000, with a credit term of 35 days.

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**For the year ended 31 December 2016**

Rank	Supplier	Background of supplier	Type of purchases/services from the supplier	Year in which business relationship with our Group commenced	Credit term	Total supplies S\$'000	Approximate percentage of our total supplies attributable to the supplier
1	Penta-Ocean	A construction contractor headquartered in Japan with the parent company established in 1896 and listed on the Tokyo Stock Exchange (stock code: TYO1893) and the Nagoya Stock Exchange (stock code: NAG1893)	Steel reinforcing bars	1999	N/A <sup>(1)</sup>	3,000	33.4%
2	JDC	A construction contractor headquartered in Japan with the parent company established in 1951 in Japan	Steel reinforcing bars	1997	N/A <sup>(1)</sup>	2,274	25.3%
3	Supplier B	A limited liability company incorporated in Singapore	Accommodation of workers	2014	Prepayment	1,369	15.2%
4	Supplier C/ Customer D/ Subcontractor A	A construction company incorporated in Singapore	Project management service and general construction equipment and supplies	2006	N/A <sup>(1)</sup> /35 days <sup>(2)</sup> from date of invoice	348	3.9%
5	Supplier E	A limited liability company incorporated in Singapore	Timber and plywood	2011	60 days from date of invoice	245	2.7%
Five largest suppliers in aggregate						7,236	80.5%
All other suppliers						1,752	19.5%
Total supplies for the year						<u>8,988</u>	<u>100.0%</u>

*Notes:*

- The purchase or service from the supplier had arisen due to the contra charge arrangement with our customer and the contra charge was deducted from our customer's payment to us in setting our contract fee for the relevant construction project. Please refer to the paragraph headed “Contra charge arrangement with our customers” in this section for further details.
- Included in the total purchase from Supplier C/Customer D/Subcontractor A, there was a project management fee amounting to approximately S\$37,000 with a credit term of 35 days.

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**For the four months ended 30 April 2017**

Rank	Supplier	Background of supplier	Type of purchases/services from the supplier	Year in which business relationship with our Group commenced	Credit term	Total supplies S\$'000	Approximate percentage of our total supplies attributable to the supplier
1	Penta-Ocean	A construction contractor headquartered in Japan with the parent company established in 1896 and listed on the Tokyo Stock Exchange (stock code: TYO1893) and the Nagoya Stock Exchange (stock code: NAG1893)	Steel reinforcing bars	1999	N/A <sup>(1)</sup>	2,596	67.7%
2	Supplier B	A limited liability company incorporated in Singapore	Accommodation of workers	2014	Prepayment	394	10.3%
3	Supplier G	A limited liability company incorporated in Singapore	Rental of concrete pump trucks	2015	30 days from date of invoice	122	3.2%
4	Supplier E	A limited liability company incorporated in Singapore	Timber and plywood	2011	60 days from date of invoice	85	2.2%
5	Supplier H	A limited liability company incorporated in Singapore	Hardware materials	1996	30 days from date of invoice	67	1.7%
Five largest suppliers in aggregate						3,264	85.1%
All other suppliers						<u>569</u>	<u>14.9%</u>
Total supplies for the period						<u>3,833</u>	<u>100.0%</u>

*Note:*

- The purchase or service from the supplier had arisen due to the contra charge arrangement with our customer and the contra charge was deducted from our customer's payment to us in setting our contract fee for the relevant construction project. Please refer to the paragraph headed “Contra charge arrangement with our customers” in this section for further details.

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None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date or had any interest in any of the top five suppliers of our Group during the Track Record Period and up to the Latest Practicable Date.

### SUBCONTRACTING ARRANGEMENTS

According to the Euromonitor Report, subcontracting is a prevalent practice in the construction industry in Singapore. While a main contractor subcontracts different parts of the construction work to subcontractors, subcontractors may further subcontract their work depending on manpower and resource availability. We may engage subcontractors for certain work that will be more efficiently carried out by other subcontractors. We typically subcontract the labour intensive tasks or works not within our specialisation to other subcontractors in a project.

Our subcontractors include sole proprietors as well as limited liability companies. During the Track Record Period, we had engaged 22, 16, 14 subcontractors, respectively. All of our subcontractors were located in Singapore and all of their subcontracting fees were denominated in Singapore dollars. We maintain good relationships with our subcontractors through regular communication on project-related matters, particularly coordination on when their subcontract works have to be completed and the task requirements pursuant to our contracts. We also make prompt payment to our subcontractors who often provide their services on a reliable and timely basis. In general, we are accountable to our customers for the performance of our subcontractors including but not limited to defects, delay in the project schedule and breach of rules or regulations. Unless otherwise specified in the contracts with our customers, there is no restriction clause prohibiting us from engaging subcontractors. For the two years ended 31 December 2016 and the four months ended 30 April 2017, subcontracting charges incurred by our Group amounted to approximately S\$5.8 million, S\$5.5 million and S\$0.8 million, respectively.

#### Top five subcontractors

For the two years ended 31 December 2016 and the four months ended 30 April 2017, our Group's subcontracting charges incurred by our largest subcontractor accounted for approximately 27.7%, 24.9% and 25.3% of our Group's total subcontracting charges, respectively, and approximately 6.6%, 5.7% and 2.6%, respectively of our Group's total direct costs for the corresponding periods. Our Group's subcontracting charges incurred by our top five subcontractors accounted for approximately 75.6%, 81.6% and 79.2% of our total subcontracting charges for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively, and approximately 18.1%, 18.6% and 8.1%, respectively of our Group's total direct costs for the corresponding periods.

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The tables below set out a breakdown of our total subcontracting charges incurred by our top five subcontractors during the Track Record Period and their background information:

**For the year ended 31 December 2015**

Rank	Subcontractor	Background of subcontractor	Type of service provided by the subcontractor	Year in which business relationship with our Group commenced	Credit term	Sub-contracting charges incurred by us S\$'000	Percentage of total sub-contracting charges
1	Subcontractor A/ Customer D/ Supplier C	A construction company incorporated in Singapore	Labour assistance in general construction works	2006	N/A <sup>(1)(2)</sup> /30 days from date of invoice	1,600	27.7%
2	IBCPL <sup>(3)</sup>	A limited liability company incorporated in Singapore, beneficially and wholly owned by Mr. Goh immediately prior to the Reorganisation	Labour assistance in steel reinforcement works	2014	30 days from date of invoice	820	14.2%
3	Subcontractor B	A limited liability company incorporated in Singapore	Labour assistance in general construction works	2011	14 days from date of invoice	771	13.4%
4	PGSC <sup>(3)</sup>	A sole proprietorship registered in Singapore, beneficially and wholly owned by Mr. Goh immediately prior to the Reorganisation	Labour assistance in steel reinforcement works	2006	90 days from date of invoice	687	11.9%
5	Subcontractor C	A limited liability company incorporated in Singapore	Labour assistance in formwork erection	2007	Immediate	483	8.4%
Five largest subcontractors in aggregate						4,361	75.6%
All other subcontractors						<u>1,410</u>	<u>24.4%</u>
Total subcontracting charges for the year						<u><u>5,771</u></u>	<u><u>100.0%</u></u>

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*Notes:*

1. The purchase or service from the supplier had arisen due to the contra charge arrangement with our customer and the contra charge was deducted from our customer’s payment to us in setting our contract fee for the relevant construction project. Please refer to the paragraph headed “Contra charge arrangement with our customers” in this section for further details.
2. Except for the contra charges of approximately S\$40,000, there was a subcontracting charge of approximately S\$1,560,000 for acting as the subcontractor for the formwork part of Project Tanjong Pagar Mixed Development.
3. IBCPL was wholly owned by Mr. Goh during the Track Record Period. IBCPL was a connected person of our Company until its striking off in May 2017.
4. PGSC was wholly owned by Mr. Goh during the Track Record Period and up to its dissolution in January 2017 and thus was a connected person of our Company.

**For the year ended 31 December 2016**

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year in which business relationship with our Group commenced	Credit term	Sub-contracting charges incurred by us S\$'000	Percentage of total sub-contracting charges
1	Samsung	A construction contractor headquartered in Korea and listed on Korea Exchange (Stock code: KRX 028260)	Mainly general construction works and other administrative works	1998	N/A <sup>(1)</sup>	1,375	24.9%
2	PGSC <sup>(2)</sup>	A sole proprietorship registered in Singapore, beneficially and wholly owned by Mr. Goh immediately prior to the Reorganisation	Labour assistance in steel reinforcement works	2006	90 days from date of invoice	986	17.8%
3	Subcontractor E	A limited liability company incorporated in Singapore	Labour assistance in steel reinforcement works, formwork erection and concrete works	2016	21 days from date of invoice	942	17.0%
4	Subcontractor F	A limited liability company incorporated in Singapore	Labour assistance in steel reinforcement works, formwork erection and concrete works	2016	35 days from date of invoice	852	15.4%

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Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year in which business relationship with our Group commenced	Credit term	Sub-contracting charges incurred by us S\$'000	Percentage of total sub-contracting charges
5	JDC	A construction contractor headquartered in Japan with the parent company established in 1951 in Japan	Mainly general construction works and other administrative works	1997	N/A <sup>(1)</sup>	362	6.5%
Five largest subcontractors in aggregate						4,517	81.6%
All other subcontractors						<u>1,015</u>	<u>18.4%</u>
Total subcontracting charges for the year						<u><u>5,532</u></u>	<u><u>100.0%</u></u>

*Notes:*

1. The purchase or service from the supplier arose due to the contra charge arrangement with our customer and the contra charge was deducted from our customer’s payment to us in setting our contract fee for the relevant construction project. Please refer to the paragraph headed “Contra charge arrangement with our customers” in this section for further details.
2. PGSC was wholly owned by Mr. Goh during the Track Record Period and up to its dissolution in January 2017 and thus was a connected person of our Company.

