

KAKIKO GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2225

SHARE OFFER

Sponsor



Joint Bookrunners

AmCap
Ample Orient Capital Limited
豐盛東方資本有限公司

 **潮商** 證券有限公司
ChaoShang Securities Limited

IMPORTANT

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

KAKIKO GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Total number of Offer Shares	:	307,500,000 Shares comprising 200,000,000 New Shares and 107,500,000 Sale Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	30,750,000 Shares (subject to re-allocation)
Number of Placing Shares	:	276,750,000 Shares including 107,500,000 Sale Shares (subject to re-allocation and the Over-allotment Option)
Offer Price	:	HK\$0.52 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	2225

Sponsor



Joint Bookrunners



Joint Lead Managers



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

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

Applicants for the Public Offer Shares are required to pay, on application, the Offer Price of HK\$0.52 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Joint Bookrunners may, with our Company's consent, reduce the number of Offer Shares under the Share Offer and/or the Offer Price stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of reduction in the number of Offer Shares and/or the Offer Price will be published on the website of the Stock Exchange at www.hkexnews.hk and website of our Company at kttgroup.com.sg not later than the morning of the last day for lodging applications under the Public Offer. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares".

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including risk factors set out in the section headed "Risk Factors". Pursuant to the Public Offer Underwriting Agreement, the Joint Bookrunners has the right in certain circumstances to terminate the obligations of the Public Offer Underwriters at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for Termination".

4 October 2017

EXPECTED TIMETABLE

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

2017 ⁽¹⁾

Application lists open⁽²⁾ 11:45 a.m. on Tuesday, 10 October

Latest time to lodge **WHITE** and **YELLOW**

Application Forms and to give **electronic**

application instructions to HKSCC⁽³⁾ 12:00 noon on Tuesday, 10 October

Application lists close⁽²⁾ 12:00 noon on Tuesday, 10 October

(a) Announcement of the indication of level of interest in the Placing, the results of applications in the Public Offer and the basis of allocation under the Public Offer to be published on the website of our Company at kttgroup.com.sg; and on the website of the Stock Exchange at www.hkexnews.hk on or before⁽⁴⁾ Monday, 16 October

(b) Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section "How to apply for the Public Offer Shares – 10. Publication of results" from Monday, 16 October

A full announcement of the Public Offer containing (a) and (b) above to be published on the website of the Stock Exchange at www.hkexnews.hk⁽⁴⁾ and our Company's website at kttgroup.com.sg⁽⁵⁾ Monday, 16 October

Results of allocations in the Public Offer will be available at www.whiteform.com.hk/results with a "search by ID" function on Monday, 16 October

EXPECTED TIMETABLE

Despatch/Collection of share certificates of the Offer Shares
or deposit of share certificates of the Offer Shares
into CCASS in respect of wholly or partially
successful applications pursuant to
the Public Offer on or before⁽⁶⁾ Monday, 16 October

Despatch/Collection of refund cheques
in respect of wholly or partially unsuccessful applications
pursuant to the Public Offer on or before⁽⁷⁾ Monday, 16 October

Dealing in the Shares on the Stock Exchange
expected to commence at 9:00 a.m. on Tuesday, 17 October

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including the conditions of the Public Offer, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company’s website at **kttgroup.com.sg**.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 10 October 2017, the application lists will not open and close on that day. Please refer to the section headed “How to apply for Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Tuesday, 10 October 2017, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
3. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. The announcement will be available for viewing on the “Main Board – Results of Allotment” page on the website of the Stock Exchange at **www.hkexnews.hk**.
5. None of the information contained on any website forms part of this prospectus.

EXPECTED TIMETABLE

6. Applicants who apply on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 16 October 2017 or any other date as notified by us as the date of despatch of share certificates/refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorized representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Offer Shares or more and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participant's stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

Share certificates are expected to be issued on Monday, 16 October 2017 but will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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

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SUMMARY

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

BUSINESS OVERVIEW

We are a Singapore-based service provider and we mainly provide manpower outsourcing and ancillary services to building and construction contractors in Singapore. To a lesser extent, we also provide dormitory services, IT services and construction ancillary services (which comprise warehousing services, cleaning services and building maintenance works) in Singapore. We commenced our business of providing manpower outsourcing services in Singapore since 2006.

We currently operate two dormitories, namely the Woodlands Dormitory and Sungei Kadut Dormitory, with a capacity of 1,500 and 479 persons, respectively. The Woodlands Dormitory is a licensed foreign employee dormitory licensed by the MOM which is permitted to house foreign workers employed by our Group as well as by third parties, while the Sungei Kadut Dormitory is a temporary ancillary workers’ dormitory approved by the Urban Redevelopment Authority of Singapore to house our foreign employees.

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

	FY2014		FY2015		FY2016		For the four months ended 30 April 2016 (Unaudited)		For the four months ended 30 April 2017	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Manpower outsourcing and ancillary services	38,943	86.4	39,770	86.3	37,978	84.3	12,471	84.9	12,315	81.9
Dormitory services	4,297	9.5	4,706	10.2	5,464	12.1	1,763	12.0	1,772	11.8
IT services	810	1.8	622	1.3	892	2.0	230	1.6	319	2.1
Construction ancillary services	1,044	2.3	993	2.2	716	1.6	229	1.6	633	4.2
Total	45,095	100.0	46,091	100.0	45,051	100.0	14,693	100.0	15,039	100.0

Manpower outsourcing and ancillary services

We provide manpower outsourcing services by (i) recruiting, employing, training and remunerating foreign workers from Bangladesh and India as our employees in Singapore, and (ii) deploying them to perform various construction works of different construction trades at the work sites designated by our customers in Singapore. The main types of construction works performed by our deployed employees include scaffolding, welding, hacking, casting, painting,

SUMMARY

rebarring, lifting supervision, carpentry and plastering etc. As at the Latest Practicable Date, we employed 1,380 foreign employees for deployment. We recruit our foreign employees mainly through candidate referrals from Overseas Testing Centres based in Bangladesh and India.

If so requested by our customers, our Group also provides ancillary services to our customers for a fee during the deployment period, which include providing accommodation for the deployed employees at our self-operated dormitories or dormitories operated by third parties, and arranging transportation for the deployed employees to and from their respective work sites using our lorries.

Dormitory services

We provide dormitory services at our Woodlands Dormitory mainly to building and construction contractors in Singapore for foreign workers who are employed by them. Our dormitory services generally consist of the provision of dormitory bed spaces and the duration of each contract typically ranged from six months to one year. During the Track Record Period, approximately 57.2% to 84.9% of the dormitory bed spaces at the Woodlands Dormitory were occupied by foreign workers who are under the employment of third parties.

For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, the average monthly occupancy rate of the Woodlands Dormitory was 98.3%, 98.2%, 99.2% and 99.4%, respectively, while for the Sungei Kadut Dormitory, the average monthly occupancy rate was 100% in each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017.

IT services and construction ancillary services

Our IT services generally comprise the provision of support and maintenance services and software upgrades in relation to the ERP systems of our customers. We also provide a range of construction ancillary services to our customers, including warehousing services, cleaning services and building maintenance works.

Our customers

In respect of our manpower outsourcing services, dormitory services and construction ancillary services, our customers are mainly building and construction contractors in Singapore during the Track Record Period. Our Group provided IT services to two customers only (being (i) a group member of a Japanese conglomerate engaged in production of products ranging from petrochemicals & plastics, IT-related chemicals, energy and functional materials and health and crop science; and (ii) an education company engaged in the childcare and tuition business in the Southeast Asia regions with which our business relationship started during the four months ended 30 April 2017) during the Track Record Period and up to the Latest Practicable Date. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, we have a total number of 406, 466, 607 and 190 customers.

Our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) catering service providers, (ii) dormitory service providers, (iii) training course providers, (iv) providers of construction manpower, and (v) suppliers of miscellaneous services including overseas manpower consultants and individual recruitment agents in Bangladesh.

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Our major cost components

The major cost components of our Group's operations include foreign workers' wages and salaries, foreign workers levy and staff salaries, bonuses and allowances, which in aggregate accounted for approximately 63.5%, 65.3%, 73.2% and 70.4% of our cost of services for FY2014, FY2015, FY2016 and the four months ended 30 April 2017 respectively.

Our major licences and permits

Nichefield, one of our operating subsidiaries, has obtained the Dormitory Licence (as defined and further discussed in the paragraph headed "Business – Licences and permits") from the MOM in respect of the operation of the Woodlands Dormitory. The current term of the Dormitory Licence is from 5 September 2016 to 30 October 2018. KT&T Engineers, another of our operating subsidiaries, has obtained the grant of the Temporary Permission (as defined and further discussed in the paragraph headed "Business – Licences and permits") for using the Sungei Kadut Dormitory as a temporary ancillary workers' dormitory from 25 February 2017 to 25 February 2020.

In addition, we also possess certain registration under the Contractors Registration System maintained by the BCA, which enable us to carry out certain construction ancillary services. For details, please refer to the section headed "Regulatory overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services – II. Licence regime for contractors in Singapore" in this prospectus.

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

According to the Ipsos Report, the demand for manpower outsourcing services in Singapore is affected by developments in the Singapore construction industry. Manpower outsourcing service providers (such as our Group) play a vital role in supporting the building and construction contractors in Singapore by not only providing sufficient workforce for such companies to meet any additional demand of workers but also reduces the overhead costs of maintaining fleet of full-time workers during downtime. Ipsos advised that as the revenue of the manpower outsourcing industry in Singapore and the financial information of some of the key industry players are not available, the market share of our Group and the ranking of the industry players cannot be reliably ascertained.

We believe that our competitive strengths include (i) established relationships with Overseas Testing Centres in Bangladesh; (ii) cost advantages from our self-operated dormitories and lorry fleet; (iii) being experienced and knowledgeable in managing foreign workers; (iv) being an established service provider of manpower outsourcing services; and (v) possession of a sizable pool of suitable and trained workers.

BUSINESS STRATEGIES

We intend to pursue the following key business strategies: (i) further expanding our manpower available for deployment in order to cope with our business development in light of the forecasted growth of the construction industry and manpower outsourcing industry in Singapore; (ii) acquiring an additional foreign worker dormitory in order to increase the scale of our dormitory operation in order to cope the forecasted increase in the demand for dormitory

SUMMARY

services in respect of foreign workers in Singapore and accommodate the housing needs of our additional manpower; and (iii) acquiring additional lorries in order to cope with the expected increase in transportation needs from a larger size of manpower. For further information, please refer to the paragraph headed “Business – Business strategies” in this prospectus.

SALES AND MARKETING AND PRICING STRATEGY

During the Track Record Period, we secured new business opportunities mainly through (i) incoming enquiries from new and existing customers, (ii) referrals from existing customers, and (iii) active marketing and promotion carried out by our sales managers with potential customers. Our sales and marketing team is primarily responsible for the promotion of our business to building and construction contractors in Singapore.

Our pricing is generally determined based on certain markups over our estimated costs, after considering a range of factors such as salaries and recruitment costs of our foreign employees and operation staff, the overhead costs expected to be incurred and the prevailing market condition. For further information, please refer to the paragraph headed “Business – Pricing strategy” in this prospectus.

RISK FACTORS

Potential investors are advised to carefully read the section headed “Risk factors” in this prospectus before making any investment decision in the Offer Shares. Some of the more particular risk factors include the following: (i) our business of providing manpower outsourcing service is dependent on our ability to source foreign employees and any difficulties in sourcing sufficient foreign labour could materially and adversely affect our operations and financial performance; (ii) we rely on Overseas Testing Centres in Bangladesh and India for referrals of foreign workers and any disruption in our working relationships with the Overseas Testing Centres may materially and adversely affect our operations and financial performance; (iii) our revenue is mainly derived from our manpower outsourcing and ancillary services for which our engagements with our customers are not recurrent in nature and there is no guarantee that our customers will provide us with new businesses; (iv) sub-standard performance by our deployed workers may adversely affect our service quality and reputation; and (v) we recorded net operating cash outflow for the four months ended 30 April 2017.

FOREIGN EMPLOYEES

We recruited most of our foreign employees through candidate referrals from certain Overseas Testing Centres in Bangladesh and India. The availability of the foreign workers to the construction industry is regulated by the MOM through certain policy instruments, including but not limited to (i) the dependency ceilings based on the ratio of local to foreign workers; (ii) the quotas based on the man-year entitlements in respect of workers from NTS; and (iii) the requirement for a minimum percentage of higher-skilled workers.

As advised by our Singapore Legal Adviser, the maximum number of foreign workers that our Group can hire is subject to the ratio of one full-time local worker to seven foreign workers for the construction industry in Singapore set under the dependency ceilings. Based on the latest information available from the MOM database as at the Latest Practicable Date and our Manpower Services Companies’ employment records, the Singapore Legal Advisers confirmed

SUMMARY

that our Manpower Services Companies had utilized 1,547 quota balance for foreign workers (including those who were under our employment and those who had obtained prior approvals from MOM but whose employment had yet to be formally commenced) and should be entitled to employ up to an additional 42 foreign workers after taking into consideration, *inter alia*, the number of local employees who are eligible for, and are under a dual employment arrangement (which is further discussed in the section headed “Regulatory overview” in this prospectus). Therefore, our Group are in compliance with the dependency ceiling quota.

As advised by our Singapore Legal Adviser, our Group is required by the MOM to maintain a minimum percentage of at least 10% of higher-skilled workers. As at the Latest Practicable Date, approximately 17.4% of the foreign workers hired by our Group are higher-skilled workers. Based on our available quota balance as at the Latest Practicable Date, our Group is entitled to employ a maximum of 1,589 foreign workers, among which at least 159 of them shall be higher-skilled workers.

SUPPLIER CONCENTRATION

Our top five suppliers accounted for approximately 73.9%, 61.0%, 73.0% and 78.1% of our total purchases for each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017 respectively. Despite such supplier concentration, our Directors consider that we are not overly reliant on any single supplier as discussed in the section headed “Business – Our suppliers – Supplier concentration”.

LOSS MAKING PROJECTS DURING THE TRACK RECORD PERIOD

We experienced two loss making projects during the Track Record Period, namely the Myanmar Project and the School Dormitory Project, which had resulted in costs of S\$1.0 million and S\$3.5 million respectively incurred by us during the Track Record Period, without deriving any income from, or achieving our planned objective of, the projects eventually. Our Directors consider that our withdrawal from the Myanmar Project and the School Dormitory Project does not have any material impact on our business operations as discussed in details in the section headed “Business – Loss making projects during the Track Record Period”.

KEY OPERATIONAL AND FINANCIAL DATA

The following table sets out the number of hours of deployment billed by our Group for manpower outsourcing and ancillary services during the Track Record Period:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>For the four months ended 30 April 2017</u>
	<u>'000 hours</u>	<u>'000 hours</u>	<u>'000 hours</u>	<u>'000 hours</u>
Number of hours of deployment billed by our Group for manpower outsourcing and ancillary services	<u>3,962</u>	<u>3,968</u>	<u>3,875</u>	<u>1,261</u>

The number of hours of deployment billed by our Group for manpower outsourcing and ancillary services decreased by approximately 2.3% from 3,968,000 hours in FY2015 to 3,875,000 in FY2016. Our Directors believe that the aforesaid decrease was in line with the

SUMMARY

decrease in construction demand in the Singapore construction industry during the period. According to the Ipsos Report, the construction demand by value of contracts awarded decreased from approximately S\$27.0 billion in 2015 to approximately S\$26.1 billion in 2016 and is forecasted to increase to approximately S\$30.0 billion in 2017. For further information on the construction industry and manpower outsourcing industry in Singapore, please refer to the section headed “Industry Overview”.