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**For the four months ended 30 April 2017**

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year in which business relationship with our Group commenced	Credit term	Sub-contracting charges incurred by us S\$'000	Percentage of total sub-contracting charges
1	Subcontractor H	A partnership established in Singapore	Supply of labour for steel reinforcement works, formwork, concrete works and supervision for lay hardcore and compaction works	2017	14 days from date of receipt of certified progress claim and invoice	209	25.3%
2	Subcontractor J	A limited liability company incorporated in Singapore	Supply of labour for steel reinforcement works and carpentry works	2016	14 days from date of receipt of invoice	200	24.3%
3	Subcontractor K	A limited liability company incorporated in Singapore	Supply of labour for mixed construction works	2015	7 days from date of invoice	113	13.7%
4	Subcontractor L	A limited liability company incorporated in Singapore	Supply of skilled workers and excavator operators	2011	14 days from date of invoice	68	8.2%
5	Subcontractor M	A sole proprietor incorporated in Singapore	Supply of labour for steel reinforcement works	2013	14 days from certification of invoice	64	7.7%
Five largest subcontractors in aggregate						654	79.2%
All other subcontractors						<u>172</u>	<u>20.8%</u>
Total subcontracting changes for the period						<u>826</u>	<u>100.0%</u>

**Basis of selecting subcontractors**

We maintain a list of approved subcontractors which we periodically review and update based on our continuous assessment of their performance. We carefully evaluate the performance of our subcontractors and select subcontractors based on a range of factors such as their background and reputation, experience, quality of materials or services provided, our relationship with the subcontractors, price quotation and timeliness of delivery. For the works we plan to subcontract, we invite our selected subcontractors to submit quotations to us. In the event that we need to subcontract part of our works in the course of a construction project, we will sign subcontracts with the subcontractors we select. The subcontractors have the responsibility to ensure that all works performed must satisfy the requirements of the relevant subcontract.



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### General terms of our subcontracts

Our subcontractors are based in Singapore and do not work with us exclusively. As our customers engage us on a project basis, we do not enter into any long-term contract with our subcontractors and generally there is no renewal clause in our subcontracts. The duration of these subcontracts varies with the nature of their subcontract works. Materials required for the subcontract works are provided by the main contractor, depending on the contract. Other key terms of a subcontract include the following:

- Subcontract value : The rate for carrying out the scope of work. In general, the subcontract value is determined on a unit rate basis and is subject to remeasurements upon completion. Unit rates for calculation of subcontract value are provided in the subcontracts.
- Time for commencement and completion : Our subcontracts typically stipulate when we expect our subcontractors to commence and complete the works. The completion date may be the date stipulated in the subcontract, or the date of completion of the main contract works, whichever is later.
- Type and scope of work : The type and scope of work we require our subcontractors to provide.
- Progress claims and credit terms : We require our subcontractors to submit monthly progress claims to us. Upon our approval of the progress claims, our subcontractors will issue an invoice with the credit term stated.
- Retention of monies : Any progress payment made to our subcontractor is subject to a retention sum equivalent to 10% of the completed works under the subcontract.
- Foreign workers : Our subcontractors are solely responsible for ensuring that their workforce does not contain any illegal immigrants. Upon their contravention of any provision of any immigration laws in Singapore, our subcontractors are liable to indemnify us and the main contractor of the project for any consequent damage, expense, liability, loss, claim or proceedings.

### 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) To ensure that their workers adhere strictly to the main contractor's workplace safety enforcement on-site, and comply with the on-site occupational health and safety measures and our quality standards. Safety equipment such as safety helmets, safety boots and safety belts shall be provided by the subcontractors, and workers who fail to comply shall be denied from the worksite; and

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- (ii) To participate in our on-site toolbox meetings and safety committee meetings so that they can be aligned with our projects department on potential workplace safety and health issues and project-related matters.

During the Track Record Period and up to the Latest Practicable Date, there were no material disputes between our Group and our customers regarding the quality of work performed by us and our subcontractors, or regarding any delay in work resulting in liquidated damages payable by us.

Since the Track Record Period, PGSC and IBCPL have been our connected persons by virtue of being wholly owned by Mr. Goh (PGSC was struck-off in January 2017). For further details, please refer to the section headed “Relationship with Controlling Shareholders — Independence from Controlling Shareholders — Operational independence” of this document.

Save as disclosed above, none of our Directors, or any of their respective close associates or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company during the Track Record Period and up to the Latest Practicable Date or had any interest in any of our subcontractors during the Track Record Period and up to the Latest Practicable Date.

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

### **Contra charge arrangement with our customers**

According to the Euromonitor Report, subcontracting is a prevalent practice in the construction industry in Singapore, whereby it is common for main contractors to subcontract different parts of the construction work for each project to a wide range of specialised contractors and for subcontractors to further subcontract their work to other construction companies. During the execution of the project, customers may request an alteration of the schedule. Accordingly, subcontractors will need to meet the tight schedule by deploying extra manpower, which may not be readily available to them, given that they may be committed to other projects. In an effort to meet the schedule, main contractors, which generally have a broad labour network, could arrange extra manpower for the subcontractors on an as-needed basis. Such extra manpower would work under the supervision of the subcontractors on a temporary basis for administrative convenience and better control of quality. Main contractors will then claim back the amount from the subcontractors for such arrangement which is referred to as the “contra charge arrangement” and the amounts involved are referred to as the “contra charge”. Apart from contra charge related to labour, there may also be contra charge related to purchase of construction materials, setting up of a temporary site office and provision of personal protective equipment, which is common in the construction industry.

During the Track Record Period, our Group had contra charge arrangements with five of our customers which our Directors confirm such arrangements were conducted on normal commercial terms. In this context, we regard such customers as our suppliers or subcontractor as well. Such contra charge mainly consisted of purchase cost of construction materials, rental cost of site equipment, expenses on labour assistance and other miscellaneous expenses such as the cost of handling waste disposal. Effectively, the payments due to us from our customers will be settled after netting off such contra charge amounts. In general, for contracts where we need to provide materials and labour, contra charge arrangement will lead to an increase in our direct costs as we need to purchase materials. On the other

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hand, for contracts where we only need to provide labour, contra charge arrangement normally will not lead to an increase in our direct costs as we need to incur subcontracting charges to carry out those projects regardless of whether the labour is supplied by our customers or other subcontractors. For the two years ended 31 December 2016 and the four months ended 30 April 2017, six, seven and three of our projects, respectively, involved contra charge arrangement, and our contra charge incurred amounted to approximately S\$1.7 million, S\$7.6 million and S\$2.7 million, respectively, representing approximately 7.1%, 31.3% and 33.3% of our direct costs for the corresponding periods, respectively. The amount of contra charge arising from the cost of construction materials and consumables, rental cost of site equipment and other miscellaneous expenses was S\$1.3 million, S\$5.8 million and S\$2.6 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively, representing approximately 76.5%, 76.3% and 96.3% of our total contra charge and approximately 21.3%, 64.4% and 68.4% of our total supplies for the respective periods. The amount of contra charge arising from the provision of labour was S\$0.4 million, S\$1.8 million and S\$0.1 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively, representing approximately 23.5%, 23.7% and 3.7% of our total contra charge and approximately 6.9%, 32.7% and 12.5% of our total subcontracting charges for the respective periods. During the Track Record Period, eight projects, out of 16 projects with initial contract value of over S\$300,000 we had undertaken, had incurred contra charges. Among these eight projects in which contra charges had been incurred during the Track Record Period, only the contract of one project, namely Project Micron, had stipulated that materials were to be supplied by the customer and such supply would be settled by contra charge arrangement. For the other seven projects, while we had incurred contra charges, the incurrence of such contra charges (except for those arising from the supply of miscellaneous items such as site passes, workers' uniform and debris cleaning, which only represented approximately 4% of the total contra charges during the Track Record Period) was not contemplated at the time when our Group entered into the relevant contracts, which means that the contra charge arrangement does not represent a loss of our bargaining power that we were only able to secure the contract because of the contra charge arrangement.

During the Track Record Period, we provided steel reinforcing bars in Project Micron and Project Outram Community Hospital to our customers pursuant to our contracts through contra charge arrangement. Purchases of steel reinforcing bars for these projects during the Track Record Period were recorded in our cost of construction materials as part of our direct costs, while no such amounts were recorded in our direct costs for other projects where the steel reinforcing bars were provided by our customers. Project Micron was completed in November 2016 and Project Outram Community Hospital is expected to be completed in July 2018. Purchases of steel reinforcing bars for Project Micron under the contra charge arrangement during the two years ended 31 December 2016 were recorded as our cost of construction materials during the same years, whilst purchases of steel reinforcing bars for Project Outram Community Hospital under the contra charge arrangement during the year ended 31 December 2016 and the four months ended 30 April 2017 were recorded as our cost of construction materials during the same periods.

During the Track Record Period, as confirmed by our Directors, our Group had no material dispute with our customers regarding the contra charge arrangement 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 the lease of the site equipment on the provision of labour supplies or other

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miscellaneous expenses were reduced by the same amount. As such, the contra charge arrangement had no material impact on our cashflow positions during the Track Record Period. Further, given such arrangements, our customers would also become our suppliers.

The table below sets out the information on our top five customers from whom we had contra charge arrangement during the Track Record Period:

	Year ended		Year ended		Four months ended	
	31 December 2015		31 December 2016		30 April 2017	
	<i>Approximate</i>	<i>Approximate</i>	<i>Approximate</i>	<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>
<b>Samsung</b>						
Revenue derived and approximate % of revenue	13,302	44.4	4,940	16.4	1,992	16.4
Contra charge and approximate % of total direct cost	438	1.8	1,494	6.2	—	—
Weighted average of gross profit margin <sup>(1)</sup>	2,101	15.8	470	9.5	385	19.3
<b>JDC</b>						
Revenue derived and approximate % of total revenue	6,659	22.2	3,195	10.6	373	3.1
Contra charge and approximate % of total direct costs	1,089	4.5	2,636	10.9	—	—
Weighted average of gross profit margin <sup>(1)</sup>	1,011	15.2	312	9.8	89	23.9
<b>Penta-Ocean</b>						
Revenue derived and approximate % of total revenue	5,401	18.1	12,716	42.3	7,601	62.5
Contra charge and approximate % of total direct costs	3	0.1	3,015	12.4	2,615	32.2
Weighted average of gross profit margin <sup>(1)</sup>	972	18.0	3,162	24.9	2,984	39.2

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	Year ended 31 December 2015		Year ended 31 December 2016		Four months ended 30 April 2017	
	<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>
<b>Customer D/Supplier C/ Subcontractor A</b>						
Revenue derived and approximate % of total revenue	3,233	10.8	151	0.5	— <sup>(2)</sup>	N/A <sup>(2)</sup>
Contra charge and approximate % of total direct costs	200	0.8	351	1.4	— <sup>(2)</sup>	N/A <sup>(2)</sup>
Weighted average of gross profit/(loss) margin <sup>(1)</sup>	947	29.3	(205)	(136.5)	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
<b>Penta Bachy Joint Venture</b>						
Revenue derived and approximate % of total revenue	529	1.8	6,815	22.7	1,530	12.6
Contra charge and approximate % of total direct costs	—	—	60	0.2	56	0.7
Weighted average of gross profit margin <sup>(1)</sup>	108	20.5	1,357	19.9	293	19.2

*Notes:*

1. Weighted average of gross margin equals to the simple average of project gross profit margins weighted by project revenue, which is equivalent to the sum of project gross profits divided by the sum of project revenue
2. Our Group did not recognise revenue from Customer D/Supplier C/Subcontractor A during the four months ended 30 April 2017 and hence, no contra charge was incurred during the same period.

Our Directors consider that the major customers which are also suppliers to our Group under contra charge arrangements, namely, Samsung, JDC, Penta-Ocean, Customer D/Supplier C/Subcontractor A and Penta Bachy Joint Venture, are creditworthy main construction contractors in Singapore. Each of these major customers did not default in making payment due to us in any material respect.

Samsung was also one of our top five subcontractors for the year ended 31 December 2016 due to the contra charge arrangement, which mainly arose from the provision of construction services by Samsung in the course of the construction work for Project Tanjong Pagar Hotel during the year 2016.

JDC was also one of our top five suppliers for the two years ended 31 December 2016 due to the contra charge arrangement, which mainly arose from the purchases of materials including steel reinforcing bars on behalf of us by JDC for Project Micron during the two years ended 31 December 2016, respectively. In addition, JDC was one of our top five subcontractors for the year ended 31

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December 2016 due to the contra charge arrangement, arising from the provision of labour for construction work such as including pressure grouting and coring works by JDC for Project Micron during the year 2016.

Penta-Ocean was also one of our top five suppliers for the year ended 31 December 2016 and for the four months ended 30 April 2017 due to the contra charge arrangement, which mainly arose from the purchase of steel reinforcing bars, on behalf of us by Penta-Ocean for Project Outram Community Hospital during the year 2016 and the four months ended 30 April 2017.

Customer D/Supplier C/Subcontractor A was also one of our top five suppliers for the two years ended 31 December 2016 due to the contra arrangement, which arose from the provision of a temporary site office, hardware, personal protective equipment and workers’ uniforms for Project Amkor during the year ended 31 December 2015. In addition, Customer D/Supplier C/Subcontractor A was one of our top five subcontractors for the year ended 31 December 2015 due to the contra charge arrangement, arising from the provision of labour for construction work such as carpentry works by Customer D/Supplier C/Subcontractor A in the course of the construction work for Project Amkor during the year ended 31 December 2015.

Penta Bachy Joint Venture was also one of our suppliers for the year ended 31 December 2016 due to the contra charge arrangement, which included the provision of personal protective equipment and construction equipment for Project Orchard Station during the year 2016.

Please refer to the paragraph headed “Contra charge arrangement with our customers” in this section for further details.

As discussed in the section headed “Financial Information — Pricing of our projects”, we determine our pricing based on a cost-plus method, which in turn set our targeted profit margin. Our contracts can be divided into fixed price contracts or provisional price contracts. When our projects progress, there may be circumstances, whether in our control or not, which could lead to more favourable or less than expected actual profit margin. Our projects normally last for a long period and sometimes across two or more financial years, and therefore for the same project of the same customer, project profit margin may vary from year to year. There are a number of circumstances under which project profit margin will vary, for instance, (i) when there are variation orders and/or remeasurements, our Group will make amendments to our budget cost, being the estimated total construction costs, to account for the additional costs of construction works to be incurred in relation to the variation orders and/or remeasurements even though the amount of variations and/or remeasurements to be undertaken has not been formally confirmed, and in this case, no revenue will be recognised for the variations until the value is certified by our customer in accordance with the applicable accounting standards if the amount of the variations and/or remeasurements has not been approved by the customer; (ii) a project may progress at a different pace in different periods due to different complexity, construction programme, site conditions, weather conditions, etc. and as such actual costs incurred can differ from the project budget cost; and (iii) timing of certifying the work done and agreeing on the value of variation orders, which may be later than the time we amend the budget cost.

Take Customer D/Supplier C/Subcontractor A in the table above as an example. The weighted average of gross profit/(loss) margin decreased from 29.3% for the year ended 31 December 2015 to -136.5% for the year ended 31 December 2016. We had one project, namely, Project Amkor, with Customer D/Supplier C/Subcontractor A, which we recognised revenue of approximately S\$3.2 million

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and S\$0.2 million for the two years ended 31 December 2016, respectively. Budget cost for the remaining works of the project in the year ended 31 December 2016 was revised upward taking into account the remeasurements and the additional costs to be incurred for the remeasurements during the year no revenue has been recognised for the remeasurements as the value is not yet certified by Project Amkor, resulting in the direct costs incurred exceeding the revenue recognised by approximately S\$0.2 million for the year ended 31 December 2016, but as the revenue recognised for this project amounted to approximately S\$0.2 million for the same period, the calculated gross profit margin for the Track Record Period for this customer fluctuated significantly from 29.3% for the year ended 31 December 2015 to -136.5% for the year ended 31 December 2016. However, we achieved an overall gross profit margin of approximately 9.3% for Project Amkor. As at the Latest Practicable Date, the value of variation orders for Project Amkor had been certified. The year to year fluctuation for gross profit margin of Project Amkor was mainly attributable to the upward adjustments made to the budget costs to account for the costs incurred in relation to the variation orders during the year ended 31 December 2016, which were not certified by Project Amkor during the year ended 31 December 2015. Up to the Latest Practicable Date, the account for Project Amkor still had not been finalised.

The Directors confirm that there were no loss making contracts during the Track Record Period despite the fluctuations in the gross profit margins from year to year. For further details of overall gross profit margin, please refer to the table headed "Projects completed" for the overall gross profit margin for our completed projects in this section.

### **Customer who was also our supplier and our subcontractor**

Customer D/Supplier C/Subcontractor A is a construction company incorporated in Singapore, which is an Independent Third Party. Being one of top five customers, we were engaged as a subcontractor and provided steel reinforcement works and formwork works to Customer D/Supplier C/Subcontractor A for Project Amkor. The revenue attributable to Customer D/Supplier C/Subcontractor A amounted to approximately S\$3.2 million and S\$0.2 million, representing approximately 10.8% and 0.5% of our total revenue for the two years ended 31 December 2016, respectively. The weighted average of the gross profit margin was approximately 29.3% for the year ended 31 December 2015 and the weighted average of the gross loss margin was approximately 136.5% for the year ended 31 December 2016.

Customer D/Supplier C/Subcontractor A was also one of the top five suppliers for the Track Record Period and one of the top five subcontractors for the year ended 31 December 2015. Customer D/Supplier C/Subcontractor A was engaged as a supplier and a contractor and provided project management services, steel reinforcement works and formwork works by us for Project Tanjong Pagar Mixed Development, given (i) Project Tanjong Pagar Mixed Development is a sizeable and landmark development project in Singapore, which was expected to demand extra supervision to meet the main contractor's requirement in terms of time and quality; and (ii) we did not have extensive prior experience in participating in sizeable and lengthy formwork projects. Our supplies attributable to Customer D/Supplier C/Subcontractor A was approximately S\$0.4 million and S\$0.3 million, representing approximately 6.6% and 3.3% of our total supplies for the two years ended 31 December 2016, respectively. Our subcontracting charges attributable to Customer D/Supplier C/Subcontractor A was approximately S\$1.6 million and S\$0.3 million, respectively, representing approximately 27.6% and 5.5% of our total subcontracting charges for the two years ended 31 December 2016, respectively.



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### RAW MATERIALS

Our construction projects involve the use of various construction materials, depending on the type of service we provide under the contracts. With respect to projects involving steel reinforcement works, the major construction material required is steel reinforcing bars. With the exception of Project Micron and Project Outram Community Hospital, steel reinforcing bars are provided by our customers. With respect to projects involving formwork erection, the major construction materials required include formwork made of timber, plywood, steel and aluminium and formwork-related components, which are provided by us. For projects involving concrete works, the major construction material required is concrete, which is supplied by our customers. During the Track Record Period, the materials were supplied by local suppliers and we did not encounter any shortage or delay in the supply of raw materials which would materially affect our business.

### JOINT OPERATION

During the Track Record Period, we had undertaken one part of project Tanjong Pagar Mixed Development through a joint operation (the “**Joint Operation**”), which is an unincorporated joint arrangement. Entering into such arrangement is our Group’s strategy to cooperate with Joint Operator, an Independent Third Party general contractor, to implement a sizeable project in order to take advantage of pooling together the respective resources, expertise and experience.

Our Group entered into the Joint Operation with Joint Operator in August 2013. Pursuant to the joint operation agreement entered into between the two parties, the Joint Operation was responsible for the share of formwork erection part of project Tanjong Pagar Mixed Development (the “**Shared Works**”). At the time of tendering for the project, our Group’s capacity was stretched. We did not manage to undertake the project alone as we were occupied with three other major projects. Our managing director, contracts manager and operations director assessed the profitability of the project on mixed development, and decided to co-operate with Joint Operator to jointly undertake the Shared Works. The purposes of our Group’s inviting Joint Operator to the Joint Operation were to draw additional capital as well as to share risks. This project was completed in June 2016.

The major terms and conditions of the Joint Operation include the following:

- the amount of capital injection for the purpose of the Joint Operation shall be in equivalent shares between our Group and Joint Operator;
- our Group shall be responsible for the tendering of the project and the communication with the main contractor of the project;
- Joint Operator shall procure Customer D/Supplier C/Subcontractor A to appoint a project director to take charge of the overall management, planning and supervision of the Shared Works;
- Joint Operator shall arrange Customer D/Supplier C/Subcontractor A as the subcontractor to execute the Shared Works, including the daily operation and management of the project on-site;



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- our Group shall be responsible for appointing and assigning one assistant project manager, one lifting team of three workers, one full-time safety supervisor;
- Joint Operator shall be responsible for procuring Customer D/Supplier C/Subcontractor A to assist our Group in all aspects pertaining to claims and payments, including the preparation of monthly progress claims for submission to our customer; and
- the project revenue and costs will be shared equally between our Group and Joint Operator.

For further details of the Joint Operation, please refer to the section headed “Financial Information — Joint Operation” of this document.