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

	FY2014	FY2015	FY2016	For the four months ended 30 April 2016 (Unaudited)	For the four months ended 30 April 2017
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Results of operations					
Revenue	45,095	46,091	45,051	14,693	15,039
Gross profit	16,744	15,288	15,513	5,257	5,009
Profit before taxation	4,828	7,413	7,582	2,825	1,785
Profit for the year	<u>4,158</u>	<u>6,324</u>	<u>6,620</u>	<u>2,506</u>	<u>1,455</u>
	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017	
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	
Financial position					
Non-current assets		4,230	2,794	3,435	3,488
Current assets		22,998	19,617	23,112	16,284
Non-current liabilities		552	64	20	17
Current liabilities		19,807	9,154	16,555	8,328
Net current assets		<u>3,192</u>	<u>10,463</u>	<u>6,557</u>	<u>7,956</u>
Total equity		<u>6,869</u>	<u>13,193</u>	<u>9,973</u>	<u>11,427</u>
	FY2014	FY2015	FY2016	For the four months ended 30 April 2016 (Unaudited)	For the four months ended 30 April 2017
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Net cash from (used in) operating activities	8,903	9,868	7,529	3,068	(1,007)
Net cash used in investing activities	(242)	(1,583)	(41)	(2,896)	(315)
Net cash used in financing activities	<u>(3,512)</u>	<u>(12,000)</u>	<u>(3,432)</u>	<u>(135)</u>	<u>(7,657)</u>
Net increase/(decrease) in cash and cash equivalents	<u>5,149</u>	<u>(3,715)</u>	<u>4,056</u>	<u>36</u>	<u>(8,979)</u>
Operating cash flow before movement in working capital	<u>7,299</u>	<u>9,550</u>	<u>8,323</u>	<u>3,078</u>	<u>2,048</u>
Bank balances and cash	<u>15,383</u>	<u>11,668</u>	<u>15,724</u>	<u>11,704</u>	<u>6,745</u>

SUMMARY

We recorded net operating cash outflow of approximately S\$1.0 million for the four months ended 30 April 2017. This was mainly because of the increase in our trade receivable of approximately S\$2.3 million as at 30 April 2017 compared to 31 December 2016, mainly due to (i) the increase in unbilled revenue as certain manpower outsourcing services were rendered in late April 2017 and we have not yet issued the relevant invoices to our customers as at 30 April 2017; and (ii) the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to different settlement practices of different customers as well as the different credit periods granted by us.

	FY2014	FY2015	FY2016	For the four months ended 30 April 2017 or as at 30 April 2017
	or as at 31 December 2014	or as at 31 December 2015	or as at 31 December 2016	
Key financial ratio				
Gross profit margin	37.1%	33.2%	34.4%	33.3%
Net profit margin	9.2%	13.7%	14.7%	9.7%
Return on equity	60.5%	47.9%	66.4%	12.7%
Return on total assets	15.3%	28.2%	24.9%	7.4%
Current ratio	1.2	2.1	1.4	2.0
Trade receivables turnover days	57.7 days	48.3 days	41.2 days	43.4 days
Trade payables turnover days	21.3 days	21.5 days	22.7 days	19.1 days
Gearing ratio ^(Note)	<u>182.2%</u>	<u>4.6%</u>	<u>43.2%</u>	<u>0.8%</u>

Note: Gearing ratio is calculated as total borrowings (including obligations under finance leases, bank borrowings and amount due to a Director) divided by the equity attributable to owners of our Company as at the respective reporting dates.

	FY2014		FY2015		FY2016		For the four months ended 30 April 2016 (Unaudited)		For the four months ended 30 April 2017	
	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>
	<i>S\$'000</i>	<i>(%)</i>	<i>S\$'000</i>	<i>(%)</i>	<i>S\$'000</i>	<i>(%)</i>	<i>S\$'000</i>	<i>(%)</i>	<i>S\$'000</i>	<i>(%)</i>
Manpower outsourcing and ancillary services	14,445	37.1	13,149	33.1	12,228	32.2	4,364	35.0	3,737	30.3
Dormitory services	998	23.2	1,302	27.7	2,255	41.2	673	38.2	742	41.9
IT services	443	54.7	218	35.0	489	54.8	60	26.0	165	51.8
Construction ancillary services	<u>858</u>	<u>82.2</u>	<u>619</u>	<u>62.4</u>	<u>541</u>	<u>75.6</u>	<u>160</u>	<u>70.1</u>	<u>365</u>	<u>57.6</u>

Gross profit of our manpower outsourcing and ancillary services decreased from approximately S\$14.4 million for FY2014 to approximately S\$13.1 million for FY2015, representing a decrease of 9.0%, while gross profit margin decreased from approximately 37.1% for FY2014 to approximately 33.1% for FY2015. Despite the increase in revenue from manpower outsourcing and ancillary services, the decrease in our gross profit and our gross profit margin were primarily due to the increase in foreign workers levy, workers' living related costs and the

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non-recurring general consultancy fees for the India Project and the Myanmar Project incurred in FY2015. Gross profit of our manpower outsourcing and ancillary services decreased from approximately S\$13.1 million for FY2015 to approximately S\$12.2 million for FY2016, representing a decrease of 7.0%, while gross profit margin decreased from approximately 33.1% for FY2015 to 32.2% for FY2016. The decrease in our gross profit were primarily due to the decrease in revenue, while the decrease in gross profit margin was mainly because of the drop in average hourly rate charged by us per foreign worker and the increase in foreign workers levy. Gross profit of our manpower outsourcing and ancillary services decreased from approximately S\$4.4 million for the four months ended 30 April 2016 to approximately S\$3.7 million for the four months ended 30 April 2017, representing a decrease of 15.9%, while gross profit margin decreased from approximately 35.0% for the four months ended 30 April 2016 to 30.3% for the four months ended 30 April 2017. The decrease in our gross profit were primarily due to the decrease in revenue during the same periods, while the decrease in gross profit margin was mainly because (i) we have offered a lower range of charge-out rate for our workers to some of our customers having considered the general market condition in construction industry in Singapore during the four months ended 30 April 2017; and (ii) the increase in foreign workers levy.

Gross profit of our dormitory services increased from approximately S\$1.0 million for FY2014 to approximately S\$1.3 million for FY2015, representing an increase of 30.5%, while gross profit margin increased from approximately 23.2% for FY2014 to approximately 27.7% for FY2015. The increase was mainly due to the increase in number of beds rented to our customers and the increase in rates of rent charged to our customers. Gross profit of our dormitory services further increased from approximately S\$1.3 million for FY2015 to approximately S\$2.3 million for FY2016, representing an increase of 73.1%, while gross profit margin increased from 27.7% in FY2015 to 41.2% in FY2016. The increase in our gross profit and gross profit margin was mainly due to: (i) the increase in number of beds rented to our customers, and (ii) the lack of the depreciation of the Woodlands Dormitory in FY2016 which had already been fully depreciated by October 2015. Gross profit of our dormitory services increased from approximately S\$673,000 for the four months ended 30 April 2016 to approximately S\$742,000 for the four months ended 30 April 2017, while gross profit margin increased from 38.2% for the four months ended 30 April 2016 to 41.9% for the four months ended 30 April 2017. The increase in our gross profit and gross profit margin was mainly due to the decrease in our costs for operating the Woodlands Dormitory, in particular the dormitory's utilities expenses along with the decrease in the use of our cooking facilities by our foreign employees who opted to pay for catering service.

Our net profit margin increased from approximately 9.2% for FY2014 to approximately 13.7% for FY2015 mainly due to the increase in our revenue coupled with the decrease in our administrative expenses and the decrease in other expenses in relation to the School Dormitory Project. Our net profit margin further increased from 13.7% for FY2015 to 14.7% for FY2016, mainly due to the lack of non-recurring expenses such as the general consultancy fees for the India Project and the Myanmar Project and the expenses in relation to the School Dormitory Project, partially offset by the effect of the decrease in revenue and the recognition of the non-recurring listing expenses of approximately S\$0.7 million in FY2016.

For further details of the fluctuation of our gross profit and net profit, please refer to the paragraph headed "Financial information – 7. Period-to-period comparison of results of operation" in this prospectus.

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Despite the decrease in our revenue and our gross profit in respect of our manpower outsourcing and ancillary services for FY2016, our Directors are of the view that our business are sustainable as discussed in detail in the section headed “Financial information – 7. Period-to-period comparison of results of operations – 7.4 Sustainability of our business in view of the decrease in our revenue and gross profit of our manpower outsourcing and ancillary services business in FY2016” in this prospectus.

Please refer to the section headed “Financial information” in this prospectus for a further discussion and analysis of our financial information.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, each of Mr. Kuah and Mighty One will control more than 30% of our issued share capital, irrespective of whether the Over-allotment Option is exercised partially or fully, or at all. For the purpose of the Listing Rules, Mr. Kuah and Mighty One are our Controlling Shareholders. Mighty One is an investment holding company and has not commenced any substantive business activities as at the Latest Practicable Date.

Mr. Kuah is the chairman of our Board, an executive Director and our chief executive officer. Please refer to the section headed “Directors and senior management” in this prospectus for the biographical information of Mr. Kuah.

LITIGATION

During the Track Record Period, we were involved in a number of concluded legal cases, including (i) seven common law claims filed against us in relation to workplace and other accidents, and (ii) 46 cases commenced by us against our customers in relation to recovery of payments and/or enforcement of related court orders. As at the Latest Practicable Date, we were involved in 11 ongoing claims, including (i) four claims commenced by us against our customers for payments involving approximately S\$0.1 million; (ii) five common law claims filed by injured workers against us (as their employer) and; (iii) two negligence claims commenced by independent third parties in relation to two motor vehicle accidents which involved the alleged negligence of our workers while driving our motor vehicles. For further details, please refer to the section headed “Business – Litigation” in this prospectus.

FATAL ACCIDENT DURING TRACK RECORD PERIOD

We recorded a fatal accident concerning one of our foreign employees during the Track Record Period. On 31 December 2015, a worker under the employment of KT&T Engineers (the “Deceased Worker”) was fatally injured during his deployment to our customer. The aforesaid fatal accident was reported to the MOM in January 2016 and was settled through the adjudication process of the Work Injury Compensation Act.

Our Directors considered the aforesaid fatal incident did not have any negative indication on the adequacy and effectiveness of our safety management system, and will not potentially have any material financial and legal impact on our Group, and/or adversely impact the renewal of KT&T Engineer’s registration under the Contractors Registration System of BCA as discussed in the section headed “Business – Occupational health and work safety” in this prospectus.

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OFFERING STATISTICS

Number of the Offer Shares	307,500,000 Shares
Offer Price	HK\$0.52
Market capitalisation	HK\$639,600,000
Unaudited pro forma adjusted combined net tangible assets per Share attributed to the Shareholders <i>(Note)</i>	HK\$0.13

Note: Please refer to Appendix II to this prospectus for the bases and assumptions in calculating this figure.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$25.4 million, of which approximately HK\$21.4 million is borne by our Group and approximately HK\$4.0 million is borne by the Selling Shareholder. For the amount of approximately HK\$21.4 million borne by our Group, approximately HK\$6.6 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$14.8 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$14.8 million that shall be charged to profit or loss, nil, nil, approximately HK\$3.6 million and HK\$6.5 million has been charged for FY2014, FY2015, FY2016 and the four months ended 30 April 2017, respectively and approximately HK\$11.2 million is to be charged to the profit or loss of our Group for FY2017. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2017 will be affected by the expenses in relation to the Listing.

FUTURE PLANS AND USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer. The net proceeds to be received by us from the Share Offer based on the Offer Price of HK\$0.52 per Share, after deducting related expenses of approximately HK\$21.4 million in connection with the Share Offer, are estimated to be approximately HK\$82.6 million. Our Directors presently intend that the net proceeds will be applied as follows: (i) approximately HK\$77.1 million, representing approximately 93.4% of the estimated net proceeds, for partly financing the acquisition of an additional foreign worker dormitory at an estimated consideration of HK\$162.0 million (equivalent to approximately S\$28.0 million); and (ii) approximately HK\$5.5 million, representing approximately 6.6% of the estimated net proceeds, for financing the acquisition of additional ten lorries.

DIVIDEND

During FY2016, an aggregate amount of dividends of S\$10,440,000 was declared by our Group companies, of which S\$7,440,000 was paid during FY2016 and S\$3,000,000 was subsequently paid in February 2017 by cheque which was presented in April 2017. Other than the above, no dividend was paid or declared by us during the Track Record Period.

The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic

SUMMARY

outlook. It is also subject to the approval of our Shareholders as well as the constitution of our Company. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

RECENT DEVELOPMENT

In respect of our manpower outsourcing and ancillary services business, our Group was awarded with a total number of 345 contracts from 1 May 2017 up to the Latest Practicable Date (which compares to a total of 754, 1,006 and 1,113 contracts awarded to us during each of FY2014, FY2015 and FY2016 respectively). Out of the 345 contracts, 164 were completed as of the Latest Practicable Date, while the remaining 181 were on-going (including contracts which were in progress or yet to commence) as at the Latest Practicable Date. In relation to our ongoing contracts as at the Latest Practicable Date, an estimated amount of revenue of S\$7.6 million is expected to be recognised after the Latest Practicable Date and up to 31 December 2017. As our ongoing contracts do not contain any fixed or committed contract sums, our Directors estimated the total amount of revenue to be derived from such on-going contracts over the contract periods based on (i) the indicative number and type of workers available for deployment pursuant to the contracts; (ii) the duration of the contracts; and (iii) the expected revenue to be recognised by reference to the amount of job orders placed by the same customers or customers of similar scale and background in our past track record.

The Singapore Government has announced to bring forward S\$700 million worth of public sector infrastructure projects to start in 2017 and through 2018, which encourage the growth of the construction industry and thus driving the need for additional manpower to support the growth and demand of these construction activities. In addition, according to the Ipsos Report, the MOM is expected to impose more stringent requirements to recruit and maintain foreign construction workers in Singapore. As such, Ipsos forecasts that there will be a higher incentive for building and construction contractors to engage the service of construction manpower outsourcing service providers and a lower proportion of foreign construction workers will be employed in-house by building and construction contractors in Singapore and a higher proportion of foreign construction workers will be employed by manpower outsourcing service providers due to the hassle of the potentially more stringent requirements and the higher costs of maintaining the foreign workers on a full-time basis and handling all the potential additional legal and administrative matters related thereto. Based on the aforesaid, our Directors consider that the demand for manpower outsourcing service and dormitory services is expected to increase.

In relation to our self-operated dormitories, the Temporary Permission (as defined and further discussed in the paragraph headed “Business – Licences and permits” in this prospectus) in respect of the Sungei Kadut Dormitory had expired on 25 February 2017 and was successfully renewed for another term of three years up to 25 February 2020.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in collecting trade receivables from customers. Up to the Latest Practicable Date, 91.2% of our trade receivables, presented based on the invoice date, as at 30 April 2017 had been settled. For further details, please refer to the paragraph headed “Financial information – 10. Discussion on items from the combined statement of financial position” in this prospectus.

SUMMARY

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 30 April 2017, and there had been no events since 30 April 2017 which would materially affect the information shown in our combined financial information included in the accountants' report set out in Appendix I to this prospectus.