## 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:

<b>Year of grant</b>	<b>Award</b>	<b>Granted by</b>
2014	Most Behavior Based Safety (BBS) Observation Contractor	Samsung
2014	Appreciation for Excellent Performance	Samsung
2015	Best Safety Conscious Contractor	Samsung
2015	Global Partnership Agreement	Samsung
2016	Best Sub Contractor	Penta Bachy Joint Venture
2016	1 Million Safe Man Hour Celebration	Penta Bachy Joint Venture
2016	Safest WHSO	Samsung
2017	2 Million Hours LTI (Lost Time Injury) Free Celebration	Penta Bachy Joint Venture
2017	Best HSE Conscious Subcontractor Award	Samsung
2017	Annual Safety Award 2017	LTA

## 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. Our Group has the BS OHSAS 18001:2007 certification and bizSAFE Level Star, as well as the ISO 9001:2008 and ISO 14001:2004 certifications. Please refer to the paragraph headed “Licences and Permits” in this section for details.

A few key employees of our Group are involved in quality control of our projects. They are responsible for ensuring that the various aspects, including our services and our construction materials, fulfil our contractual requirements as well as quality standards. Our operation director, Mr. Tan Kim Yem, has about 20 years of industry experience. He has obtained a certificate of completion for Construction Safety Course for Project Managers conducted by Absolute Kinetics Consultancy Pte Ltd., an accredited training provider approved by MOM and a certificate of completion for Risk Management

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Course conducted by Qesh Consultants, an accredited agency approved by MOM. Our project manager and Approved Person, Mr. Koh Lam Tai, has completed numerous training sessions and courses such as Construction Safety Course for Project Managers, and "Essential Knowledge in Construction Regulations & Management for Licensed Builders" conducted by the BCA. Our safety coordinator, Mr. Panneer Selvam Ratha, has over 11 years of industry experience. As a registered member of the Construction Registration of Tradesman Scheme (CoreTrade), he has completed numerous trainings and courses such as Risk Management Course conducted by The Singapore Contractors Association Ltd, Building Construction Supervisor Safety, Work-At-Height Course for Assessors, and Safety Coordinators Training Course.

### **Quality control on our construction materials**

To ensure effective quality control on our construction materials, we maintain a list of approved suppliers. A supplier is first admitted to our list based on the factors, including but not limited to, its market reputation, prices and quality of materials, timeliness of delivery, responsiveness and track record. We review the list of approved suppliers annually and the basis of review includes each approved supplier's performance, such as its quality, timeliness and responsiveness.

For incoming purchases at our work sites such as timber and plywood, steel products and concrete mix, our site supervisors will conduct visual inspections and sample tests upon delivery. Our inspection criteria include ensuring delivery of materials of the right quantity, type and size and spotting of defects such as dent, rust or coating defects. In the case that any defects are spotted, we will inform our material suppliers as soon as practicable, who will arrangement a replacement for us.

### **Quality control on our services**

During the project implementation and execution phase, our site engineers are assigned to inspect the works being carried out daily by our workers and by our subcontractors. For general construction works, in-process inspection includes ensuring that each scope of works is carried out as per contract specifications and/or instructions from the customer's representative. Our site engineers also inspect the works completed at each stage to ensure that the relevant requirements are met. We also keep in close contact with our customers and make sure our work progress meets our customers' requirements.

At the completion of our work, our site engineers (and external professional engineers in respect of formwork erection) will conduct a final check before arranging for handover to our customer. The checks include inspection on the quality of the finishes to ensure that there is no defect, for instance, misalignment or wrong tying of steel bars and non-compliance with specifications and safety and regulatory requirements.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material disputes on the projects relating to the quality of our general construction works nor significant delay in the delivery of our projects. Nor had we received any complaints or claims for compensation regarding our product and service quality from our customers during the Track Record Period and up to the Latest Practicable Date.

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### ENVIRONMENTAL PROTECTION

We have implemented environmental management system according to ISO 14001:2004 requirements. We obtained the ISO 14001:2004 certificate in April 2015. For our construction projects, we have established a set of environmental control procedures as follows:

#### Noise pollution control

The aforesaid procedures attempt to reduce noise level from machinery and equipment and set guidelines to control transportation vehicles and materials handling to ensure that no employee is exposed to excessive noise and the public is not affected.

#### Air pollution control

The aforesaid procedures adopt certain air pollution control measures to reduce environmental impact of air pollutants by installing appropriate equipment at the emission point.

#### Waste management

The aforesaid procedures implement a waste management system, which involves the segregation and classification of waste, to ensure that it is properly collected, stored and disposed of. These procedures also set standards for internal drainage and toilet and sewage connection.

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 and environment

We are required to comply with all safety, health, environmental and other statutory requirements applicable to our works as may be required by the relevant government authorities, including the WSHA and the EPHA. We accord importance to the health and safety of our employees, who are integral to our Group and to the successful and timely completion of our works. We have an occupational health and safety (“OHS”) management system in place, which seeks to adopt safe working practices to provide all employees, customers and contractors with a safe and healthy work environment. Mr. Tan Kim Yem, our operation director, is appointed as our management representative for the overall implementation of the OHS management system of our Group. For each of our construction projects, a site safety coordinator is assigned to take charge of the OHS issues.

Due to the nature of the construction industry, worksites may be more prone to incidents than other industries. We take workplace safety and health seriously and instill in our employees vigilance and care required to keep themselves and their co-workers safe. We shall remove from the work site any of our employees or subcontractors’ employees who refuse to abide by such safety, health and environmental regulations. In our projects as a subcontractor, the main contractors will have established workplace safety and health procedures which we will comply with on-site. For our projects, our site safety team is

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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 understand and comply with the safe work procedures.

Our OHS policy has the following objectives and corresponding measures:

*(i) Additional education after CSOC to inculcate safety values*

The policy under the OHS management system shall be communicated to all new staff through a safety orientation briefing, but CSOC is only mandatory for those who need work permits (i.e. foreign workers). Training courses are also provided for relevant personnel where suitable and these are to be submitted for documentation and filing.

The CSOC is to (i) ensure that construction workers are familiar with common safety requirements and health hazards in the construction industry; (ii) educate them on the required measures to prevent accidents and diseases; and (iii) ensure that they are aware of their rights and responsibilities under employment law. In addition to the CSOC, we will raise the awareness of safety practices to our workers through practical applications at the worksite and the provision of safety gear. Workers who fail to comply will not be allowed on the work site.

*(ii) Carrying our safety measures to minimise risk*

Apart from inculcating in our workers the importance of adopting safe work practices, we also provide the necessary safety gear including safety helmets, safety glasses, hearing protection, gloves, safety harnesses and safety shoes. There are also safety procedures in relation to the construction work we carry out, such as installation of beams and column rebars, barricading works, lifting operations, scaffolding, and operation of machinery.

*(iii) Emphasis on safety and health at the managerial and supervisory level*

Our Workplace Safety and Health coordinator and safety supervisors conduct meetings to address potential workplace safety and health issues. Under the supervision of our project manager will lead a site safety team for each project which will convene daily toolbox meetings, weekly coordination meetings and ad hoc meetings to inform all workers of potential hazards. Inspections are to be carried out regularly, including daily inspection, monthly inspection and in the event that accidents take place.

*(iv) Regular discussions and annual review of OHS management system*

We hold regular discussions with our employees regarding regulations that have an impact on OHS issues. This keeps our employees up to date with any developments in legislative requirements.

Our management will review our safety rules and regulations under the OHS management system once annually and propose changes if necessary. The continuous improvement of the OHS management system will be communicated to our employees where applicable.

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(v) *Identification of potential hazards and prevention of accidents in the workplace*

Our OHS procedures seek to identify the hazards and reduce risks from the outset. This involves reviewing our operations and assessing the risks involved under typical, unusual and fairly foreseeable emergency situations. Thereafter, steps are taken to mitigate the risks identified.

In striving to minimise risk, we take an active approach to prevent accidents from happening at the workplace.

(vi) *Procedures for emergency readiness*

Under the OHS management system, we also impart safety awareness to all employees through training. To reinforce the training, safety instructions and posters have been prepared and displayed at relevant places. The instructions and posters give information on safe working methods.

The objective of emergency readiness is to ensure emergency situations can be managed effectively to protect our employees from personal injury.

(vii) *Response to accidents and investigation actions*

Any occurrence of a workplace-related accident or incident will be reported to the main contractor. If such accident or incident results in hospitalisation for at least 24 hours or medical leave for more than three days, it will be reported to the MOM as well. Our project team will gather facts, analyse the situation, apply remedial actions, improve operational controls and take precautions to prevent similar accidents from recurring. An accident investigation report will be submitted to the main contractor, giving details of the accident and suggesting corrective actions.

### **Accidents caused during the Track Record Period and up to the Latest Practicable Date**

*Employees' compensation claims*

During the Track Record Period and up to the Latest Practicable Date, we recorded 10 accidents resulting in personal injuries suffered by our employees during the course of their employment for our Group's projects. The obligation of reporting these accidents to the relevant authorities rests on the respective employer of the injured workers. The following table sets out the nature of the accidents involving the workers employed by our Group during the Track Record Period and up to the Latest Practicable Date:

<b>Nature of accident</b>	<b>Number of claims</b>
Sprains, strains and loss of balance	4
Struck by objects	3
Caught in between moving objects	2
Falling from height	<u>1</u>
Total	<u><u>10</u></u>

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Out of the 10 accidents stated above, (i) six cases had been settled; and (ii) four cases in relation to hand, foot and mouth injuries, which have yet to be concluded. Please refer to the paragraph headed “Litigation and Claims” in this section for further details.

During the Track Record Period, the total amount of medical expenses and employees’ compensation we paid for work-related accidents which took place up to the Track Record Period was approximately S\$164,000 and the reimbursement from insurers for our claims arising from work-related accidents which took place up to the Latest Practicable Date was approximately S\$92,000. Apart from the work injury compensation insurance maintained by our customers as main contractors, we also took out a compulsory insurance policy in Singapore under the Work Injury Compensation Act, Chapter 354 of Singapore to provide for a liability under such claim. Since the amount of claims for substantially all the above-mentioned 10 accidents were within the limit of claims under the relevant insurance policies as at the Latest Practicable Date (except one case with claim amount of approximately S\$28,000 not covered by insurance and another case with a total claim of approximately S\$52,000 for which the insurance reimbursement is being applied), our Directors believe that all such accidents would not result in any material impact on the financial position or results of operations of our Group.

During the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any difficulties in making claims from such insurers (or the insurers of the main contractors) or encountered any dispute on liability from our insurers and had not incurred any material residual liabilities not covered by the insurance arising from any employees’ compensation claims.

The table below sets out the workplace injury rate per 100,000 employed persons and workplace fatal injuries rate per 100,000 employed persons in Singapore construction industry and our Group:

	<b>Construction industry<sup>(1)</sup></b>	<b>Our Group</b>
<b>For the year ended 2015</b>		
Workplace injury rate per 100,000 employed persons <sup>(2)</sup>	451	884
Workplace fatal injury rate per 100,000 employed persons <sup>(3)</sup>	5.4	—
Lost time injuries frequency rate <sup>(4)</sup>	166	141
<b>For the year ended 2016</b>		
Workplace injury rate per 100,000 employed persons <sup>(2)</sup>	467	—
Workplace fatal injury rate per 100,000 employed persons <sup>(3)</sup>	4.9	—
Lost time injuries frequency rate <sup>(4)</sup>	159	91
<b>For the four months ended 30 April 2017 and up to the Latest Practicable Date</b>		
Workplace injury rate per 100,000 employed persons <sup>(2)</sup>	N/A <sup>(5)</sup>	434
Workplace fatal injury rate per 100,000 employed persons <sup>(3)</sup>	N/A <sup>(5)</sup>	—
Lost time injuries frequency rate <sup>(4)</sup>	N/A <sup>(5)</sup>	211

*Notes:*

1. The data about the construction industry in Singapore are based on the Workplace Safety and Health Report 2015 and 2016 respectively by the Workplace Safety and Health Institute, Singapore.

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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 with 100,000.
3. Workplace fatal 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 with 100,000.
4. Lost time injuries frequency 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 is assumed to be 3,650 hours per year per worker.
5. The relevant statistics for the construction industry for the four months ended 30 April 2017 are not available.

For the two years ended 31 December 2016, our Group recorded no fatal injuries and the workplace injury rate mainly at our construction sites decreased from 884 for the year ended 31 December 2015 to nil for the year ended 31 December 2016. Our lost time injuries frequency rate were determined based on medical leaves (i.e. hospitalisation leaves and outpatient leaves) granted to our injured employees. The lost time injuries frequency rate of our Group decreased from 141 for the year ended 31 December 2015 to 91 for the year ended 31 December 2016. Our lost time injuries frequency rate for the year ended 31 December 2016 was due to the man-day loss arising from injury took place in 2015.

For the four months ended 30 April 2017 and up to the Latest Practicable Date, our Group recorded no fatal injuries and the workplace injury rate mainly at our construction sites was 434. Our lost time injuries frequency rate for the four months ended 30 April 2017 was 211.

Although our workplace injury rate for the year ended 31 December 2015 was significantly higher than that of the construction industry in Singapore, which was mainly due to our labour-intensive work nature, our lost time injuries frequency rate for the same year was lower than that of the industry as less medical leave was given to our injured employees based on their physical condition. Our situation was even improved for the year ended 31 December 2016 as we recorded no work accident. Subsequent to the Track Record Period and up to the Latest Practicable Date, we only recorded two work injury cases. These two work injury cases relate to the two common claims as at the Latest Practicable Date, the details of which are set out in the paragraph headed "Litigation and Claims — Litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date" in this section.

## INSURANCE

Pursuant to the Work Injury Compensation Act and as stipulated by the MOM, all our manual workers, regardless of salary level, and non-manual workers earning less than S\$1,600 a month are covered under work injury compensation insurance. The work injury compensation policy in Singapore provides for a maximum limit of liability of medical expenses of up to S\$30,000 per employee for accidents before 1 January 2016 and up to S\$36,000 per employee for accidents from 1 January 2016.

In projects for which we act as a subcontractor, the project-based insurance policies, which generally include the work injury compensation policy and the contractors' all risks policy are taken out by the main contractor. Where we act as the main contractor of a project, we will be responsible for taking out the work injury compensation policy and the contractors' all risks insurance policy for the project we undertake to cover against loss or damage to materials and third party liability for accidental bodily injury in connection with the performance of the contract.



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In addition, we have medical insurance for our foreign workers, as stipulated by MOM. We also have fire insurance, motor vehicle insurance and machinery and equipment all risks insurance.

Our Directors confirm that our Group has obtained adequate insurance coverage for the operation of its business, and is in line with the industry norm. For the two years ended 31 December 2016 and the four months ended 30 April 2017, we incurred total insurance expenses as part of our direct costs of approximately S\$71,000, S\$95,000 and S\$18,500, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

Certain types of risks, such as the risk in relation to the collectability of our trade and retention sum receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost-justifiable to insure against such risks.

### PROPERTIES

#### Owned properties

As at the Latest Practicable Date, our Group owned two properties, of which one was used as our office and the other remained vacant. The details of our owned properties are set out in the table below:

Address	Owner	Saleable area <i>(approximately)</i>	Use of the property	Tenure	Encumbrances (where applicable)
5 Upper Aljunied Link, #03-08, Quartz Industrial Building, Singapore 367903	IEPL	220.0 sq.m.	Office	Estate in fee simple	Registered charge in favour of United Overseas Bank Ltd.
50 Serangoon North Avenue 4, #04-21 First Centre, Singapore 555856	IEPL	122.0 sq.m.	Vacant	Leasehold estate (60 years commencing on 23 April 2007)	Registered charge in favour of United Overseas Bank Ltd.

#### Leased properties

As at the Latest Practicable Date, we leased 40 units of one property in Singapore as dormitories for our foreign workers. The leased units of our Group each have a term of 13 months. Our current leases have expiry dates ranging from 31 December 2017 to 4 November 2018. The size of our leased units is approximately 48 sq.m. each. Our property rental and related expenses amounted to approximately S\$1.3 million, S\$0.8 million and S\$0.2 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively.



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As at the Latest Practicable Date, our Group leased the following properties on such terms as summarised in the table below:

Address	Number of units leased	Total number of beds	Monthly rental expense	Use of the property	Duration
PPT Lodge 1B, No. 2 Seletar North Link, Singapore 797601	40	up to 480	S\$2,168 per unit	Foreign workers’ accommodation	The earliest one commenced on 1 December 2016 and the last one will expire on 4 November 2018

### LICENCES AND PERMITS

As a subcontractor in Singapore carrying out steel reinforcement works, formwork erection and concrete works, we do not require any specific licences, including GB1 Licence, for carrying out such works for our projects. To facilitate our business growth, we have applied for and obtained various licences since 2014.

#### Main qualifications, licences and certifications

##### *Qualifications and licences in Singapore*

Our Group currently holds a GB1 Licence issued by BCA under the BLS, which enables us to undertake contracts for general building works. A GB1 Licence is required to carry out private sector building works and public sector building works. In addition, we are registered with BCA under the CRS and currently we operate under the C1 Grade for both workhead for “General Building” (CW01) and workhead for “Civil Engineering” (CW02), which enable us to tender for public sector building works.

The table below sets out the main qualifications and licences of our Group for the carrying out of our business and operations in Singapore during the Track Record Period:

Issuing authority	Group member/ company	Relevant list/ category	Qualification/ licence/grading	Date first obtained	Date of expiry	Tendering limit
BCA	IEPL	General Builder Class 1	GB1 Licence	26 August 2014	26 August 2020	Unlimited for both public and private sectors, subject to the tendering limits for public sector projects under the CRS
BCA	IEPL	CW01, General Building	C1	16 September 2015	1 August 2018	S\$4.0 million, applicable to public sector projects

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<b>Issuing authority</b>	<b>Group member/ company</b>	<b>Relevant list/ category</b>	<b>Qualification/ licence/grading</b>	<b>Date first obtained</b>	<b>Date of expiry</b>	<b>Tendering limit</b>
BCA	IEPL	CW02, Civil Engineering	C1	16 September 2015	1 August 2018	S\$4.0 million, applicable to public sector projects
MOM	IEPL	Workplace Safety & Health Act	Approved scaffold contractor	18 August 2014	No expiry	

With the licences issued to us, namely, the GB1 Licence, CW01 and CW02, we are qualified to undertake contracts for general building works and civil engineering works in the private sector of any value while public sector projects will be subject to the limits set by BCA which as at the Latest Practicable Date was S\$4 million. In addition, as an approved scaffold contractor, we are also qualified to provide scaffolding works without having to outsource them to third parties when providing our subcontracting works.

Over the years of our operations, we have also obtained the following certifications in recognition of our work processes. These certifications are important for the award of the workheads as set out above, namely, the GB1 Licence, CW01 and CW02 licences.


<b>Issuing authority/ organisation</b>	<b>Relevant list/category</b>	<b>Qualification/ Licence/Grading</b>	<b>Date first obtained</b>	<b>Date of expiry</b>
EQAIMS Certification Pte Ltd.	Quality management system for the provision of civil and structural works	ISO 9001:2008	6 April 2015	5 April 2018
EQAIMS Certification Pte Ltd.	Environmental management system for the provision of civil and structural works	ISO 14001:2004	6 April 2015	5 April 2018
SN Registrars (Holdings) Limited	Occupational health & safety management system for provision of building construction work	BS OHSAS 18001:2007	24 June 2016	23 June 2019
Workplace Safety and Health Council	bizSAFE	Level Star	2 August 2013	23 June 2019
The Singapore Contractors Association Ltd.	Trade registration for Concreting (CS03), Metal Scaffolding (CS04), Steel Reinforcement (CS07), Timber Formwork and Support Systems (CS09)	N/A	23 February 2004	31 March 2018

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Our Directors confirm that as at the Latest Practicable Date, our Group had obtained (and renewed, as the case may be) all the necessary licences which were required to carry on our principal business activities in Singapore and that all such licences were valid as at the Latest Practicable Date. Our Directors also confirm that our Group had been in compliance with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

For further details, please refer to the section headed “Regulatory Overview” of this document.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had applied for registration of trade mark of  in Singapore and used two domain names, namely interno.com.sg and www.indigostar.sg in Singapore. Details of our intellectual property rights are set out in the paragraph headed “2. Our intellectual property rights” in Appendix IV 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 510 full-time staff (including our executive Directors), of which approximately 5.7% were Singapore citizens and approximately 94.3% were foreigners. The table below sets out a breakdown of our employees by function as at the Latest Practicable Date:

	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017	As at the Latest Practicable Date
Executive Directors	2	2	3	3
Senior management	2	3	3	3
Managers	4	7	5	5
Executives (human resources/ administration/accounts/ logistics)	16	17	17	16
Contract, tendering and technical staff	17	21	21	22
Project and site staff	47	33	34	32
Foreign workers	375	327	375	429
Total	463	410	458	510

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Our Group generally recruits our non-manual staff through recruitment websites and newspapers. As for the recruitment of foreign workers, we retain the ability to mobilise a large workforce via the broad labour network we have built over the years of our business operations. We also prefer referrals from the foreign workers who are familiar with our work environment as they are able to help us identify suitable candidates based on our task requirements.