REASONS FOR LISTING

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

Our Directors had considered and evaluated different listing venues including Hong Kong and Singapore and have concluded that Hong Kong is the suitable venue to pursue a listing after taking into account the market liquidity in Hong Kong and Singapore. For further details, please refer to the paragraph headed "History and development – Reasons for Listing" in this prospectus.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

“A&A works”	repair, additions and alterations works to existing buildings and structures
“Accenovate Consulting”	Accenovate Consulting (Asia) Pte. Ltd., a company incorporated in Singapore on 16 May 2006 with limited liability and an indirect wholly-owned subsidiary of our Company
“Accenovate Engineering”	Accenovate Engineering Pte. Ltd., a company incorporated in Singapore on 10 May 2006 with limited liability and an indirect wholly-owned subsidiary of our Company
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 26 September 2017 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto it under the Listing Rules
“BCA”	the Building and Construction Authority of Singapore, an agency under the Ministry of National Development of the Singapore Government
“BCA Academy”	the education and research arm of BCA
“bizSAFE”	the bizSAFE administered by the workplace Safety and Health Council in Singapore, which serves to assist companies in Singapore to build up their workplace safety and health capabilities
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	any day (other than a Saturday, and Sunday or public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the issue of 1,029,999,000 Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the paragraph headed “A. Further Information about our Company – 3. Written resolutions of our sole Shareholder passed on 26 September 2017” in Appendix IV to this prospectus
“carpentry”	the process of cutting, shaping and installing building materials during building and construction works
“casting”	the process of forming an object in a mold (usually made of iron, steel and concrete) during building and construction works
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“charge-out rate”	the hourly rate chargeable to our customers for the manpower deployed by us to them
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Act”	Companies Act (Chapter 50 of the laws of Singapore), as amended, modified, and supplemented from time to time

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company”	Kakiko Group Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 14 February 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Contractors Registration System”	the Contractors Registration System administered by the BCA, which serves the construction and construction-related procurement needs of the public sector including Singapore Government ministries and statutory boards, and under which registration is required for companies wishing to participate in construction tenders or as subcontractors for the public sector
“Controller of Work Passes”	the Controller of Work Passes appointed by the Minister for Manpower of Singapore Government pursuant to the Employment of Foreign Manpower Act (Chapter 91A of the laws of Singapore)
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules, and, in the context of our Company, means Mr. Kuah and Mighty One
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Covenantor”	Mr. Kuah and Mighty One, collectively the covenantors who executed the Deed of Non-Competition

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“CPF” or “Central Provident Fund”	Central Provident Fund of Singapore, which is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement
“Deed of Indemnity”	the deed of indemnity dated 26 September 2017 given by our Controlling Shareholders in favour of our Company regarding certain indemnities, details of which are set out in the paragraph headed “D. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 26 September 2017 entered into by the Covenantors with our Company in favour of our Company regarding certain non-competition undertakings, details of which are set out in the section headed “Relationship with Controlling Shareholders – Non-competition undertaking” in this prospectus
“dependency ceiling”	the maximum ratio permitted by the MOM in respect of foreign workers to the total workforce that a company in a stipulated sector is allowed to hire in Singapore
“Director(s)”	the director(s) of our Company
“EFMA” or “Employment of Foreign Manpower Act”	the Employment of Foreign Manpower Act, Chapter 91A of the laws of Singapore
“ERP system(s)”	enterprise resource planning system(s), being software designed to integrate business processes and functions
“foreign workers levy”	the monthly levy charge imposed by the MOM in respect of foreign workers who have been issued with work permits in Singapore
“FY2014”	the financial year ended 31 December 2014
“FY2015”	the financial year ended 31 December 2015
“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ending 31 December 2017
“FY2018”	the financial year ending 31 December 2018

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“GDP”	gross domestic products
“Group”, “we”, “us” or “our Group”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
“hacking”	the process of striking a brick surface with a special tool during building and construction works
“Harbour Gold”	Harbour Gold Investments Limited, a company incorporated in the BVI with limited liability on 28 November 2016 and an indirect wholly owned subsidiary of our Company
“HKD” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited
“IFRS”	International Financial Reporting Standards
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, substantial Shareholders of our Company or any of its subsidiaries, or any of their respective associates

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“India Project”	a project conducted by us in FY2015 in relation to the engagement of an overseas manpower consultant based in India in relation to sourcing foreign manpower from India
“Ipsos”	Ipsos Pte. Ltd., an industry research consultant, which is an independent third party
“Ipsos Report”	a market research report commissioned by us and prepared by Ipsos on the overview of the industry in which our Group operates
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing. ISO 9001: 2008 is version of ISO 9001
“IT”	information technology
“Joint Bookrunners”	ChaoShang Securities Limited and Ample Orient Capital Limited
“Joint Lead Managers”	ChaoShang Securities Limited, Ample Orient Capital Limited, Easy One Securities Limited, Gransing Securities Co., Limited, Koala Securities Limited and Sino-Rich Securities & Futures Limited
“Kanon Global”	Kanon Global Pte. Ltd., a company incorporated in Singapore on 8 October 2013 with limited liability and an indirect wholly-owned subsidiary of our Company
“Keito Engineering”	Keito Engineering & Construction Pte. Ltd., a company incorporated in Singapore on 10 August 2005 with limited liability and an indirect wholly-owned subsidiary of our Company

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“KT&T Engineers”	KT&T Engineers and Constructors Pte. Ltd., a company incorporated in Singapore on 22 September 2005 with limited liability and an indirect wholly-owned subsidiary of our Company
“KT&T Global”	KT&T Global Pte. Ltd., a company incorporated in Singapore on 16 April 2009 with limited liability and an indirect wholly-owned subsidiary of our Company
“KT&T Resources”	KT&T Resources Pte. Ltd., a company incorporated in Singapore on 1 September 2006 with limited liability and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	25 September 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Leading Elite”	Leading Elite Global Limited, a company incorporated in the BVI on 28 November 2016 with limited liability and an indirect wholly-owned subsidiary of our Company
“lifting supervision”	the process of monitoring the lifting operation of building materials and equipment during building and construction works
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Tuesday, 17 October 2017, on which dealings in the Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange, as amended, modified and supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“man-year entitlement” or “MYE”	a work permit allocation system in Singapore for foreign workers from Non-Traditional Sources countries and the PRC

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Manpower Services Companies”	KT&T Engineers, Tenshi Resources, Keito Engineering, KT&T Resources and Accenovate Engineering, being our operating subsidiaries engaged in, among other things, the provision of manpower outsourcing and ancillary services
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 26 September 2017 and as amended from time to time
“Mighty One”	Mighty One Investments Limited, a company incorporated in the BVI on 8 November 2016 with limited liability and wholly owned by Mr. Kuah
“MOM”	the Ministry of Manpower of the Singapore Government
“Mr. Kuah”	Mr. Kuah Ann Thia, the chairman of the Board, an executive Director, and our chief executive officer
“Mrs. Kuah” or “Ms. Akiko Koshiishi”	Ms. Akiko Koshiishi, the spouse of Mr. Kuah and a member of our senior management
“Myanmar Project”	a project conducted by us in FY2014 and FY2015 in relation to the engagement of an overseas manpower consultant based in Myanmar in relation to sourcing foreign manpower from Myanmar
“New Shares”	the 200,000,000 new Shares to be offered for subscription under the Share Offer
“Nichefield”	Nichefield Pte. Ltd., a company incorporated in Singapore on 31 January 2007 with limited liability and an indirect wholly-owned subsidiary of our Company
“Non-Traditional Sources” or “NTS”	include countries such as Bangladesh, India, Sri Lanka, Thailand, Myanmar and the Philippines, being one of the categories of source countries approved by the MOM from which foreign workers may be employed for the construction sector in Singapore
“North Asian Sources” or “NAS”	include Hong Kong (holders of HKSAR passport), Macau, South Korea and Taiwan, being one of the categories of source countries approved by the MOM from which foreign workers may be employed for the construction sector in Singapore

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Offer Price”	HK\$0.52 per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or issued pursuant to the Share Offer
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“OHSAS 18001”	an international standard setting out requirements for an occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“Overseas Testing Centres”	overseas testing centres approved by the BCA for providing training and assessment to foreign workers
“Over-allotment Option”	the option expected to be granted by our Company under the Placing Underwriting Agreement to the Joint Bookrunners, which is exercisable in full or in part by the Joint Bookrunners (on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 46,125,000 Shares, representing approximately 15% of the initial number of Offer Shares offered under the Share Offer, at the Offer Price to cover over-allocations in the Placing, if any
“painting”	the process of applying paints to a surface during building and construction works
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and other investors as set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 276,750,000 Shares comprising 169,250,000 New Shares and 107,500,000 Sale Shares being initially offered by our Company and the Selling Shareholder respectively for subscription and/or purchase pursuant to the Placing, subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into on or about 12 October 2017 by, among others, our Controlling Shareholders (including the Selling Shareholder), our Company, the Joint Bookrunners and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“plastering”	the process of applying a layer of plaster to a surface for hardening during building and construction works
“PRC”	the People’s Republic of China
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Priceless Developments”	Priceless Developments Limited, a company incorporated in the BVI on 13 October 2016 with limited liability and an indirect wholly-owned subsidiary of our Company
“Promising Elite”	Promising Elite Investments Limited, a company incorporated in the BVI on 21 September 2016 with limited liability and an indirect wholly-owned subsidiary of our Company
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 30,750,000 New Shares initially being offered for subscription under the Public Offer, subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set out in the section headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated about 3 October 2017 relating to the Public Offer entered into between, among others, our Controlling Shareholders, our executive Directors, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Real Value”	Real Value Global Limited, a company incorporated in the BVI on 21 September 2016 with limited liability and a direct wholly-owned subsidiary of our Company
“rebarring”	the process of installing reinforcing steel bars in relation to a formwork during building and construction works
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the paragraph headed “A. Further information about our Company – 4. Corporate reorganisation” in Appendix IV to this prospectus
“Sale Shares”	the 107,500,000 Offer Shares offered by the Selling Shareholder at the Offer Price under the Share Offer
“scaffolding”	the process of creating a platform on which workers can work at different heights and materials can be placed during building and construction works
“Selling Shareholder”	Mighty One, our existing Shareholder who is expected to offer to sell the Sale Shares in the Share Offer
“School Dormitory Project”	the project conducted by Kanan Global in FY2014 in relation to the transformation of a building situated on short street, Singapore to a school dormitory
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Public Offer and the Placing
“Singapore”	the Republic of Singapore
“Singapore dollars”, “S\$” or “SGD”	Singapore dollars, the lawful currency of Singapore
“Singapore Government”	the government of Singapore
“Singapore Legal Adviser”	LPP Law Corporation, the legal adviser to our Company as to Singapore laws
“Sponsor”	Dakin Capital Limited, the sponsor for the Listing and a corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activity
“sq.ft.”	square foot
“sq.m.”	square metre
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Mighty One and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 46,125,000 Shares to cover any over-allocations in the Share Offer
“Stabilising Manager”	ChaoShang Securities Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules and details of our Substantial Shareholders are set out in the section headed “Substantial Shareholders” in this prospectus
“Sungei Kadut Dormitory”	a foreign workers dormitory operated by KT&T Engineers located at 31 Sungei Kadut Avenue Singapore 729660

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Sungei Kadut Premises”	the land situated at 31 Sungei Kadut Avenue Singapore 729660 together with the estate, right and interest in such land (all that piece of flatted factory forming part of the land known as Private Lot A 1618100 being part of the Government Resurvey Lot 1597W of Mukim 11 at 31 Sungei Kadut Avenue Singapore 729660)
“Takeovers Code”	The Codes on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tenshi Resources”	Tenshi Resources International Pte. Ltd., a company incorporated in Singapore on 14 January 2005 with limited liability and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	FY2014, FY2015, FY2016 and the four months ended 30 April 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“Urban Redevelopment Authority” or “URA”	the Urban Redevelopment Authority of the Singapore Government
“U.S. Securities Act”	United States Securities Act of 1933, as amended, modified and supplemented from time to time
“US\$”	United States dollars, the lawful currency of the United States of America
“welding”	the fabrication process that joins materials (usually metals) by causing fusion during building and construction works
“ WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the paragraph headed “How to apply for Public Offer Shares” in this prospectus

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“WICA” or “Work Injury Compensation Act”	the Work Injury Compensation Act, Chapter 354 of the laws of Singapore
“Woodlands Dormitory”	a foreign workers dormitory operated by Nichefield located at Woodlands Industrial Park E4 on State Land Lot 5817N PT MK 13 Singapore
“Woodlands Premises”	the land situated at Woodlands Industrial Park E4 on State Land Lot 5817N PT MK 13 Singapore together with the buildings and structures on such land
“work at height”	construction work performed above ground or floor level
“workheads”	work categories as sub-classified under the seven major categories of registration under the Contractors Registration System in Singapore
“WSHA” or “Workplace Safety and Health Act”	the Workplace Safety and Health Act, Chapter 354A of the laws of Singapore
“ YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in paragraph headed “How to apply for Public Offer Shares” in this prospectus
“%”	per cent

English translations of official Chinese names and English translations which are marked with “” are for identification purposes only.*

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

Our business of providing manpower outsourcing service is dependent on our ability to source foreign employees and any difficulties in sourcing sufficient foreign labour could materially and adversely affect our operations and financial performance

We provide manpower outsourcing service by deploying our foreign employees to building and construction contractors in Singapore. As at the Latest Practicable Date, we employed 1,380 foreign employees for deployment. During the Track Record Period, we have recruited and employed workers from Bangladesh and India as our employees in Singapore. Our ability to source sufficient foreign labour to support our business operation may be affected by a number of events, mainly including:

- any possible shortage in labour supply from Bangladesh and India;
- any possible increase in the salaries and wages for workers in Bangladesh and India;
- any possible changes in laws and regulations or policies imposed by the MOM regarding employment of foreign workers in Singapore (such as (i) increase in requisite foreign worker levy and security bond; (ii) decrease in dependency ceilings ratio for the construction industry; (iii) decrease in MYE entitlement or allocations for main contractors of construction projects; and/or (iv) a tightening in approval process for work passes to be granted for foreign construction workers); and
- any possible changes in the governmental policies of Bangladesh and India regarding export of manpower to Singapore.

For further details of the laws and regulations in Singapore affecting our employment of foreign workers, please refer to the paragraph headed "Regulatory Overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services".

RISK FACTORS

Occurrence of any of the aforesaid events may significantly increase the recruitment and employment cost of our foreign employees and/or hinder our labour recruitment from Bangladesh and India, which in turn will materially and adversely affect our operations and financial performance.

We rely on Overseas Testing Centres in Bangladesh and India for referrals of foreign workers and any disruption in our working relationships with the Overseas Testing Centres may materially and adversely affect our operations and financial performance

We recruited most of our foreign employees through candidate referrals from certain Overseas Testing Centres in Bangladesh and India. As stated in the Ipsos Report, it is an industry practice that the Overseas Testing Centres charge each successful candidate a fixed referral fee, while employers (such as our Group) are not required to pay any referral fee or commission to the Overseas Testing Centres. Our relationships with Overseas Testing Centres in Bangladesh from which we obtained candidates referrals during the Track Record Period have been up to approximately 10 years. Since 2016, we have also obtained candidate referrals from Overseas Testing Centres in India. Our working relationships with the Overseas Testing Centres enable us to secure a stable source of foreign labour supply.

We have not entered into any long-term agreements with the Overseas Testing Centres, nor do the Overseas Testing Centres have any obligations or minimum commitment in providing candidate referrals to us in the future. If the Overseas Testing Centres cease the working relationships with us for any unforeseen reasons, there is no guarantee that we will be able to obtain comparable number of candidate referrals from other Overseas Testing Centres or individual recruitment agents to support our business operation, in which case our operations and financial performance will be materially and adversely affected.

Our revenue is mainly derived from our manpower outsourcing and ancillary services for which our engagements with our customers are not recurrent in nature and there is no guarantee that our customers will provide us with new businesses

Our revenue is mainly derived from providing manpower outsourcing and ancillary services for which our engagements with our customers are non-recurrent in nature. During the Track Record Period, we secured new businesses mainly through (i) incoming enquiries from new and existing customers, (ii) referrals from existing customers, and (iii) active marketing and promotion carried out by our sales managers with potential customers.

We generally do not enter into long-term agreements with our customers and our customers are therefore under no obligation to engage our manpower outsourcing services in their future building and construction projects. As such, there is no guarantee that we will be able to secure businesses from customers in their new construction projects. Accordingly, the number and scale of manpower outsourcing contracts and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

RISK FACTORS

In the event that our Group fails to secure new manpower outsourcing contracts or there is any significant decrease in the business volume from customers in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

In addition, there is no minimum commitment or obligations as to the amount of job orders to be placed by our customers under our manpower outsourcing contracts. Our customers are not bound by any fixed or committed total contract sum under such contracts. The actual number of service hours rendered by our foreign workers are subject to the customers' job orders for manpower deployment during the contract period, which are charged according to a pre-agreed schedule of rates as stated in the contracts. Therefore, there is no guarantee that our customers will place job orders with us during the term of the contract and the amount of revenue we are able to derive therefrom depends significantly on the actual number of deployment hours.

In the event that our Group fails to receive any substantial job orders from our customers under the manpower outsourcing contracts or if there is any significant decrease in the overall number of our deployment hours in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

Sub-standard performance by our deployed workers may adversely affect our service quality and reputation

We provide manpower outsourcing services mainly by deploying foreign workers recruited by us from Bangladesh and India to perform various construction works of different construction trades at the work sites designated by our customers in Singapore.

Although we provide our foreign employees with training on construction works and briefings on service standard and work safety, there is no assurance that our foreign employees will perform up to our customers' expectations and specifications. Further, as our deployed workers are working under the supervision and control of our customers, we cannot directly monitor the job performance of such deployed workers at the work sites. If the performance of our deployed workers is unsatisfactory to our customers, we will be required, under the relevant contract terms with our customers, to arrange for appropriate replacement in the following work day after receiving our customers' requests and the deployed hours rendered by such workers will still be charged to our customers. However, if this occurs frequently, it may adversely affect our customers' perception of our service quality and damage our reputation among our customers, which in turn may result in reduction in future demands for our manpower outsourcing services, thereby adversely affecting our business and financial positions and prospects.

RISK FACTORS

We recorded net operating cash outflow for the four months ended 30 April 2017

We recorded net cash used in operating activities of approximately S\$1.0 million for the four months ended 30 April 2017. The negative operating cash flow was mainly because of the increase in our trade receivable of approximately S\$2.3 million as at 30 April 2017 compared to 31 December 2016, mainly due to (i) the increase in unbilled revenue as certain manpower outsourcing services were rendered in late April 2017 and we have not yet issued the relevant invoices to our customers as at 30 April 2017; and (ii) the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to different settlement practices of different customers as well as the different credit periods granted by us.

We cannot guarantee that we will be able to generate positive cash flows from operating activities in the future. In particular, we cannot predict the settlement practices of our different customers for our trade receivables. There is also no assurance that our trade receivables can be collected in full and/or in a timely manner. Negative operating cash flows may materially and adversely affect our liquidity and financial conditions, and hence may require us to obtain sufficient external financing to meet our financial needs and obligations. If we rely on external financing to generate additional cash, we will incur financing costs and we cannot assure you that we will be able to obtain external financing on terms acceptable to us, or at all.

We are subject to credit risk in respect of our trade receivables

There can be no assurance that our customers will settle our invoices on time and in full. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, the provision of allowance for doubtful debts was made amounted to approximately S\$0.5 million, S\$0.4 million, S\$0.2 million and nil, respectively. For the same periods, approximately nil, nil, S\$0.2 million and S\$0.2 million of doubtful debts were written off, respectively. In addition, as at 31 December 2014, 2015, 2016 and 30 April 2017, we recorded trade receivables (net of allowance for doubtful debts and excluding unbilled revenue) of approximately S\$6.9 million, S\$5.3 million, S\$4.9 million and S\$5.8 million respectively, of which approximately S\$3.6 million, S\$2.0 million, S\$1.7 million and S\$2.3 million respectively have been past due but not impaired. As at the Latest Practicable Date, there were four ongoing claims commenced by us against our customers for payment involving approximately S\$0.1 million. During the Track Record Period, we had commenced 46 cases against our customers in relation to recovery of payment and/or enforcement of related court orders involving claimed amounts ranging from S\$1,300 to S\$0.5 million, which were all concluded as at the Latest Practicable Date. Please refer to the paragraph headed “Business – Litigation” in this prospectus for further details about these claims. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, our trade receivables turnover days in respect of manpower outsourcing and ancillary services were approximately 66.3 days, 55.3 days, 47.9 days and 51.5 days respectively. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial positions.

RISK FACTORS

We face liquidity risk in relation to working capital requirements associated with our manpower outsourcing and ancillary services and possible failure by customers to make timely or full payments

When we provide manpower outsourcing and ancillary services to customers, there are often time lags between making payments to our deployed workers and receiving payments from our customers, resulting in possible cash flow mismatch. We are normally required to settle our workers' wages on a bi-weekly basis, while we usually issue invoices to our customers on a bi-weekly basis with a credit term granted ranging from approximately seven to 30 days after the issue of our invoices. Further, there are other costs which are typically incurred before we receive payments from customers which are therefore required to be paid from our available financial resources, such as the requisite foreign work levy and security bond as well as workers' accommodation expenses. We also have to pay salaries to our administrative staff on a monthly basis. With our workforce of 1,511 employees (including directors and all local and foreign employees as at the Latest Practicable Date) and our annual aggregate staff cost (including Directors' and chief executive's remuneration and other staff cost) of approximately S\$28.6 million for FY2016 as well as our current liabilities of approximately S\$8.3 million as at 30 April 2017, this requires careful monitoring of our cash flows and liquidity positions in order to avoid running into any potential liquidity problem.

We cannot guarantee that we can receive payments from customers in a timely manner or at all. If we fail to properly manage our liquidity position in view of such working capital requirements and the possible cash flow mismatch associated with our business of providing manpower outsourcing and ancillary services, our cash flows and financial position could be materially and adversely affected.

We experienced two loss making projects during the Track Record Period and we cannot assure that there will be no other loss making projects in the future

During the Track Record Period, we have recorded two loss making projects, namely the Myanmar Project and the School Dormitory Project, which had resulted in costs of S\$1.0 million and S\$3.5 million respectively incurred by us during the Track Record Period, without deriving any income from, or achieving our planned objective of, the projects eventually. For further details about these two loss making projects, please refer to the paragraph headed "Business – Loss making projects during the Track Record Period" in this prospectus. Our Directors confirmed that as at the Latest Practicable Date, there is no outstanding liability or obligation on our Group in relation to the two aforesaid projects. Nevertheless, we cannot assure that our future projects will not be loss making. If any of our future projects is loss making, our operating results and financial performance will be adversely affected.

RISK FACTORS

We experienced a decline in our gross profit and gross profit margin for manpower outsourcing and ancillary services over the Track Record Period

Our gross profit for manpower outsourcing and ancillary services decreased from approximately S\$14.4 million for FY2014 to approximately S\$13.1 million for FY2015, and further decreased to approximately S\$12.2 million for FY2016, while our gross profit margin for manpower outsourcing and ancillary services decreased from approximately 37.1% for FY2014 to approximately 33.1% for FY2015, and further decreased to approximately 32.2% for FY2016. Please refer to the section headed “Financial information – Period-to-period comparison of results of operations” in this prospectus for a further discussion on the reasons for such decline. There is no assurance that our operating and financial performance in the future will remain at a level comparable to those recorded during the Track Record Period and will not decline further. Our financial condition and prospects may be adversely affected by any future decrease in our gross profit and gross profit margins.

Any non-renewal or revocation of (i) the temporary permission for using our Sungei Kadut Dormitory as temporary ancillary workers’ dormitory, and (ii) the dormitory licence in respect of the operation of the Woodlands Dormitory for the provision of dormitory services, could materially and adversely affect our operations and financial performance

Nichefield was licenced by the MOM to operate the Woodlands Dormitory as a commercial dormitory for the period up to 30 October 2018, while KT&T Engineers has obtained the grant of temporary permission for using Sungei Kadut Dormitory as a temporary ancillary workers’ dormitory for the period up to 25 February 2020.

We rely on these two self-operated dormitories for housing our foreign employees, and rely on our Woodlands Dormitory for providing dormitory services to workers employed by third parties. Renewal of the aforesaid licence and permission is required approximately every two or three years and is generally subject to certain legal requirements. Further, our aforesaid license and permission may be subject to revocation by the relevant authorities if we fail to comply with the relevant terms and conditions therein. In the event of non-renewal or revocation of such licence and permit, we will have to relocate our foreign employees to dormitories operated by third parties and to cease our business of providing dormitory service to third parties’ workers at the Woodlands Dormitory. These may result in (i) a significant increase in our workers’ accommodation expenses, (ii) a decrease in our revenue derived from our dormitory service segment, and (iii) a decrease in our ability to hire additional foreign workers as employers are responsible for providing acceptable accommodation for foreign workers in Singapore. As a result, our business and financial positions and prospects could be materially and adversely affected.

RISK FACTORS

Any non-renewal of our sub-tenancy for the Woodlands Premises could materially and adversely affect our operations and financial performance

The Woodlands Premises are leased by BCA to us by way of sub-tenancy for the period up to 30 October 2018. Under the sub-tenancy, Nichefield has the right to request for renewal of the lease term for a further term of three years subject to, among other things, BCA's absolute discretion and a renewed tenancy granted by the Singapore Government to BCA. We cannot assure that our sub-tenancy for the Woodlands Premises can be renewed at all or substantially on the existing terms and conditions. In the event of non-renewal of our sub-tenancy, we will have to relocate our foreign employees to dormitories operated by third parties and to cease our business of providing dormitory service to third parties' workers at the Woodlands Dormitory. These may result in (i) a significant increase in our workers' accommodation expenses, (ii) a decrease in our revenue derived from our dormitory service segment, and (iii) a decrease in our ability to hire additional foreign workers as employers are responsible for providing acceptable accommodation for foreign workers in Singapore. As a result, our business and financial positions and prospects could be materially and adversely affected.

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

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

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

Our accident records may adversely affect our attractiveness to potential foreign workers

Our Group has recorded certain accidents (including one fatal accident) involving our employees during the Track Record Period and up to the Latest Practicable Date. Although all of these accidents have taken place while our employees were in the course of deployment to our customers, the occurrence of accidents may nevertheless adversely affect our attractiveness to potential foreign workers, and hence may hinder our ability to recruit and employ foreign workers in the future.

RISK FACTORS

We have implemented safety measures and management system in relation to occupational health and safety. Please refer to the section headed “Business – Occupational health and work safety” in this prospectus for details. However, we cannot assure that our accident records will not worsen in the future as we do not have direct control of the safety management of the work sites to which our workers are deployed. If we record any significant increase in the number of accidents involving our employees, our reputation and attractiveness to potential foreign workers may be adversely affected and we may experience difficulties in recruiting and retaining foreign workers in the future.

We may face difficulties in managing our sizeable pool of foreign workers

We have maintained a sizeable pool of foreign labour. In light of the difference in work culture and lifestyle between Singapore on the one hand and Bangladesh and India on the other, we cannot assure that all of our foreign employees could merge into our work culture, comply fully with our instructions and guidelines, and perform up to our requirements. If we fail to properly manage our pool of foreign workers, it may result in disobedience and substandard performance at work and/or affect our attractiveness and reputation among our customers and potential foreign workers and hence may adversely affect our service quality, business operations and financial performance.

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

We may be involved in disputes with our customers, suppliers and employees from time to time in respect of various matters, including delay or failure in making payments, personal injury claims, possible complaints about the quality of our services and other matters arising from daily operation. During the Track Record Period, we were involved in a number of concluded legal cases, including (i) seven common law claims filed against us in relation to workplace and other accidents, and (ii) 46 cases commenced by us against our customers in relation to recovery of payments and/or enforcement of related court orders. As at the Latest Practicable Date, we were involved in 11 ongoing claims, including (i) four claims commenced by us against our customers for payments involving approximately S\$0.1 million; (ii) five common law claims filed by injured workers against us (as their employer) and; (iii) two negligence claims commenced by independent third parties in relation to two motor vehicle accidents which involved the alleged negligence of our workers while driving our motor vehicles. For further details, please refer to the paragraph headed “Business – Litigation” in this prospectus.

There is no assurance that we will be able to resolve every instance of disputes by way of negotiation and/or mediation with relevant parties. If we fail to do so, it may lead to legal and other proceedings initiated by or against us, and consequently we may have to incur substantial costs in such actions. In addition, legal proceedings can be time-consuming, expensive and may

RISK FACTORS

divert our management's attention away from the operation of our business. If any litigation or claims are made against us successfully, we may be liable to pay significant amount of legal costs and liabilities, which may adversely affect our operations and financial results.

Any non-renewal or revocation of our registrations under the Contractors Registration System could adversely affect our operations and financial performance

Our Group provides construction ancillary services and our Manpower Services Companies (save as Tenshi Resources) and Tenshi Resources are registered under the workheads of CR01 (Minor Construction Works) and ME11 (Mechanical Engineering) respectively under the Contractors Registration System maintained by the BCA as at the Latest Practicable Date.

There are certain financial, personnel, track record, certification and other requirements that we have to comply with in order to maintain such registrations. If we fail to comply with the applicable requirements or conditions to maintain our registrations, our registrations may be subject to revocation or non-renewal, which would in turn hinder our inability to provide certain construction ancillary services and may hence adversely affect our business and results of operations.

Our planned acquisition of an additional foreign worker dormitory will result in increase in finance cost from mortgage loan, and may adversely affect our operating results and financial position

As part of our business strategies, we currently plan to acquire an additional foreign worker dormitory in Singapore for a consideration of approximately S\$28.0 million (equivalent to approximately HK\$162.0 million), and we intend to finance such acquisition by (i) applying approximately 93.4% of the net proceeds (i.e. S\$13.3 million (equivalent to approximately HK\$77.1 million)) from the Share Offer, and (ii) obtaining mortgage loan of approximately S\$14.7 million (equivalent to approximately HK\$84.9 million) from financial institution. For further details about our planned acquisition of dormitory, please refer to the paragraph headed "Business – Business strategies" and the section headed "Future plans and use of proceeds" in this prospectus.

Based on the intended timing of deployment of the proceeds for purchasing the dormitory, it is expected that the use of mortgage loan to be obtained from financial institution for financing such acquisition will increase our indebtedness, and is expected to result in additional finance cost of approximately S\$0.1 million and S\$0.3 million for FY2017 and FY2018 respectively.

Our planned investments in dormitory will increase our recurring costs (including finance costs) but there is no assurance that there will be a satisfactory increase in our operational and financial performance as a result. Should we be unable to obtain more job orders for labour deployment and/or customers' demands for our dormitory service and to increase our profitability after such planned investment, our business and financial positions and prospects may be adversely affected.