### Employee training

Our employees received training depending on the department they worked for and the scope of work they dealt with. From time to time, we send our employees to attend courses relating to environmental and occupational safety, including CSOC, work-at-height course for assessors, formwork safety course for supervisors 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. To incentivise them, we offer them an increment in hourly wages upon completion of the relevant course.

### 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, discretionary bonuses and allowance. 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 in order to make salary adjustment. We may offer our foreign workers an incentive in the course of our construction projects with a view to motivating them. During the Track Record Period, our Group did not experience any difficulties in the recruitment and retention of experienced staff.

Our Directors confirm that save as disclosed in paragraph headed “Regulatory Non-Compliance” in this section, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any material non-compliance with all the applicable employment laws, rules and regulations in Singapore.

## COMPETITION

According to the Euromonitor Report, the construction industry in Singapore is a highly fragmented market. As of September 2017, 1,871 companies were registered under the general building workhead of BCA’s CRS while 983 companies were registered under the civil engineering category.

In addition, according to the Euromonitor Report, as of September 2017, within the general building workhead, 15.7% of the companies i.e. 294 companies qualified for the B2 Grade or above, which allow them to bid on projects valued at S\$13 million or more. Within the civil engineering

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workhead, 19.2% of the companies i.e. 189 companies qualified for the B2 Grade or above. The pool of contractors which have a B2 Grade or above is smaller than the group with lower ratings under both the general building and the civil engineering categories.

The Euromonitor Report also states that experienced manpower and specialised machinery have been the key entry barriers to the steel reinforcement works as well as the formwork erection sectors. For further details, please refer to the section headed "Industry Overview" of this document.

Our Directors are of the view that our expertise with different types of steel reinforcement work and formwork, our strong track record of projects and our long-term relationship with our customers and subcontractors help consolidate our position in the market and further expand our business.

### LITIGATION AND CLAIMS

#### **Litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date**

During the Track Record Period and up to the Latest Practicable Date, we were involved in two litigation cases of negligence resulting in industrial accidents with injury claims arising from what we believe was a worker's lapse of attention. The first case has been concluded with a total claim amount of approximately S\$11,000 and such amount has been fully covered by insurance while the parties to the second case are negotiating for settlement in a sum currently expected to be less than S\$20,000 which is within the coverage of insurance. During the Track Record Period and up to the Latest Practicable Date, we had a potential common law claim against our Group in relation to work injury which was settled for a settlement amount of approximately S\$5,000 before it was brought to the relevant courts of Singapore. As at the Latest Practicable Date, we had two common law claims, which had not been brought before the relevant courts in Singapore, in relation to work-related accidents involving foot fracture and hand injury. The claim amount of these two work-related common law claims has not been finalised. It is expected that the claim amount will be fully covered by insurance. There is currently one case where an employee has only claimed medical expenses and loss of wages amounting to approximately S\$5,800. As at the Latest Practicable Date, he has not engaged any solicitors to pursue the matter and this case has not been brought to the relevant courts of Singapore.

Save as disclosed above and in the paragraph headed "Employees' compensation claims" in this section, our Directors confirm that up to the Latest Practicable Date, there was no other outstanding, unsettled, pending or threatened litigation, proceeding or claim against our Group or any of our Directors which, individually or taken as a whole, could have a material adverse effect on our Group's financial condition or results of operations.

### REGULATORY NON-COMPLIANCE

Pursuant to Section 199 of the Companies Act, every company shall keep its accounting and other records in a manner as to enable them to be conveniently and properly audited and such records are to be kept for a period of not less than five years. Nevertheless, our Group has kept our corporate records, including records of non-compliance incidents, for a period of seven years. For further details of the key laws and regulations applicable to our Group's operations, please refer to the section headed "Regulatory Overview" of this document. Save as disclosed below, for the five years ended 31 December 2014, the Track Record Period and up to the Latest Practicable Date, our Group had complied

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with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws or regulations applicable to our Group that would have a material adverse effect on our business or financial condition taken as a whole.

Our Directors are of the view that no provision is necessary to be made in respect of the non-compliance incidents set out below since these non-compliance incidents, whether individually or collectively, have not caused and will not have a material adverse effect on our business, results of operations and financial condition.

The following table summarises non-compliance incidents in relation to our Group’s operations during the period from 2010 and up to the Latest Practicable Date:

Relevant regulations	Particulars of non-compliance	Reasons for non-compliance	Potential/actual consequences of non-compliance	Rectification actions and internal control measures taken
Section 62 of the Income Tax Act (Chapter 134 of the laws of Singapore) (“Income Tax Act”)	IEPL failed to submit Form C under the Income Tax Act, accounts and tax computation for the year of assessment 2014/2015 due on 30 November 2015. The Form C was eventually filed on 31 May 2016.	The omission was not willful and was due to inadvertent oversight of the external accounting firm then engaged by IEPL responsible for submission of information to the Inland Revenue Authority of Singapore (“IRAS”).	<p>Pursuant to section 62(8) of the Income Tax Act, failure to comply with the general requirements for the filing of returns is an offence. Any person guilty of an offence under the Income Tax Act for which no other penalty is provided shall be liable on conviction to a fine not exceeding S\$1,000 and in default of payment to imprisonment for a term not exceeding 12 months.</p> <p>In this incident, IRAS issued a notice to IEPL to attend the court for the breach, unless IEPL rectified the breach by filing their Form C, accounts and tax computation by 28 March 2016 and paying a composition fee of S\$675.</p> <p>The tax computation and assessment of IEPL for the financial year ended 31 December 2014 was filed in May 2016 while the composition fee and the relevant tax payment were settled as at 13 July 2016.</p> <p>Our Singapore Legal Advisers are of the view that since the composition fine has been settled in full, it is unlikely that IEPL will be subject to further penalties.</p>	We have reminded the external accounting firm of the importance of timely submission of the requested information to the IRAS immediately after the omission. Subsequently, we have terminated our engagement with the external accounting firm and engaged a finance manager with experience in accounting and auditing to be responsible for our Group’s accounting matters, preparation of the relevant forms, accounts and tax computations. The tax filing will be submitted to our human resource and administrative director, Ms. Tan Soh Lay for approval and ensure submission in a timely manner.

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Relevant regulations	Particulars of non-compliance	Reasons for non-compliance	Potential/actual consequences of non-compliance	Rectification actions and internal control measures taken
Section 5 and Section 25 of the EFMA and Regulation 13(1) of the Employment of Foreign Manpower (Work Passes) Regulations 2012	<p>(a) IEPL failed to repatriate a foreign ex-employee within three months from 16 February 2016.</p> <p>(b) IEPL and ICPL failed to repatriate three foreign ex-employees upon the expiry of their work passes in January and February 2016, respectively, within the specified period.</p>	<p>In respect of (a), January 2016, a foreign worker went missing during the course of his employment with IEPL, and we were unable to locate and repatriate him within the period of three months from 16 February 2016 as stipulated by the MOM.</p> <p>In respect of (b), the work passes of three of our foreign workers employed by IEPL and ICPL were expired during the course of the main contractor's application for additional MYE allocation for one of our projects in January 2016. Pending the outcome of the main contractor's MYE application, our human resources and administrative department did not arrange to repatriate the three workers within the specified period. In around mid-February 2016, the main contractor completed the MYE application and the work passes of our three workers were renewed accordingly.</p>	<p>Pursuant to Regulation 13(1) of the Employment of Foreign Manpower (Work Passes) Regulations 2012, (1) if the Controller is satisfied that a work pass holder, an employer or sponsor of a work pass holder or any group or class of work pass holders, as the case may be, has failed to comply with any condition specified in respect of any security furnished under Regulation 12, the Controller may direct the forfeiture of the security or any part thereof; (2) the forfeiture of any security under this regulation shall be without prejudice to the taking of proceedings against any person for any offence or prescribed infringement under the EFMA or these Regulations; and (3) notice of the forfeiture of any security or any part thereof shall be given to the work pass holder, the employer or sponsor of the work pass holder or any group or class of work pass holders, as the case may be.</p> <p>Pursuant to Section 25(2) of the EFMA, where any person fails to comply with the regulatory conditions of a work pass (such person being an employer) issued to a foreign worker, the Controller of Work Passes may impose on the person a financial penalty of such amount not exceeding S\$10,000 as the Controller of Work Passes may determine. Section 25(4) of the EFMA stipulates that the employer shall be liable to bear and pay, among others, cost associated with repatriating the foreign employee at any time and such fees, charge or amount as may be prescribed.</p> <p>In respect of (a), the security bond of S\$2,500 was forfeited for IEPL's failure to repatriate its ex-employee.</p> <p>In respect of (b), an overstay fine of S\$100 has been paid by IEPL for one ex-employee and ICPL for the remaining two ex-employees.</p> <p>Our Singapore Legal Advisers are of the view that on the basis that, among others, the said overstay fines have been duly paid, no further action is likely to be taken against IEPL and ICPL in respect of the same. There are no further liabilities to IEPL in respect of the foreign worker who went missing.</p>	<p>In respect of (a), our site management team has increased its awareness of any suspicious and unusual circumstances relating to our foreign workers. For example, they have been reminded to contact our human resources and administrative department immediately upon discovery of any foreign worker not reporting to work. In order to avoid any misunderstanding and miscommunication between us and our foreign workers that may lead to their prior termination of employment without proper notice, our foreign workers are encouraged to approach and communicate with the site supervisor, in their native language if needed, immediately if they have any personal issues and require assistance.</p> <p>In respect of (b), our human resources staff has been assigned to maintain a list of foreign workers setting out the expiry dates of their work permits. Further, (i) our human resources staff will from time to time report to our human resource and administrative director, Ms. Tan Soh Lay, for cases requiring renewals or repatriations; and (ii) our human resource and administrative director, Ms. Tan Soh Lay, will review the work performed by our human resources staff for the preparation of the list on a monthly basis to ensure that appropriate renewals or repatriations are made in a timely manner.</p>

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Relevant regulations	Particulars of non-compliance	Reasons for non-compliance	Potential/actual consequences of non-compliance	Rectification actions and internal control measures taken
Sections 12, 20, 50 and 56 of the WSHA	In November 2014, at our mixed development construction site situated at Tanjong Pagar, one of the workers of our Subcontractor A, who was involved in formwork installation failed to anchor the safety harness and accidentally fell from height.	Our formwork supervisor of the Tanjong Pagar construction site failed to take reasonably practicable measures to ensure the safety and health of the relevant worker at the time.	<p>Pursuant to Section 20 of the WSHA, any contravention of the requirements in Part IV of the WSHA (that includes the duties of employers set out in Section 12) by any person shall render such person guilty of an offence. An employer who fails to provide a safe working environment and to ensure the safety of the employees on the worksite (as per Section 12) shall be guilty of an offence. Section 50 of the WSHA stipulates that any person guilty of an offence under the WSHA shall be liable on conviction (in the case of a body corporate) to a fine not exceeding S\$500,000. The CWSH may compound any offence under Section 56 of the WSHA in his discretion.</p> <p>A composition amount of S\$3,000 has been paid in March 2015.</p> <p>Our Singaporean Legal Advisers are of the view that based on <i>inter alia</i> the said fine having been duly settled by IEPL, IEPL or ICPL will not be subject to further penalties in respect of such breaches.</p>	To prevent the occurrence of similar accidents in the future, we have developed and implemented fall prevention measures for our working-at-height activities and our site supervisors will make sure such measures are properly implemented at our relevant construction sites.