RISK FACTORS

Our manpower outsourcing services are labour intensive. If we experience any shortage of labour, industrial actions, strikes or material increase in wage level, our operations and financial results would be adversely affected

We rely on a stable workforce to provide manpower outsourcing services to our customers. In particular, we require a large number of foreign workers with various skills in construction works. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of labour, industrial actions, strikes or material increase in wage level. However, we cannot assure you that we will not experience these problems in the future which may result in us having to offer better remuneration packages and other benefits to attract and retain foreign workers. If we cannot retain or recruit sufficient number of skilled workers for deployment to our customers in a timely manner, our ability to provide manpower outsourcing services would in turn be significantly reduced and our business operation, financial position and prospects may be adversely and materially affected.

Our Group is dependent on key personnel and there is no assurance that our Group can retain them

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of Mr. Kuah and Ms. Dolly Hwa Ai Kim, each being our executive Director. Details of their background and experience are set out in the section headed “Directors and senior management” in this prospectus.

Our key personnel as well as their management experience in the management of foreign workers and the manpower outsourcing service industry are crucial to our operation and financial performance. Although we have entered into a service agreement with each of our executive Directors, there could be an adverse impact on our operation should any of our executive Directors terminate his/her service agreement with us or otherwise cease to serve our Group and appropriate persons could not be found to replace them. There is no assurance that we will be able to attract and retain capable staff in the future.

In addition, one of the requirements for our Manpower Services Companies to maintain their registrations under the Contractors Registration System is that each of them must have a “technician” with relevant qualifications. Further details of such requirement are disclosed in the section headed “Regulatory Overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services” in this prospectus. There is no assurance that the existing technicians of our Manpower Services Companies will not resign or otherwise cease to serve our Group in the future. In such event, if we are unable to locate suitable replacement of qualified personnel in a timely manner, our ability to maintain our registrations under the Contractors Registration System may be adversely affected, which may in turn have an adverse impact on our business, financial positions and prospects.

RISK FACTORS

Our top five suppliers accounted for a substantial portion of our purchases

During the Track Record Period, suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) catering service providers, (ii) dormitory service providers, (iii) training course providers, (iv) providers of construction manpower, and (v) suppliers of miscellaneous services. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, the percentage of our total purchases from our largest supplier amounted to approximately 20.4%, 29.9%, 40.9% and 39.0% of our total purchases respectively, while the percentage of our total purchases from our five largest suppliers combined amounted to approximately 73.9%, 61.0%, 73.0% and 78.1% of our total purchases respectively. If any of our top suppliers were to substantially reduce the amount of goods or services provided to us or to terminate the business relationship with us entirely, there can be no assurance that the provision of goods and/or services from new suppliers in replacement, if any, would be on commercially comparable terms. As such, our operation and financial performances may be adversely affected.

Our business plans and strategies may not be successful or be achieved within the expected time frame or within the estimated budget

We intend to further expand our manpower available for deployment, acquire an additional foreign worker dormitory and acquire additional lorries for our business expansion. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

Our profitability may be affected by the potential increase in depreciation expenses upon our planned acquisition of an additional foreign worker dormitory and 10 additional lorries, if our revenue fails to increase proportionately

Our Group intends to apply most of our net proceeds from the Share Offer to acquire an additional foreign worker dormitory so as to cater for the increase in housing needs associated with our planned expansion in our manpower and to further expand our dormitory service business. Our remaining net proceeds from the Share Offer will be used to acquire 10 additional lorries to cope with the expected increase in transportation needs resulting from a larger size of our manpower under our business expansion plan. For further details on our future plans and intended use of the net proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

As a result of the aforesaid planned acquisition, it is expected that additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results. Based on the accounting policies adopted by our Group and the intended timing of the use of the net proceeds for the aforesaid acquisition of an additional dormitory and

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additional lorries, it is estimated that additional depreciation expenses on plant and machinery of approximately S\$0.3 million and S\$1.0 million will be incurred for FY2017 and FY2018, respectively, in direct relation to such acquisitions.

Our planned acquisition of an additional dormitory and additional lorries will increase our recurring costs (including depreciation expenses) but there is no guarantee that our revenue will increase proportionately as a result of such investments. If we are unable to generate more revenue following such investments, our profitability and financial performance may be adversely affected.

Our performance may be adversely affected by expiry of tax reliefs from the Inland Revenue Authority of Singapore

During the Track Record Period, our subsidiaries in Singapore enjoyed various tax reliefs from the Inland Revenue Authority of Singapore which comprised: (i) corporate income tax rebate of 30%, capped at S\$30,000 for each of the years of assessment 2013 to 2015 (i.e. years ended 31 December 2012 to 2014) and 50%, capped at S\$20,000 for the year of assessment 2016 (i.e. year ended 31 December 2015), and 50%, capped at S\$25,000 for the year of assessment 2017 (i.e. year ended 31 December 2016); (ii) 75% tax exemption on the first S\$10,000 of chargeable income and a further 50% tax exemption on the next S\$290,000 of chargeable income; and (iii) the Productivity and Innovation Credit Scheme which allowed an additional 300% tax deductions/allowances for qualified capital expenditures and operating expenses during the Track Record Period.

We are unable to forecast any future changes to the tax laws, regulations or policies in Singapore. In the event of any changes in the above tax reliefs policies leading to expiry of the tax concessions and partial tax exemption enjoyed by our Group during the Track Record Period, there may be an increase in our future tax liabilities. This will in turn adversely affect our financial conditions and operating results.

Our business of providing IT services is reliant on two customers

For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, revenue derived from providing IT services accounted for approximately 1.8%, 1.4%, 2.0% and 2.1% of our total revenue respectively. During the Track Record Period and up to the Latest Practicable Date, we have provided IT services to only two customers (being (i) a group member of a Japanese conglomerate engaged in the production of products ranging from petrochemicals & plastics, IT-related chemicals, energy and functional materials and health and crop science; and (ii) an education company engaged in the childcare and tuition business in the Southeast Asia regions with which our business relationship started during the four months ended 30 April 2017). If such customers terminate our IT support and maintenance services, or reduce their request for our software upgrade services, our revenue derived from IT services will decrease significantly and our financial performance will be adversely affected.

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If the daily meals supplied by our catering service providers are unhygienic or of substandard quality, our foreign employees may suffer from food poisoning or illness

Where catering services are required by our foreign employees, we will provide them with daily meals prepared by catering service providers. During the Track Record Period, we have procured ready-made meals from Singapore-based catering service providers which serve Bangladesh and Indian food.

If the daily meals supplied by our catering service providers are unhygienic or of substandard quality, our foreign employees may suffer from food poisoning or illness, which will adversely affect their health conditions and render them undeployable by our Group. Further, our Group may be subject to potential legal claims from our foreign employees for the personal harm they have suffered. In such event, our business operation and financial performance may be materially and adversely affected.

Any physical damage or disruption in operation to our self-operated dormitories may adversely affect our operations and financial performance

We rely on our two self-operated dormitories for housing our foreign employees, and rely on our Woodlands Dormitory for providing dormitory services to workers employed by third parties. There is no assurance that our self-operated dormitories will not suffer from physical damage or disruption in operation as a result of, among others, accidents, natural disasters, fire or flooding. Any such disruption may result in (i) significant increase in our workers' accommodation expenses incurred for housing our foreign employees at dormitories operated by third parties, (ii) decrease in our revenue derived from our dormitory service segment, and (iii) decrease in our ability to hire additional foreign workers as employers are responsible for providing acceptable accommodation for foreign workers in Singapore. As a result, our operations and financial performance could be materially and adversely affected.

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

Certain risks disclosed elsewhere in this section headed "Risk factors" such as risks in relation to our ability to obtain new contracts, our ability to retain and attract personnel, performance of our deployed employees, credit risk and liquidity risk, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Insurance policies covering losses from acts of war, terrorism, or natural catastrophes are also either unavailable or cost prohibitive.

We have taken out public liability insurance which covers bodily injury or damage to property in connection with our business. We have also maintained public liability insurance policies which cover the legal liability in respect of, among other things, death, bodily injury or loss of or damage to property on the Woodlands Dormitory and Sungei Kadut Dormitory. We have purchased required policies for our staff, such as workmen compensation and medical

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policies. However, we may become subject to liabilities against which we are not insured adequately or at all or liabilities against which cannot be insured. Should any significant liabilities arise due to accidents, natural disasters, or other events which are not covered or are inadequately covered by our insurance, our business may be adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

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

We are subject to currency risk

We have certain bank balances denominated in US\$ and HK\$ and certain trade payables denominated in US\$, which expose us to foreign currency risk. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, our monetary assets denominated in US\$ amounted to nil, S\$2,823, S\$2,823 and S\$2,823, while our monetary assets denominated in HK\$ amounted to nil, nil, approximately S\$0.4 million and S\$0.4 million, respectively. For the same periods, our monetary liabilities denominated in US\$ amounted to approximately S\$0.9 million, S\$1.4 million, S\$0.5 million and S\$0.4 million, respectively.

We cannot assure that there will not be any substantial fluctuation in the exchange rate of Singapore dollars against HK\$ or US\$. If the US\$ strengthens/weakens by 10% against Singapore dollars, our Group's profit for FY2014, FY2015, FY2016 and the four months ended 30 April 2017 would decrease/increase by S\$72,700, S\$115,500, S\$41,100 and S\$11,400 respectively. If the HK\$ strengthens/weakens by 10% against Singapore dollars, our Group's profit for FY2014, FY2015, FY2016 and the four months ended 30 April 2017 would increase/decrease by nil, nil, S\$34,200 and S\$12,900 respectively. As we did not engage in any hedging activity, any substantial fluctuation in the currency rate of Singapore dollars against HK\$ or US\$ may adversely affect our financial performance and profitability.

We have held-for-trading investments, being equity securities listed in Singapore, which may be subject to market volatility and may decrease in value

As at 31 December 2014, 2015, 2016 and 30 April 2017, we had held-for-trading investments which amounted to approximately S\$70,000, S\$70,000, S\$70,000 and S\$70,000 respectively. Such held-for-trading investments are equity securities listed on the Singapore Exchange Securities Trading Limited, which were purchased with our idle funds prior to the Track Record Period and held for trading purposes.

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The value of held-for-trading investments are subject to a variety of risks including but not limited to market risk, liquidity risk, company-specific risks, etc. The value may increase or decrease or even become valueless. In the event that the value of held-for-trading investments significantly decreases or becomes valueless, our financial condition and results may be adversely affected.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

There has been a slowdown in the construction industry in Singapore in 2015 and 2016

Our Group is a Singapore-based service provider and we mainly provide manpower outsourcing and ancillary services to building and construction contractors in Singapore. There is no assurance that the demand for our services from the construction industry will be maintained or continue to grow. Any economic downturn in Singapore may affect such sector and may reduce the demand of labour force and possibly cause downward pressure on the pricing of our services. According to the Ipsos Report, the total value of construction contracts awarded from both public and private sectors in Singapore (including building construction and civil engineering works) decreased from approximately S\$38.8 billion in 2014 to approximately S\$27.0 billion in 2015 and further decreased to approximately S\$26.1 billion in 2016. If such slowdown persists, the availability of new building and construction works contracts in the market may decrease, which may adversely affect construction and building contractors' demands for our manpower outsourcing services. Any fall in demands of our customers may affect our Group's business, financial condition and results of our operations.

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

Many aspects of our business operation are governed by various laws and regulations and Singapore Government policies. For instance, under the Singapore laws, employers are required to pay the requisite foreign worker levy according to the qualification of the foreign workers employed. The monthly rate of foreign worker levy for basic skilled workers under the construction sector in Singapore has increased to S\$650 effective from 1 July 2016 and will further increase to S\$700 effective from 1 July 2017. There is no guarantee that the Singapore Government will not further raise the foreign worker levy in the future, in which case our operating results and financial position will be adversely affected. The requirements in respect of the granting and/or renewal of various permits, quota and other legal requirements in relation to the employment of foreign workers may change from time to time, and there is no assurance that we will be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operation. For example, if the Singapore Government

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reduces the quota or tighten the approval process for hiring of foreign workers in Singapore, and we fail to meet the new requirements in a timely manner or at all, our business operation will be materially and adversely affected.

Any reduction or termination of the grants from the Singapore Government under the Special Employment Credit, the Productivity and Innovation Credit Scheme and the Wage Credit Scheme may adversely affect our financial positions

During the Track Record Period, our Group received grants from the Singapore Government under the Special Employment Credit, the Productivity and Innovation Credit Scheme and the Wage Credit Scheme. Our grants received from the Singapore Government under the aforesaid schemes in aggregate amounted to approximately S\$0.3 million, S\$0.4 million, S\$0.5 million and S\$0.2 million for each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, respectively. For further details of the aforesaid schemes and their respective current expiry dates, please refer to the section headed “Regulatory overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services – I. Employment matters” in this prospectus.

There is no assurance that the Singapore Government will continue to extend the aforesaid schemes upon their respective expiry dates. If any of the aforesaid schemes is not extended or our entitlement under such schemes is reduced or terminated for whatever reasons, our Group may receive lesser amount of grants, or may not be able to receive any grants from the Singapore Government at all. This in turn will adversely affect our financial position and performance.

The presence and the employment of illegal foreign workers in construction industry may affect the demand for our manpower outsourcing services

According to the Ipsos Report, some companies in the construction industry in Singapore have been found guilty of illegally hiring and housing foreign workers. Further, in 2016, several construction companies and recruiters were reported to have been reprimanded over illegally sourcing foreign workers from the PRC, Bangladesh and India for the construction, food and beverage and other services sectors. We cannot assure that construction and building contractors will not engage illegal foreign workers in their projects, in which case the demand for our manpower outsourcing services may decrease and our business and financial positions and prospects may be adversely affected.

Growing usage of building automation in construction industry may reduce the demand for our manpower outsourcing services

Singapore Government’s initiatives to increase construction site productivity through building automation may reduce reliance on human labour, and therefore the demand for our manpower outsourcing services. According to the Ipsos Report, in 2012, the Minister of National Development of the Singapore Government highlighted that Singapore’s reliance on foreign workers can be reduced by the increase in the efficiency of construction works by the use of prefabrication or precast which can be done in factories, thereby reducing the amount of labour

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required for carrying out carpentry or formworks at construction sites. In addition, any significant technological advancement or industry development leading to mass automation of building and construction processes could be a potential threat to the demand for manpower outsourcing service providers in Singapore.

With the implementation of prefabricated/precast products (which includes mandatory precast or prefabricated products such as standard precast bathroom units, standard prefabricated staircase and prefabricated prefinished volumetric construction (PPVC) products across residential, office or selected developments), installations can be reduced and thereby reducing the use of labour at construction sites. There is no guarantee that the Singapore Government will not introduce further requirements for the adoption of a wider range of mandatory prefabricated/precast components in different construction projects, in which case the demand for our manpower deployment may be adversely affected.

Foreign workers may launch industrial actions or strikes to demand for higher wages and/or shorter working hours

Foreign construction workers are usually divided into various different trades. Industrial action of any trade may disrupt our operation and/or the operation of our customers and thus the work progress of projects undertaken by our customers. Although we have not experienced any industrial action or strikes among our foreign employees during the Track Record Period, there is no assurance that the foreign workers in Singapore will not launch any industrial actions or strikes to demand for higher wages and/or shorter working hours in the future. If their demands are to be met, we may incur additional remuneration costs or may fail to provide manpower outsourcing service to our customers within schedule. In either case, any industrial actions or strikes may have adverse impact on our profitability and results of operation.

RISKS RELATING TO THE SHARE OFFER

Investors will experience immediate dilution

Because the Offer Price of our Shares is higher than the combined net tangible assets per Share immediately prior to the Share Offer, investors of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible assets value to approximately HK\$0.13 per Share, based on the Offer Price of HK\$0.52 per Share.