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Relevant regulations	Particulars of non-compliance	Reasons for non-compliance	Potential/actual consequences of non-compliance	Rectification actions and internal control measures taken
Regulation 6 of the Workplace Safety & Health Act (Incident Reporting) Regulations	IEPL and ICPL failed to submit incident reports to the CWSH within 10 days after a workplace accident leading to injury or the third day of the sick leave in relation to four incidents of injuries of employees, which took place in April 2013, December 2014, May 2015 and January 2017, and two incidents of injury, which took place in December 2015 and June 2017, respectively.	<p>In respect of all incidents except the injury in June 2017, on each occasion, the omission was due to inadvertent oversight of the then administrative staff responsible for the submission of incident report to the CWSH.</p> <p>In respect of the incident of injury in June 2017, the omission was due to the late notification by the relevant worker of the sick leave granted to him and we did not have enough time to ascertain information in relation to the incident from the main contractor for submission to MOM.</p>	<p>An employer who fails to submit an incident report within the prescribed time period shall be guilty of an offence and shall be liable on conviction for a first offence, to a fine not exceeding S\$5,000; and for a subsequent offence, to a fine not exceeding S\$10,000 or an imprisonment term not exceeding six months or to both.</p> <p>We have subsequently made all the incident reports to CWSH. As at the Latest Practicable Date, no fine or penalty has been imposed on us.</p> <p>Our Singapore Legal Advisers are of the view that any penalties imposed (if at all) by the MOM in respect of such late reporting of accidents would likely only be in the nature of a fine with no imprisonment.</p>	<p>To prevent the occurrence of similar incidents in the future, we have engaged an external legal adviser based in Singapore who will be notified of any workplace accident and submit the incident report within the specified period on our behalf. Our human resource and administrative director will be the contact point between the legal adviser and our Group.</p> <p>In particular, to ensure that we are promptly informed of the sick leave granted to our workers in relation to any reportable incident, (i) we have required our workers to seek approval from the relevant manager-in-charge before leaving their workplace to seek medical attention and to provide relevant documents of the medical treatment sought for our record as soon as possible and in any event no later than two days of the day the medical treatment is sought, failing which the relevant worker would be considered absent from work with the wages of the entire day forfeited and an administrative levy of S\$50 will be imposed; and (ii) our human resource and administrative department would keep a register of the workplace incidents and sick leave granted to our workers, which would be reviewed by our external legal adviser on a weekly basis.</p>
Section 58(b) of the CPF Act	ICPL made late payment of CPF contribution in the amount of S\$2,405 in September 2015.	The omission was due to inadvertent oversight of the then administrative staff responsible for making payment of CPF contribution.	<p>The offences of making late payment of the CPF contribution may be recognised as a compounded offence and the company may be liable to pay a fine in a sum not exceeding S\$500.</p> <p>As at the Latest Practicable Date, no penalties or composition fines had been imposed on ICPL.</p> <p>Our Singapore Legal Advisers have advised that prosecution is not likely.</p>	The relevant CPF contribution payment together with the interest accrued on such late payment has been subsequently made. We have delegated to a team of personnel with accounting experience and headed by Ms. Tan, our executive Director, to take up the calculation and payment of CPF contribution. Calculation of CPF contribution is prepared well before the due date for payment to ensure it is internally approved and ready for submission in a timely manner.

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<b>Relevant regulations</b>	<b>Particulars of non-compliance</b>	<b>Reasons for non-compliance</b>	<b>Potential/actual consequences of non-compliance</b>	<b>Rectification actions and internal control measures taken</b>
Section 201 and Section 204 of the Companies Act	IEPL presented its financial statements at annual general meetings held in March 2015 and May 2016, respectively, wherein such financial statements were made up to a date that was more than six months prior to the date of the respective annual general meeting.	The omission was not willful and was due to inadvertent oversight of the external accounting firm then engaged by IEPL that was responsible for the making of audited accounts within the specified period.	Under Section 201 of the Companies Act, consolidated financial statements of the relevant company to be laid at the annual general meeting should be made from the date of the preceding financial statement to a date not more than 6 months before the date of the annual general meeting. Every person (including the directors) who has failed to comply with this provision of the Companies Act is guilty of an offence under Section 204, and may be liable on conviction to a fine not exceeding S\$10,000.  As at the Latest Practicable Date, no fine or penalty had been imposed on us. Our Singapore Legal Advisers are of the view that no further action is likely to be taken against IEPL by the Accounting and Corporate Regulatory Authority of Singapore.	To prevent the occurrence of similar incidents in the future, we have assigned Mr. Ng Sai Cheong, our company secretary, to prepare timetable for financial closing and publication of financial results and dispatch of annual/half-yearly/quarterly reports and circulars to Shareholders for annual general meetings.
Section 34 of the Employment Act	IEPL and ICPL failed to pay salary to three workers in October 2015, January 2016 and June 2016, respectively.	The non-compliance incidents were committed due to (i) dispute in the salary amount; and (ii) failure of the relevant worker to report to duty and receive his salary.	The company will be liable to prosecution under the Employment Act. The Controller of Work Permits will be notified when the company applies for new and/or renewal of Work Permits. Also, the company will not be able to submit any new work pass application until the conclusion of claim.  The MOM imposed suspension of the issuance of work passes on IEPL and ICPL due to the salary-related claims. The salary claims have subsequently been settled and the suspension of the issuance of work passes has been lifted.  Our Singapore Legal Advisers are of the view that based on among others the claims having been settled and the suspension subsequently lifted, these incidents are concluded and there are no residual legal risks in respect of such salary-related claims.	To avoid further occurrence of similar incidents in the future, we have strengthened communication with our workers in that they are encouraged to approach our administrative and human resource department for any issues relating to salary and other personal matters.

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Relevant regulations	Particulars of non-compliance	Reasons for non-compliance	Potential/actual consequences of non-compliance	Rectification actions and internal control measures taken
Section 26(1)(b) of the SDA	On or about 16 November 2016, IEPL carried out mock up works which was considered as works that could lead to the discharge of silt directly or indirectly into any storm water drainage system, drain or drainage reserve before obtaining a clearance certificate or the approval of the PUB. <sup>(Note)</sup>	The non-compliance was due to the late application for the clearance certificate on 11 November 2016 as a result of overlooking the relevant customer’s requirement to conduct the mock up works and thus not submitting the application ahead of time.	<p>An offence under Section 26(1)(b) of the SDA is punishable under Section 26(5) of the SDA to a fine not exceeding S\$50,000. Under Section 70 of the SDA, the PUB may compound the offence with a sum not exceeding S\$5,000. If PUB grants composition, on payment of such sum of money, no further proceedings shall be taken against IEPL.</p> <p>On 3 July 2017, PUB’s principal legal officer sent a letter to IEPL to inform IEPL that the prosecution will withdraw the charge, apply for a discharge amounting to a total acquittal in court on 1 August 2017 and offer composition amount of S\$1,000.</p> <p>PUB also on 20 July 2017 acknowledged receipt of IEPL’s payment of the S\$1,000 composition amount. On 1 August 2017, the prosecution applied to withdraw the charge against IEPL and the court granted a discharge amounting to a total acquittal.</p> <p>As such, our Singapore Legal Advisers are of the view that the case is concluded and IEPL will not be subject to further penalties in respect of this non-compliance.</p>	<p>To avoid further occurrence of similar incidents in the future, we have engaged an external legal adviser in Singapore who would advise us on the legal issues arising from and out of our business operation, including but not limited to the necessity and timeline for obtaining the necessary and requisite licence, approval and consent from the regulators.</p> <p>The clearance certificate was obtained on 16 November 2016.</p>

*Note:* On 16 November 2016, a PUB officer attending the site issued a summons against IEPL with the view that the mock up was indicative of works being carried out prior to IEPL obtaining the clearance certificate. On 16 November 2016, IEPL was issued with a clearance certificate.