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

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's revenues, earnings and cash flows, acquisitions made by our Group or our competitors, industrial or environmental accidents suffered by our Group,

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loss of key personnel, litigation or fluctuations in the market prices for the services provided or supplies required by our Group, the liquidity of the market for the Shares, and the general market sentiment regarding the construction industry in Singapore could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price or at all.

Investors may experience dilution if we issue additional Shares in the future

Our Company may issue additional Shares upon exercise of options to be granted under a share option scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, we may need to raise additional funds in the future to finance our operation or business expansion or new development. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

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

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

The Joint Bookrunners is entitled to terminate the Underwriting Agreements

Prospective investors should note that the Joint Bookrunners (for themselves and on behalf of other Underwriters) are entitled to terminate their obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in the section headed "Underwriting – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, any acts of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out.

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

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

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

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

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

Any decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant by our Board. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

RISKS RELATING TO THIS PROSPECTUS

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

Certain facts, statistics, and data presented in the section headed "Industry overview" and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by Singapore Government departments or independent third parties. In addition, certain information and statistics set forth in that section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our

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Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources were prepared on a comparable basis or that such information and statistics were stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications.

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

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking statements" in this prospectus.

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward-looking statements

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

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

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

RESTRICTIONS ON SALE OF THE OFFER SHARES

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

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

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

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

STABILISATION AND OVER-ALLOTMENT OPTION

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

In connection with the Share Offer, our Company is expected to grant to the Placing Underwriters the Over-allotment Option, which is exercisable in full or in part by the Joint Bookrunners (on behalf of the Placing Underwriters) up to (and including) the date which is the 30th day after the last day for lodging applications under the Public Offer. Pursuant to the Over-allotment option, our Company may be required to issue at the Offer Price up to an aggregate of 46,125,000 Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer, to cover over-allocations in the Placing, if any.

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

ROUNDING

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on or about Tuesday, 17 October 2017. The Shares will be traded in board lots of 5,000 Shares each.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

CURRENCY TRANSLATIONS

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

S\$1.00: HK\$5.7863

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

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have applied for the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Waiver from strict compliance with Rule 8.12 of the Listing Rules

An application has been submitted to the Stock Exchange for a waiver from strict compliance with Rule 8.12 of the Listing Rules which requires a new applicant applying for primary listing on the Main Board to have sufficient management presence in Hong Kong, which will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. Since substantially all assets and the business and operations of our Group are located, managed and conducted in Singapore, and that our Group does not have any material operation in Hong Kong, our Directors consider that it would be practically difficult and not commercially feasible for our Group to appoint any additional executive Director who is ordinarily resident in Hong Kong to the Board or to relocate any of the existing executive Directors solely for the purpose of complying with Rule 8.12. Accordingly, our Company does not and will not, in the foreseeable future, have a sufficient management presence in Hong Kong.

In this regard, the Stock Exchange has granted a waiver to our Company from strict compliance with the requirement under Rule 8.12 of the Listing Rules. In this respect, our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely Mr. Kuah, our chairman of the Board, executive Director and chief executive officer, and Mr. Kwok Siu Man, our company secretary, who will act as our principal channel of communication with the Stock Exchange. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong upon reasonable short notice and will be readily contactable by telephone, facsimile or email. Each of the authorised representatives has the means to promptly contact all members of the Board (including the independent non-executive Directors) and of the senior management team of our Group at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange.

All of our Directors who are not ordinarily resident in Hong Kong have also confirmed that they possess or can apply for valid travel documents to travel freely to Hong Kong and would be able to come to Hong Kong and meet with the Stock Exchange in Hong Kong within a reasonable time when required. Each of our Directors has provided his mobile phone number, office phone number, email address and fax number to the authorised representatives and the Stock Exchange.

In addition, our Company has appointed a compliance adviser for the period commencing on the date of the Listing and ending on the date on which our Company publishes our financial results in respect of our first full financial year commencing after the date of Listing pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will serve as an additional channel of communication with the Stock Exchange.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. KUAH Ann Thia (柯安錠)	16 Kew Drive Singapore 467957	Singaporean
Ms. Dolly HWA Ai Kim (Dolly KE Aijin) (柯愛金)	59 Ang Mo Kio Avenue 8 #20-07, Singapore 567752	Singaporean
<i>Independent non-executive Directors</i>		
Mr. ONG Shen Chieh (WANG Shengjie) (王聖潔)	Block 56, Strathmore Avenue, #04-117, Singapore 140056	Singaporean
Mr. LAU Kwok Fai Patrick (劉國輝)	Ground Floor, No. 9, Tai Wong Ha Resite Village, Tsing Yi, Hong Kong	Chinese
Mr. LAM Raymond Shiu Cheung (林兆昌)	Flat A, 18/F, The Broadville, 4 Broadwood Road, Hong Kong	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor

Dakin Capital Limited

A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity
Room 2701, 27th Floor, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

Joint Bookrunners

ChaoShang Securities Limited

A licensed corporation under the SFO to engage in type 1 and type 2 (dealing in securities and dealing in futures contracts) regulated activities
Room 4001-4002, 40/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Ample Orient Capital Limited

A licensed corporation under the SFO to engage in type 1 (dealing in securities) regulated activities
Room A, 17/F, Fortune House
61 Connaught Road Central
Central, Hong Kong

Joint Lead Managers

ChaoShang Securities Limited

A licensed corporation under the SFO to engage in type 1 and type 2 (dealing in securities and dealing in futures contracts) regulated activities
Room 4001-4002, 40/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Ample Orient Capital Limited

*A licensed corporation under the SFO
to engage in type 1 (dealing in securities)
regulated activities*

Room A, 17/F, Fortune House
61 Connaught Road Central
Central, Hong Kong

Easy One Securities Limited

*A licensed corporation under the SFO
to engage in type 1 and type 4 (dealing in securities
and advising on securities) regulated activities*

Room 2106B, 2108-2109
21/F Wing On Centre
111 Connaught Road
Central, Hong Kong

Gransing Securities Co., Limited

*A licensed corporation under the SFO
to engage in type 1, type 4, type 6 and type 9
(dealing in securities, advising on securities,
advising on corporate finance and asset management)
regulated activities*

17/F, Hing Yip Commercial Centre
272-284 Des Voeux Road Central
Hong Kong

Koala Securities Limited

*A licensed corporation under the SFO
to engage in type 1 and type 4 (dealing in securities and
advising on securities) regulated activities*

Units 01-02, 13/F
Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Sino-Rich Securities & Futures Limited

*A licensed corporation under the SFO
to engage in type 1, type 2, type 4, type 5 and type 9
(dealing in securities, dealing in futures contracts,
advising on securities, advising on futures contracts and
asset management) regulated activities*

Unit 02B, 37/F
Far East Finance Centre
16 Harcourt Road
Admiralty, Hong Kong

Legal advisers to our Company

As to Hong Kong law

Loong & Yeung

Solicitors of Hong Kong
Room 1603, 16/F
China Building
29 Queen's Road Central
Central, Hong Kong

As to Singapore law

LPP Law Corporation

Solicitors of Singapore
Level 39, Marina Bay Financial Centre Tower 2
10 Marina Boulevard
Singapore 018983

As to Cayman Islands law

Appleby

Cayman Islands attorneys-at-law
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

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

As to Hong Kong law

David Fong & Co.

Solicitors of Hong Kong
Unit A, 12th Floor
China Overseas Building
139 Hennessy Road
Wanchai, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Reporting accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong
Auditors	Deloitte & Touche LLP <i>Public Accountants and Chartered Accountants Singapore</i> 6 Shenton Way OUE Downtown 2 #33-00 Singapore 068809
Compliance adviser	Dakin Capital Limited <i>A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity</i> Room 2701, 27th Floor, Tower 1 Admiralty Centre 18 Harcourt Road Hong Kong
Property valuer	Ravia Global Appraisal Advisory Limited Unit 10, 2/F, Fuleeloy Building No. 9 King Wah Road North Point Hong Kong
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Selling Shareholder	Mighty One Investments Limited P. O. Box 957, Offshore Incorporation Centre Road Town, Tortola British Virgin Islands

CORPORATE INFORMATION

Registered office	Vistra (Cayman) Limited P. O. Box 31119 Grand Pavilion, Hibiscus Way 802 West Bay Road, Grand Cayman KY1-1205 Cayman Islands
Headquarters and principal place of business in Singapore	750 Chai Chee Road #03-10/14 Viva Business Park Singapore 469000
Place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Room 1603, 16/F China Building 29 Queen's Road Central Central, Hong Kong
Company secretary	Mr. KWOK Siu Man (郭兆文) <i>FCIS, FCS</i> 31/F, 148 Electric Road North Point Hong Kong
Authorised representatives	Mr. KUAH Ann Thia (柯安錠) 16 Kew Drive, Singapore 467957 Mr. KWOK Siu Man (郭兆文) <i>FCIS, FCS</i> 31/F, 148 Electric Road North Point Hong Kong
Audit Committee	Mr. LAU Kwok Fai Patrick (劉國輝) (<i>Chairman</i>) Mr. ONG Shen Chieh (WANG Shengjie) (王聖潔) Mr. LAM Raymond Shiu Cheung (林兆昌)
Remuneration Committee	Mr. ONG Shen Chieh (WANG Shengjie) (王聖潔) (<i>Chairman</i>) Mr. LAU Kwok Fai Patrick (劉國輝) Mr. LAM Raymond Shiu Cheung (林兆昌)

CORPORATE INFORMATION

Nomination Committee	Mr. LAM Raymond Shiu Cheung (林兆昌) (<i>Chairman</i>) Mr. LAU Kwok Fai Patrick (劉國輝) Mr. ONG Shen Chieh (WANG Shengjie) (王聖潔)
Cayman Islands principal share registrar and transfer office	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Boardroom Share Registrars (HK) Limited 31/F, 148 Electric Road North Point Hong Kong
Principal banks	DBS Bank Ltd 12 Marina Boulevard Marina Bay Financial Centre Tower 3 Singapore 018982 OCBC Bank Ltd 65 Chulia Street, OCBC Centre, Singapore 049513 United Overseas Bank Limited 1 Tampines Central 1, #02-03 UOB Tampines Centre, Singapore 529539
Company website	http://kttgroup.com.sg/ (<i>information on this website does not form part of this prospectus</i>)

INDUSTRY OVERVIEW

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

THE IPSOS REPORT

We commissioned Ipsos, an independent market research consulting firm, to conduct an analysis of, and to report on, the construction industry and the manpower outsourcing industry in Singapore. A total fee of S\$55,000 was charged by Ipsos for the preparation of the Ipsos Report. The Ipsos Report has been prepared by Ipsos independent of our Group's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report. The payment of such amount was not conditional on our Group's successful listing or on the results of the Ipsos Report.

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

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

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

INDUSTRY OVERVIEW

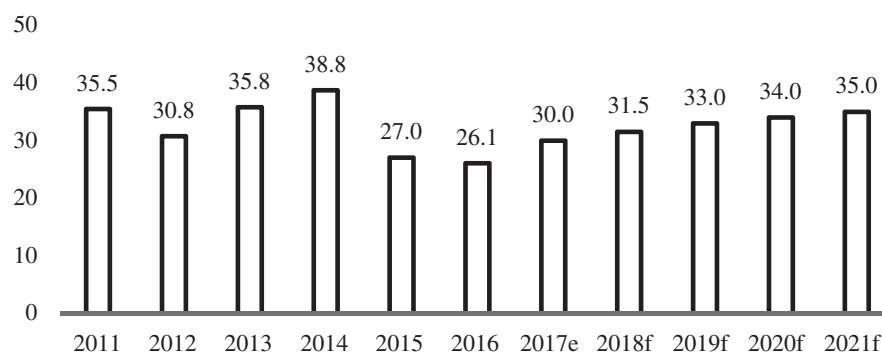
All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

Ipsos developed its estimates and forecasts on the following principal bases and assumptions: (i) it is assumed that the global economy remains a steady growth across the forecast period; and (ii) it is assumed that the social and political environments of Singapore will remain stable during the forecast period for the sustained development of the construction industry and manpower outsourcing industry in Singapore.

OVERVIEW OF THE SINGAPORE CONSTRUCTION INDUSTRY

Construction demand by value of contracts awarded, 2011-2021f

Value in S\$ billion



CAGR

2011-2016: -6.0%

2017e-2021f: 3.9%

Note 1: The letter “e” denotes estimated figure

Note 2: The letter “f” denotes forecast figures

Source: BCA; Department of Statistics Singapore (SINGSTAT); Ipsos analysis

The construction demand by value of contracts awarded decreased from approximately S\$38.8 billion in 2014 to approximately S\$27.0 billion in 2015, and further decreased to approximately S\$26.1 billion¹ in 2016, which was primarily due to the rescheduling of several major infrastructure contracts from one year to another as longer preparation was needed to implement these large-scale projects. Based on Ipsos research, the construction demand is forecasted to grow at a CAGR of approximately 3.9% from an estimated figure of approximately S\$30.0 billion in 2017e to approximately S\$35.0 billion in 2021f, which is within the range of figures projected by the BCA as shown in the table below.

¹ Department of Statistics Singapore, BCA publication, Ipsos analysis; All sum of balances, construction values or economic values may differ due to rounding of decimals.

INDUSTRY OVERVIEW

Construction demand by value of contracts awarded projected by the BCA, 2017e-2021f

	2017e	2018f-2019f	2020f-2021f
Total value of contracts awarded (in S\$ billion)	<u>28-35</u>	<u>26-35</u>	<u>26-37</u>

Note 1: The letter “e” denotes estimated figure

Note 2: The letter “f” denotes forecast figures

The forecasted increase in construction demand is largely driven by the construction demand of the public sector, boosted by an increase in demand for civil engineering works such as the second phase of the Deep Tunnel Sewerage System (DTSS phase 2), North-South Corridor and Circle Line 6². Other key public sector projects in Singapore’s construction industry pipeline for 2017 include (i) residential projects such as projects for new public housing construction, continuous upgrading of Housing and Development Board flats and upcoming condominium projects on various government land sites; (ii) commercial projects such as redevelopments of commercial building such as the Funan DigitaLife Mall and CPF building and; (iii) industrial projects such as the development of JTC’s Logistic Hub. In addition, the Singapore Government has also announced to bring forward S\$700 million worth of public sector infrastructure projects to start in 2017 and through 2018, further encouraging the growth of the construction industry in Singapore.

OVERVIEW OF THE CONSTRUCTION MANPOWER OUTSOURCING INDUSTRY IN SINGAPORE

The Singapore construction industry is generally reliant on foreign workers especially when there is currently a shortage of local workers, which was mainly due to an ageing workforce, a declining rate of young Singaporeans entering the construction industry and a lack of attractiveness of the construction industry. As such, the Singapore construction industry has predominantly relied on the supply of foreign workers over the past decade and the shortage of local workers in the construction industry is likely to remain in the foreseeable future.

² Source: BCA publication

INDUSTRY OVERVIEW

According to the Ipsos Report, the demand for manpower outsourcing service providers in Singapore is affected by developments in the Singapore construction industry. When the Singapore construction industry is growing, building and construction contractors will require more manpower to meet the demand of construction activities. As a result, building and construction contractors that do not have enough in-house manpower could seek recruitment agents or manpower outsourcing service providers to fill the additional demand of workers for their projects. When the construction industry is declining, building and construction contractors are inclined to reduce the number of full-time workers and hire part-time workers to meet the demand when there are construction projects. As such, manpower outsourcing service providers play a vital role in supporting these building and construction contractors by not only providing sufficient workforce for such companies to meet any additional demand of workers but also reduces the overhead costs of maintaining fleet of full-time workers during downtime, thus giving the building and construction contractors more flexibility and allowing them to concentrate on the execution of construction works.

Construction workforce in Singapore

The total number of local and foreign construction workers increased from an estimated number of 404,600 in 2011 to 488,500 in 2016. Foreign construction workers accounted for a sizable proportion of the total construction workforce (i.e. more than 60% consistently) since 2011 and is expected to remain the same for the foreseeable future. From 2011 to 2016, total number of foreign construction workers with work permits grew from approximately 264,500 in 2011 to approximately 315,500 in 2016, representing a CAGR of approximately 3.6%. According to the Ipsos Report, the increase in the number of work permits for foreign construction workers represents an increase in demand for foreign workforce in the Singapore construction industry. As construction demand is expected to increase from 2017 onwards, the number of foreign construction workers with work permit is expected to grow at a CAGR of 3.6% for the next five years to meet current expectations and support the strong pipeline of construction projects in Singapore. By 2021, total number of foreign construction workers with work permits is expected to reach at least 416,500³.

Foreign workers with work permits in the Singapore construction industry, 2011 – 2021

	2011	2012	2013	2014	2015	2016	2017e	2018f	2019f	2020f	2021f
Total foreign construction workers with work permits	264.5	293.3	318.9	322.7	326.0	315.5	361.2	378.6	395.6	406.7	416.5

Note 1: The letter “e” denotes estimated figure

Note 2: The letter “f” denotes forecast figures

Note 3: Value in thousand persons

Source: MOM; Ipsos analysis

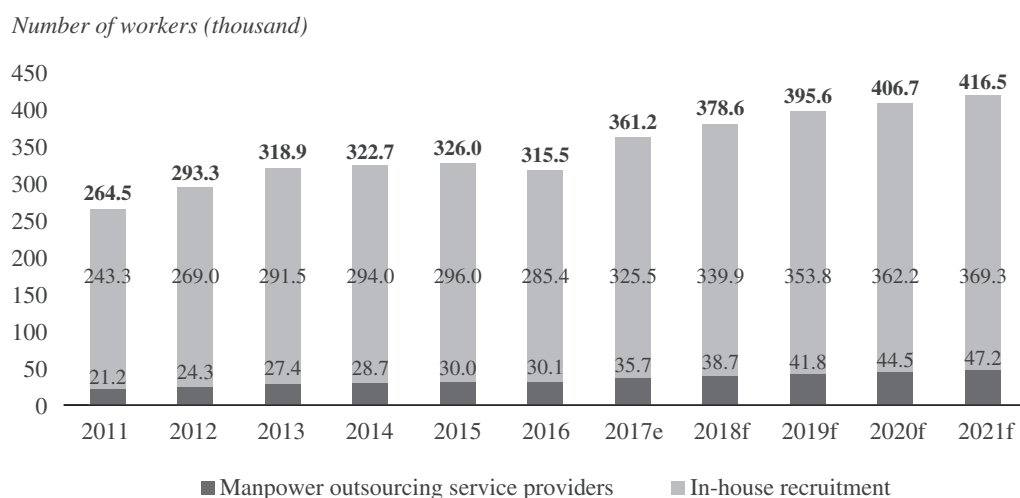
³ Ipsos’ analysis and assumptions.

INDUSTRY OVERVIEW

There are two main channels which foreign workers in the construction industry can be employed in Singapore. With the assistance of recruitment agents and Overseas Testing Centres which provide candidate referrals service, foreign construction workers can be (i) employed in-house by building and construction contractors; and (ii) employed by manpower outsourcing service providers. The process of recruitment is typically costly and time-consuming due to the lengthy procedures and time to obtain approval of work permit as well as law requirements.

Ipsos estimates the number of foreign workers employed by manpower outsourcing service providers accounts for approximately 8% to 11%⁴ of total foreign workforce in the construction industry over the period from 2011 to 2021.

Breakdown of foreign workers in the Singapore construction industry by channel of employment, 2011-2021



Note 1: The letter “e” denotes estimated figure

Note 2: The letter “f” denotes forecast figures

Source: MOM, Department of Statistics, Singapore (SINGSTAT); Ipsos analysis; Ipsos interviews

Dormitory services for foreign construction workers in Singapore

In accordance with the Employment of Foreign Manpower Act, employers of foreign construction workers need to provide accommodation for their foreign construction workers and such workers can be housed at (i) purpose-built dormitories; (ii) factory-converted dormitories; (iii) standalone construction temporary quarters; (iv) quarters in buildings under construction; (v) temporary occupation licence quarters; and (vi) private residential premises.

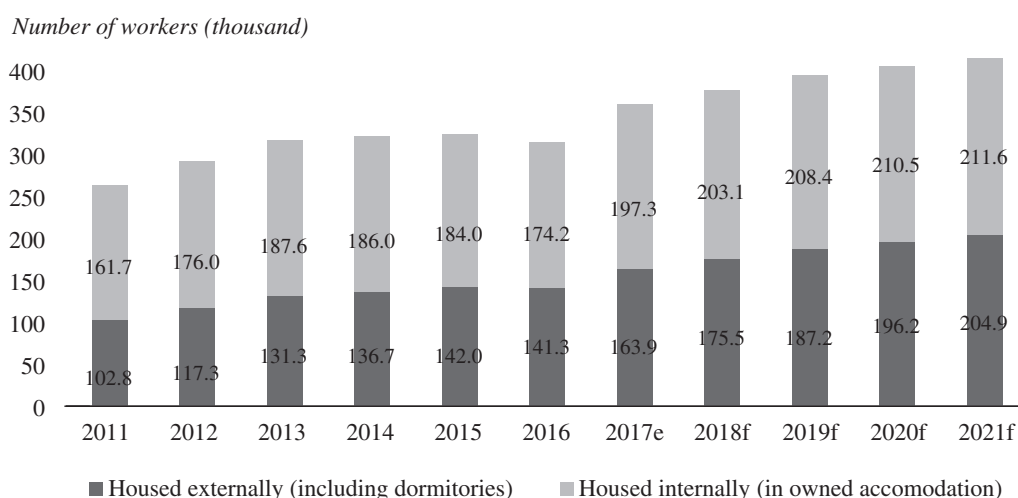
⁴ Ipsos analysis based on information gathered via secondary research and Ipsos interviews.

INDUSTRY OVERVIEW

From 1 January 2016, operators of dormitories that can house 1,000 or more foreign workers are required to obtain a licence from MOM (“Dormitory Licence”). As of the Latest Practicable Date, there are 47 operators of dormitories with a Dormitory Licence, of which 18 (including Nichefield which currently operates the Woodlands Dormitory) provide accommodation to foreign construction workers in Singapore. Building and construction contractors, when requiring workers from manpower outsourcing service providers, may make accommodation arrangements for the deployed workers on their own during the deployment period or request the manpower outsourcing service provider to provide dormitory services to them for a fee during the deployment period. According to the Ipsos Report, building and construction contractors prefer to engage manpower outsourcing service providers which operate large dormitories to house their workers primarily due to the benefits of housing the workers in one place such as (i) easier management of workers because the workers are not dispersed in several dormitories; and (ii) allowing the manpower outsourcing service providers to ensure the deployed workers would arrive at the work sites on time. In addition, building and construction contractors that do not have the capacity to house their own workers could seek for dormitory services provided by dormitory service provider to house their workers.

Employers of foreign construction workers can house their workers internally (in owned accommodation) or house their workers externally (engaging third parties including dormitory services providers). In 2016, approximately 141,300 foreign construction workers in Singapore were housed externally, representing approximately 44.8% of total foreign construction workers in Singapore. Ipsos estimates that more employers of foreign construction workers will opt to house their foreign construction workers externally in the future due to (i) the limited capacity of owned accommodation and (ii) their preference to focus on their principal business activities instead of diverting their resources and management attention for operating a dormitory. As such, Ipsos forecasts that the total number of foreign construction workers housed externally to reach approximately 204,900 by 2021, representing approximately 49.2% of total foreign construction workers in Singapore.

Breakdown of foreign construction workers by method of accommodation



Note 1: The letter “e” denotes estimated figure

Note 2: The letter “f” denotes forecast figures

Source: Ipsos analysis; Ipsos interviews

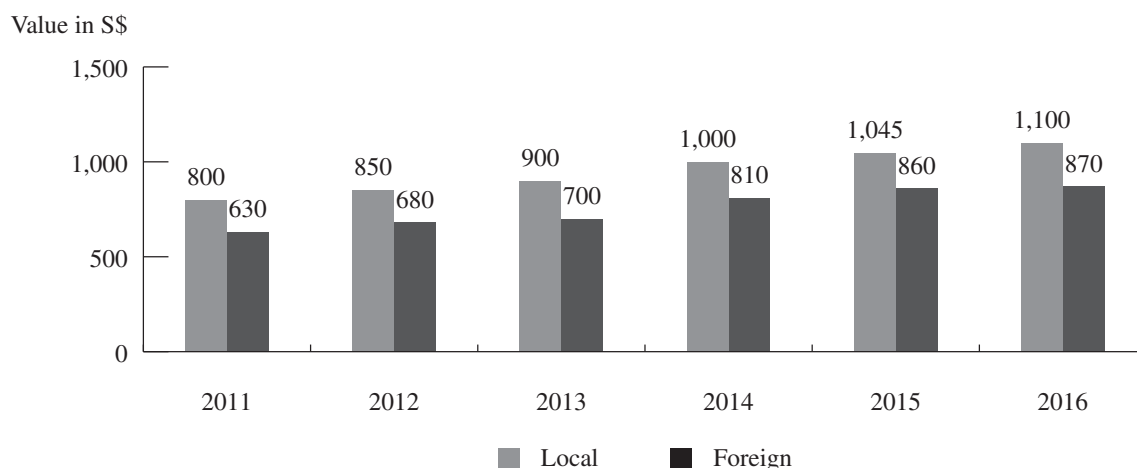
INDUSTRY OVERVIEW

In addition, as construction demand by value of contracts awarded in Singapore construction industry is expected to increase from 2017 onwards as discussed above, the number of foreign workers with work permit in the Singapore construction industry is also expected to grow to meet the demand in construction activities. As a result, the demand for dormitory service is expected to grow in tandem with the increasing number of foreign construction workers in the industry.

Wages in the construction industry in Singapore

On average, monthly basic wages for local construction workers in Singapore increased from S\$800 in 2011 to an estimated S\$1,100 in 2016, representing a CAGR of approximately 6.6%, reflecting the shortage in local workforce in the construction industry. Average monthly basic wages for foreign workers on the other hand increased from S\$630 in 2011 to an estimated S\$870 in 2016, representing a CAGR of approximately 6.7%⁵. In general, basic wages paid to foreign workers were on average 20% lower compared to wages paid to local workers.

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



Source: MOM; Department of Statistics, Singapore (SINGSTAT); Ipsos interviews; Ipsos analysis

INDUSTRY DRIVERS

According to the Ipsos Report, the manpower outsourcing industry and the dormitory services industry in Singapore are expected to benefit from the following industry drivers:

1. Singapore Government's initiatives to increase overall population

Residential developments in the public sector are expected to increase over the next decade to support the Singapore Government's initiatives to increase the overall population. The initiative, known as the Singapore Population Whitepaper, is part of the Singapore Government's

⁵ Basic wage for foreign workforce is estimated based on Ipsos analysis from information gathered from various media sources and Ipsos interviews. This excludes levy imposed by the Singapore Government.

INDUSTRY OVERVIEW

plans to raise the population level to a range of 6.5 to 6.9 million in 2030 from its then 5.3 million in 2012. Therefore, the demand for residential and infrastructure developments is expected to increase, which in turn will provide opportunities for construction activities.

2. Expected growth in construction activities

Over the last decade, construction developments have been progressively planned and implemented in Singapore to not only accommodate the growing population and needs of the Singapore community but to also sharpen Singapore's competitive advantage in terms of infrastructure developments. Developments such as new public housing construction, redevelopments of commercial buildings, industrial projects and developments of mega civil engineering projects are all set to encourage the growth of the Singapore construction industry. In addition, the Singapore Government has also announced to bring forward S\$700 million worth of public sector infrastructure projects to start in 2017 and through 2018, which encourage the growth of the construction industry and thus driving the need for additional manpower to support the growth and demand of these construction activities. Such need for sufficient manpower is expected to drive the demand for manpower outsourcing service and dormitory services.

In 2017, construction demand is expected to be higher largely driven by construction demand of the public sector. Key projects in Singapore's construction industry pipeline for 2017 include (i) civil engineering projects such as the second phase of the Deep Tunnel Sewerage System (DTSS phase 2), North-South Corridor and Circle Line 6⁶; (ii) residential projects such as projects for new public housing construction, continuous upgrading of Housing and Development Board flats and upcoming condominium projects on various government land sites; (iii) commercial projects such as redevelopments of commercial building such as the Funan DigitaLife Mall and CPF building; and (iv) industrial projects such as the development of JTC's Logistic Hub. As construction demand increases, additional manpower is expected to support the need for these construction activities, which is expected to drive the demand for manpower outsourcing service and dormitory services.

3. Possible increase in contractors' preference to seek manpower outsourcing services due to potentially more stringent requirements to recruit foreign construction workers in Singapore

According to the Ipsos Report, the MOM is expected to impose more stringent requirements to recruit and maintain foreign construction workers in Singapore. As such, it is expected that these requirements will increase the cost of as well as the legal and administrative burden in employing foreign construction workers. As such, Ipsos forecasts that there will be a higher incentive for building and construction contractors to engage the service of construction manpower outsourcing service providers due to the hassle of the potentially more stringent requirements and the higher costs of maintaining the foreign workers on a full-time basis and handling all the potential additional legal and administrative matters related thereto. As such,

⁶ Source: BCA publication

INDUSTRY OVERVIEW

Ipsos forecasts that a lower proportion of foreign construction workers will be employed in-house by building and construction contractors in Singapore and a higher proportion of foreign construction workers will be employed by manpower outsourcing service providers, which will drive the demand for manpower outsourcing services when building and construction contractors require additional manpower for their projects.

4. Sustained demand of foreign construction workers due to labour shortage of local construction workers

The Singapore construction industry is generally reliant on foreign workers especially when there is currently a shortage of local workers in the industry, which was mainly due to an ageing workforce, a declining rate of young Singaporeans entering the construction industry and a lack of attractiveness of the construction industry. Due to the same reasons, the shortage of local workers in the construction industry is likely to remain in the foreseeable future. As such, in order to meet the growing demand in the construction industry, demand for construction workers, in particular foreign construction workers, is expected to be sustained, which in turn will drive the demand for manpower outsourcing services and dormitory services.

5. Lack of spare capacity in housing foreign workers internally by employers of foreign construction workers in Singapore and their preference to focus on their principal business activities

As construction demand is expected to increase from 2017 onwards, employers of foreign construction workers are expected to hire more foreign construction workers to support the growth in construction activities. However, employers of foreign construction workers may not necessarily have enough internal housing capacity to house these additional workers due to their limited housing facilities. As such, employers of foreign construction workers may opt to house their workers externally to support and maintain the additional foreign construction workers. This is especially the case for building and construction contractors since they would want to reduce the hassle associated with the housing of their foreign construction workers internally so that they can concentrate on their principal business activity, which is expected to drive the demand for dormitory services.