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Relevant regulations	Particulars of non-compliance	Reasons for non-compliance	Potential/actual consequences of non-compliance	Rectification actions and internal control measures taken
Sections 5, 22 and 25 of the EFMA	<p>(a) IEPL failed to ensure that 12 foreign employees have acceptable accommodation in February 2012 which had contravened the condition of the work passes.</p> <p>(b) In May 2012, IEPL deployed a foreign employee illegally which had contravened the condition of the work pass.</p> <p>(c) In April 2013, a foreign employee of IEPL was found to be overstaying in Singapore and, thus, IEPL had contravened the condition of the work pass.</p>	<p>In respect of (a), IEPL failed to provide an acceptable accommodation to its foreign employees because there was a delay in the construction of a temporary workers quarters at the construction site and there was no vacancy at the approved dormitories at the same time.</p> <p>In respect of (b), IEPL deployed a foreign worker as a driver while he was holding a work pass to work as a construction worker for IEPL.</p> <p>In respect of (c), the Work Permit of the foreign worker employed by IEPL expired in late March 2013 but he was only able to collect his new passport and, hence, a new Work Permit in May 2013. IEPL failed to apply to MOM in a timely manner to have a new special pass issued to him while he was waiting for a new passport and Work Permit to be issued to him.</p>	<p>In respect of (a), pursuant to Section 22(1)(a) of the EFMA, any person who being an employer to whom a work pass applies, contravenes any of the conditions of the work pass shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 or to an imprisonment term not exceeding 6 months or to both.</p> <p>In lieu of prosecution, on 2 April 2012 MOM issued a stern warning to IEPL for the contravention of Section 22(1)(a) of the EFMA.</p> <p>The Singapore Legal Advisers are of the view that with regard to the nature and circumstances of such incident, and having considered that no further action was taken by MOM except for the stern warning, the matter is concluded and there will be no prosecution.</p> <p>In respect of (b), under Section 5(3) of the EFMA, no person shall employ a foreign employee otherwise than in accordance with the conditions of the foreign employee's work pass. Contravention of this provision is punishable under Section (7A) of the EFMA to a fine not exceeding S\$5,000.</p> <p>Following the breach, IEPL was debarred on 5 March 2013 from employing foreign workers. The debarment was lifted on 10 May 2013. In lieu of prosecution, on 16 May 2013 MOM issued a stern warning to IEPL for the contravention of Section 5(3) of the EFMA.</p> <p>The Singapore Legal Advisers are of the view that with regard to the nature and circumstances of such incident, and having considered that no further action was taken by MOM except for the stern warning, the matter is concluded and there will be no prosecution.</p> <p>In respect of (c), pursuant to Section 22(1)(a) of the EFMA, any person who being an employer to whom a work pass applies or had applied, contravenes any condition (other than a regulatory condition) of the work pass or in-principle approval of the application for the work pass shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both (with effect from 9 November 2012).</p> <p>A S\$100 overstay fine in respect of this incident was paid by IEPL on 4 April 2013.</p> <p>The Singapore Legal Advisers are of the view that with regard to the nature and circumstances of this incident, and having considered that IEPL has paid the overstay fine, the matter is concluded and there will be no prosecution.</p>	<p>In respect of (a), to prevent the occurrence of similar incidents in the future, our administrative and human resources department will conduct site inspections from time to time to ensure that our foreign employees have acceptable accommodation. We have also strengthened communication with our workers in that they are encouraged to approach our administrative and human resource department for any issues relating to accommodation matters.</p> <p>In respect of (a), (b) and (c), our human resources staff has been assigned to maintain a list of foreign workers setting out the conditions of the relevant work passes. Further, (i) our human resources staff will from time to time report to our human resource and administrative director, Ms. Tan Soh Lay, in relation to the compliance of conditions of work passes; and (ii) our human resource and administrative director, Ms. Tan Soh Lay, will review the work performed by our human resources staff for the preparation of the list on a monthly basis to ensure the compliance of the conditions of work passes.</p>

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Notwithstanding the non-compliance incidents prior to and during the Track Record Period, the Sole Sponsor is of the view that our Directors possess the requisite levels of skill, care and diligence to act as directors of a listed company on the following bases:

- (a) our Directors are responsible for ensuring that our employees comply with all of the regulations relevant to our Group’s operations;
- (b) none of the above-mentioned non-compliance incidents suggested any dishonesty or fraud that would (i) affect our Directors’ ability to fulfil their fiduciary duties in addition to their duties of skill, care and diligence towards our Shareholders; or (ii) raise any issue regarding the integrity of our Directors;
- (c) our Directors were not charged with any criminal offences involving fraud or dishonesty;
- (d) as advised by our Singapore Legal Advisers, the non-compliance incidents of our Group prior to the Track Record Period between 2010 and 2014 were not material in the context of our Group and its business and operations; and none of such non-compliance incidents involved issues of fraud or dishonesty;
- (e) our Directors attended a directors’ training course in April 2017 conducted by our legal advisers as to Hong Kong laws in relation to directors’ duties under the GEM Listing Rules and the laws of Hong Kong. They have confirmed that (i) their understanding of the laws and regulations applicable to companies listed in Hong Kong has been enhanced; and (ii) they will exercise the skill, care and diligence as reasonably expected of their appointment as a Director and will give due attention to ensure compliance with the GEM Listing Rules upon [REDACTED];
- (f) our Group has engaged an external legal adviser in Singapore to provide us with professional legal advice on matters including but not limited to contract issues and application for licences, approvals and consents so that we can enhance our compliance with the legal and regulatory requirements in respect of our business operations;
- (g) our Group has taken measures to enhance its internal control system, including the appointment of Guotai Junan Capital Limited as our compliance adviser upon [REDACTED] and the engagement of an independent internal control consultant (the “**Internal Control Consultant**”) on 1 February 2017 to perform a comprehensive evaluation of our Group’s internal control system. With the adoption of its recommended measures and policies as at the Latest Practicable Date, our Group would be able to prevent the recurrence of the non-compliance incidents and ensure due compliance with applicable laws and regulations going forward; and
- (h) our Directors are suitable to act as directors of a listed company as their knowledge and experience are invaluable to the operations of our Group to achieve sustainable growth.

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### Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the [REDACTED] becomes unconditional. Please refer to the section headed “Statutory and General Information — E. Other Information — 1. Estate duty/other indemnity” in Appendix IV to this document for details of the Deed of Indemnity. Save as disclosed above, our Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, are not aware of any litigation proceedings pending or threatened against us which could have a material adverse effect on our financial condition or results of operations.

### 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 the section headed “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.

#### Project risk management

##### *Projects and customers*

We recognise that our order book is 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 and project developers in Singapore. We also ensure that our Group has sufficient resources and capacities to secure new construction projects whenever business opportunities arise so that we can retain our position as one of the established subcontractors in the field of reinforced concrete works in Singapore. Furthermore, with the [REDACTED] from the [REDACTED], 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 quotations and tendering of projects, our contracts department consider and evaluate 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 Mr. Goh, our executive Director is required before any submission of quotation or tender. 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

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our customers regularly and closely. When there are signs of slowdown in the payment pattern of our existing customers, our executive Directors will review the situation immediately and evaluate project opportunities with new or other customers.

### *Suppliers and 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 and subcontractors, maintaining at least more than one supplier or subcontractor in a major category of supplies or services, and constantly sourcing from approved suppliers and subcontractors. In addition, we maintain lists of approved suppliers and approved subcontractors, which are 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, subcontractors and labour and receiving payments from our customers, which would result in possible cash flow mismatch. Should we choose to make 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, subcontractors and labour in the future. The extent of such cash flow mismatch is illustrated by the differences between our trade payables turnover days and our trade receivables turnover days. For each of the two years ended 31 December 2016 and for the four months ended 30 April 2017, our trade and retention sum payables turnover days were approximately 21 days, 18 days and 16 days, respectively and our trade receivables turnover days were approximately 77 days, 66 days and 37 days, respectively. For further details, please refer to the section headed “Financial Information” of this document.

In order to manage our liquidity position better, our finance department, led by Mr. Ng Sai Cheong, our executive Director, will prepare an annual cashflow 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**

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

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In order to minimise the credit risk, we monitored 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 ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, we consider that our credit risk is significantly reduced.

### **Regulatory risk management**

Our Group keeps abreast of any changes 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, India, Bangladesh, Thailand and Myanmar.

Our Directors confirm that as at the Latest Practicable Date, they are not aware of any impending changes in the relevant laws, rules and regulations that would materially affect our Group.

### **ADEQUACY AND EFFECTIVENESS OF OUR INTERNAL CONTROL SYSTEMS**

Our Group strives to maintain the integrity of our business, results of operations and reputation by strictly adhering to an internal control system in respect of our business. We have therefore implemented internal control procedures and manuals covering a number of key control areas such as tendering, purchase and procurement management, financial management and safety and environment compliance management with a view to ensuring compliance by our Group with applicable laws, rules and regulations. For further details, please refer to the paragraph headed “Risk Management and Internal Control” in this section.

#### **Directors’ and the Sole Sponsor’s views**

With a view to enhancing the internal control procedures of our Group, we engaged an independent Internal Control Consultant on 1 February 2017 to perform a comprehensive evaluation of our internal control system, including the areas of financial, operation, compliance and risk management.

Other than the remedial measures we have taken to address our non-compliance incidents as referred to in the paragraph headed “Regulatory Non-compliance” in this section, we have implemented additional measures and policies to improve our internal control system. To facilitate the implementation, we have adopted an internal control policies and procedures manual since 1 April



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2017. Below is a summary setting out the material findings by the Internal Control Consultant, the remedial measures we have implemented based on the recommendations of the Internal Control Consultant and the status of implementation:

- (a) our Group did not have any written policies and procedures in relation to the compliance procedures for the GEM Listing Rules, nor did we arrange any directors’ and officers’ liability insurance and formulate an internal control system pursuant to the GEM Listing Rules. Having taken the recommendations of the Internal Control Consultant, we have established written policies and procedures which comply with the relevant laws and regulations including the GEM Listing Rules. In addition, we are in the process of engaging the Internal Control Consultant with a view to enhancing the governance of our Group and expect it to be engaged upon [REDACTED]. We will also arrange the directors’ and officers’ liability insurance upon [REDACTED];
- (b) although we had the policy of preparing budgets for our construction projects on a project-by-project basis, our Group did not have the practice of doing overall budgeting and set up a budget review mechanism for the entire organisation. Having taken the Internal Control Consultant’s recommendations, we have developed a set of procedures for the preparation of annual budgets of our Group as a whole and also a budget review mechanism to facilitate more effective execution of our business plans;
- (c) our Group did not have clear segregation of duties with respect to our payroll system. Having taken the advice of the Internal Control Consultant, we have adopted a payroll policy since 1 April 2017, under which the duties of payroll calculation, review of payroll and making salary payments to our employees are delegated to different staff members so as to ensure payroll accuracy and to minimise the chance of fraud.

The Internal Control Consultant performed a follow-up review in April 2017 and it did not identify any further issues and made no further recommendations in the respective areas covered in their review. The internal control review was conducted based on the information provided by our Group and no assurance or opinion on internal control was expressed by the Internal Control Consultant.

Our Directors are of the view that the internal control measures are adequate and effective, having considered (i) the results of the review by the Internal Control Consultant; and (ii) the fact that there had not been recurrence of similar non-compliance incidents subsequent to the review of the Internal Control Consultant.

Our Directors consider that the non-compliance incidents set out in the paragraph headed “Regulatory Non-compliance” did not and will not have any material operational or financial impact on our Group’s operations and these non-compliance incidents will not affect the suitability of our executive Directors to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability of [REDACTED] our Company under Rule 11.06 of the GEM Listing Rules.

Having considered the views of our Directors and our legal adviser as to Singapore law, and taking into account the fact that the Internal Control Consultant raised no further recommendations with respect to its review, the Sole Sponsor concurs with the above views of both our Directors and the Internal Control Consultant.