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS

Key active manpower outsourcing service providers for foreign construction workers in Singapore

As foreign construction workers can be recruited by in-house hiring of most of the building and construction contractors in Singapore, information relating to manpower sourcing service providers for foreign construction workers only is limited and is not readily available. Ipsos has identified seven key active players of the manpower outsourcing industry in Singapore based on its desktop research and primary research, including (i) the results of interviews conducted with building and construction contractors, recruitment agents and manpower outsourcing service

INDUSTRY OVERVIEW

providers in Singapore; (ii) the research results from various construction industry reports and news articles; (iii) the research results from various labour workforce reports and news articles; and (iv) the research results from various databases such as the Accounting and Corporate Regulatory Authority of Singapore, the BCA and the MOM. The metrics used to determine these industry players in the market was a consolidation of (i) companies with similar business activities or has business focused on providing construction manpower outsourcing and ancillary services; (ii) the ranking provided by building and construction contractors, recruitment agents and manpower outsourcing industry players during the interviews conducted by Ipsos; (iii) total revenue indication (if available)⁷; (iv) number of contracts undertaken by the manpower outsourcing industry players; (v) the number of foreign workers sourced from Overseas Testing Centres and/or recruitment agents; and (vi) the number of deployable workers by the manpower outsourcing industry players. Such seven key active players include our Group, as well as the following six key active players (shown in alphabetical orders):

- ACL Building Project Pte Ltd
- Colwell Construction and Engineering Pte Ltd
- DJB Group of Companies Pte Ltd
- Poh Wah Recruitment Agency Pte Ltd
- Royale Construction Pte Ltd
- TS Group Pte Ltd

Ipsos advised that as the revenue of the manpower outsourcing industry in Singapore and the financial information of some of the aforesaid key industry players are not available, the market share of our Group and the ranking of the industry players cannot be reliably ascertained.

Key active dormitory services providers for foreign construction workers in Singapore

Foreign construction workers can be housed in (i) dormitories operated by operators with a Dormitory Licence (i.e. dormitories that can house 1,000 or more foreign workers) and (ii) other smaller commercial dormitories (the information of which is not publicly available). As there are a lot of smaller commercial dormitories in the industry and there are no public data regarding the revenue of the dormitory services industry in Singapore, information relating to dormitory services provided for foreign construction workers is limited. Ipsos has identified nine key active dormitory services providers for foreign construction workers in Singapore based on its desktop research and primary research, including (i) the results of interviews conducted with building and construction contractors, manpower outsourcing service providers and operators of dormitories with a Dormitory Licence in Singapore; (ii) the research results from various construction industry reports and news articles; (iii) the research results from various databases such as the

⁷ Information of indicated revenue (if available), obtained via public domain or Ipsos interviews.

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Accounting and Corporate Regulatory Authority of Singapore, the BCA, the MOM and Dormitory Association of Singapore. The metrics used to determine these industry players in the market was a consolidation of (i) companies with similar business activities or has business focused on providing dormitory services for foreign construction workers; (ii) the maximum number and the actual number of beds that can be rented out by operators of dormitories with a Dormitory Licence during the interviews conducted by Ipsos; and (iii) total revenue indication (if available). Such nine key active players include our Group, as well as the following eight key active players (shown in alphabetical orders):

- Centurion Dormitories Pte Ltd
- Draco Venture Pte Ltd
- Hi-Tek Construction
- Nexus Point Investment (Owned by TA Corporation Ltd and King Wan Corporation)
- S11 Dormitories
- TG25 Pte Ltd
- TS Group Pte Ltd
- Westlite Dormitory (Tuas) Pte Ltd.

Ipsos advised that as the revenue of dormitory services industry for foreign construction workers in Singapore and the financial information of some of the aforesaid key industry players are not available, the market share of our Group and the ranking of the industry players cannot be reliably ascertained.

Entry barriers

1. Proven track record and relationship with customers

In general, contractors award contracts based on the manpower outsourcing service providers' track record of deploying workers that can meet the requirements of the projects in a reliable manner. As such, new entrants with little or no track record in providing workers for construction projects would have a lower chance to obtain contracts. Furthermore, building and construction contractors may award contracts to manpower outsourcing service providers which have good working relationship with them and good track record in the past. New entrants without established relationship with building and construction contractors in Singapore may find it difficult to obtain contracts from potential customers.

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When employers of foreign construction workers require dormitory services to house their foreign construction workers, they are likely to engage dormitory services providers with track record to house their foreign construction workers in Singapore. Experienced dormitory services providers typically have the ability and capacity to manage/maintain a proper dormitory and the employers of foreign construction workers can have a peace of mind knowing their foreign workers are housed in a safe and conducive living environment. New entrants with little or no track record in providing a proper dormitory may find it difficult to gain the trust and confidence from potential customers to house their foreign workers in their dormitories. Furthermore, employers of foreign construction workers tend to engage dormitory services providers which have good working relationship with them in the past as such dormitory services providers may be accustomed to attending to their specific needs or to the needs of their foreign workers. As such, new entrants in the dormitory services industry may find it difficult to obtain contracts from potential customers.

2. Ability to manage foreign workers

Established manpower outsourcing service providers typically have many years of experience in recruiting reliable and skilled construction workers, and the foreign workers deployed by such manpower outsourcing service providers are capable of handling large construction projects. Such experiences grew over the years with significant investments and management. In addition, experienced industry players would have developed screening mechanisms, enabling them to effectively screen and identify for right candidates for various types of construction works in Singapore. New entrants to the industry generally lack the setup, experience and networks, hence affecting their chance to obtain contracts from potential customers.

3. Possession of a sizeable pool of suitable and trained workers

New entrants to the manpower outsourcing industry in Singapore may not be able to attract and retain a sizeable pool of suitable and trained workers who are available for deployment on short notice. As a result, those new entrants may find it difficult to obtain contracts from potential customers. In addition, in order to possess a sizeable pool of suitable and trained workers, substantial initial capital is required for the new entrant to recruit, train and provide accommodation for its foreign workers. New entrants to the manpower outsourcing industry may face difficulties in surviving in the industry if they do not have sufficient amount of initial capital for such investment.

4. Initial investment of a sizeable dormitory

Building and construction contractors prefer to engage dormitory operators which operate large dormitories to house their workers primarily due to the benefits of housing the workers in one place as described under the paragraph headed “Dormitory services for foreign construction workers in Singapore” in this section. New entrants to the dormitory services industry for foreign construction workers in Singapore may lack the initial capital to build/purchase a sizeable

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building or convert a sizeable factory into a dormitory (factory converted dormitory). Additional cost may also be required to ensure that these dormitories are built or converted to follow and comply with MOM and other agencies' requirements. These agencies include Urban Redevelopment Authority, Housing and Development Board and National Environment Agency in terms of land use, fire safety and public health. As such, new entrants in the dormitory services industry may face difficulties in surviving in the industry if they do not have sufficient amount of capital for such investment.

Potential challenges

1. Possible changes in regulation in Singapore

Over the past few years, the MOM has introduced various measures to reduce the country's dependency on foreign construction workers such as by reducing man-year entitlement (MYE) for foreign construction workers, encouraging the increase in building automation, and rising foreign worker levies which will be further discussed below. In the future, the MOM may continue to introduce more measures to reduce the dependency on foreign construction workers, which could increase manpower outsourcing service providers' costs of operation and potentially affect manpower outsourcing service providers' ability to recruit foreign construction workers into Singapore. This would also represent a challenge to dormitory services provider if the pool of foreign construction workers shrink as a result of a drastic change in regulations in Singapore.

2. Rising foreign worker levies

Based on the latest available information, the monthly rate of foreign worker levy for basic skilled workers under the construction sector has increased to S\$650 effective from 1 July 2016 and will further increase to S\$700 effective from 1 July 2017 (subject to changes as and when announced by the Singapore Government). Rising foreign worker levy will increase manpower outsourcing service providers' costs of operations and will therefore be one of the challenges faced by the industry as the profit margin of the manpower outsourcing service providers will be negatively affected if such increased costs cannot be passed onto their customers.

3. Rising cost of renting dormitories

As demand for dormitory service is expected to grow as discussed in the paragraph headed "Dormitory services for foreign construction workers in Singapore" in this section, the cost of renting dormitory is also expected to increase which in turn will increase contractors' cost of operation and will therefore be one of the challenges faced by the industry.

4. Growing usage of building automation in construction industry

Singapore Government's initiatives to increase construction site productivity through building automation may reduce reliance on human labour, and therefore the demand for manpower outsourcing services. In 2012, the Minister of National Development of the Singapore

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Government highlighted that Singapore's reliance on foreign workers can be reduced by the increase in the efficiency of construction works by the use of prefabrication or precast which can be done in factories, thereby reducing the amount of labour required for carrying out carpentry or formworks at construction sites. In addition, any significant technological advancement or industry development leading to mass automation of building and construction processes could be a potential threat to the demand for manpower outsourcing service providers in Singapore. This would also represent a challenge to dormitory services provider if the pool of foreign construction workers shrinks as a result of building automation in construction industry.

With the implementation of prefabricated/precast products (which includes mandatory precast or prefabricated products such as standard precast bathroom units, standard prefabricated staircase and prefabricated prefinished volumetric construction (PPVC) products across residential, office or selected developments), installations can be reduced and thereby reducing the use of labour at construction sites. According to the Ipsos Report, these items, however, are believed to be minor components of the construction processes and as such the impact of application up till present is moderate. Progressively, the Singapore Government is slowly expanding its mandatory components and the impact of such application may increase in the future especially if major components (e.g. columns and beams) are added as mandatory components. However, according to Ipsos, these major components are not easy to be included as mandatory components for prefabrication/precast because of the complexity involving design and logistics as well as safety consideration. Therefore, Ipsos estimates that the Singapore Government's initiatives to increase construction site productivity through building automation will only have a limited impact on reducing the reliance on foreign workers and hence the impact on the demand for construction manpower outsourcing service providers and dormitory services providers for foreign construction workers in Singapore is expected to be limited.

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This section summarises the laws and regulations that are material and specific to our business. As this is a summary, it does not contain detailed analysis of the Singapore laws which are relevant to our business.

A LAWS AND REGULATIONS IN SINGAPORE IN RELATION TO THE PROVISION OF OUR MANPOWER OUTSOURCING AND ANCILLARY SERVICES AND CONSTRUCTION ANCILLARY SERVICES

I. Employment matters

Employment of Foreign Manpower Act

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act, Chapter 91A of Singapore (the “EFMA”) and the regulations issued pursuant to the EFMA and is regulated by the MOM.

In Singapore, under Section 5(1) of the EFMA, no person shall employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass (which includes employment pass, S pass or work permit) from the MOM, which allows the foreign employee to work for him. Any person who fails to comply with or contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall:

- be liable on conviction to a fine of not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and
- on a second or subsequent conviction:
 - in the case of an individual, be punished with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or
 - in any other case, be punished with a fine not less than S\$20,000 and not more than S\$60,000.

Depending on, *inter alia*, the relevant qualifications and salaries of the foreign employees, they would qualify for either an employment pass, S Pass or work permit, to be issued by the MOM to enable them to enter and work in Singapore.

Based on the latest information available from the MOM database as at the Latest Practicable Date, we had utilized 1,547 quota balance for foreign workers, among which 1,544 were holders of work permits and 3 were holders of S Passes.

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The availability of foreign workers to the construction industry is also regulated by the MOM through, among others, the following policy instruments:

- approved source countries;
- the imposition of security bonds and levies;
- dependency ceilings based on the ratio of local to foreign workers;
- the man-year entitlements in respect of workers from Non-Traditional Sources and the PRC; and
- the requirement for a minimum percentage of higher-skilled workers.

Approved source countries

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

Our Group mainly sources foreign workers from Bangladesh and India, which are NTS countries.

We must have prior approval (“**PA**”) from the MOM to employ foreign workers from NTS countries. The PA indicates the number of foreign workers a company is allowed to bring in from NTS countries. It also determines the number of workers who can have their work permits renewed, or who can be transferred from another company in Singapore. PAs are given based on: (i) the duration of the work permits applied for; (ii) the dependency ceiling quota based on the number of full-time local workers employed by the company over the past three months as reflected in the company’s Central Provident Fund (CPF) contribution statements; (iii) the number of man-year entitlements (MYE) allocated to the company (for main contractors) or the MYE directly allocated from the company’s main contractor (for subcontractors); and (iv) the fulfillment of the requirement to maintain a minimum percentage of at least 10% of higher-skilled workers (in respect of the hire/renewal of work permits for basic-skilled construction workers).

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

Requirements	Type of workers subject to the requirements
Skills Evaluation Certificate (“SEC”) or Skills Evaluation Certificate (Knowledge) (“SEC(K)”) ^{Note} , issued or accepted by BCA	NTS countries and the PRC under the PA (Type: New); NAS countries
Secondary 4 education or its equivalent, the SEC or SEC(K)	Malaysia
Attend and pass full day enhanced Construction Safety Orientation Course (“CSOC”)	Applicable to all NTS countries, NAS countries, the PRC and Malaysia
Pass medical examination by doctor registered in Singapore	Applicable to all NTS countries, NAS countries, the PRC and Malaysia

Note: Both the SEC and SEC(K) schemes are initiatives by the BCA to raise the skill levels and productivity of the construction project as well as to enhance safety in the construction sector.

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

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

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

During the Track Record Period and as of the Latest Practicable Date, our Group has complied with the aforesaid requirements.

Security bonds and foreign worker levy

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

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

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

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In addition, employers are required to pay the requisite foreign worker levy according to the qualification of the foreign workers employed. The levy rates for 2016 and 2017 are subject to changes as and when announced by the Singapore Government and the latest levy rates as at the Latest Practicable Date are as follow.

Worker category	Monthly levy rate (effective 1 July 2016) S\$	Monthly levy rate (effective 1 July 2017) S\$
Malaysians and NAS – Higher-Skilled	300	–
Malaysians and NAS – Basic-Skilled	650	–
NTS and PRC – Higher-Skilled, on MYE (see below for more details on MYE)	300	300
NTS and PRC – Basic-Skilled, on MYE	650	700
NTS and PRC – Higher-Skilled, MYE waiver ^{Note}	600	600
NTS and PRC – Basic-Skilled, MYE waiver ^{Note}	950	950

Note: To qualify for the MYE waiver, a foreign worker must have at least 2 years of working experience in Singapore which is relevant to the construction sector.

On the other hand, S Pass holders (i.e. individuals who are considered “mid-skilled foreign employees” meeting a minimum fixed monthly salary of S\$2,200 and certain other qualifications and work experience) are not subject to security bonds but are subject to levy rates which are dependant on the total percentage of S Pass holders in the total workforce of a company. The applicable levy rate of our relevant operating subsidiary employing S Pass holders is set at S\$330 per month and such levy rates may be waived under certain specific circumstances such as hospitalisation or overseas leave.

Dependency ceilings

The dependency ceiling for the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers. This means that for every full-time Singapore citizen or Singapore permanent resident employed by a company in the construction sector with the requisite CPF contributions made by the employer, the company can employ seven foreign workers under work permits or S passes. The number of foreign workers under S passes is in turn limited to 20% of the total workforce of the company. As at the Latest Practicable Date, we have three S pass holders who account for less than 20% of the total workforce of our relevant operating subsidiary directly employing them.

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Man year entitlements

MYE is a work permit allocation system for employment of construction workers from NTS countries and the PRC. MYE represents the total number of work permit holders a main contractor is entitled to employ based on the value of the projects or contracts awarded by the developers or owners. The allocation of MYE is in the form of the number of “man-years” required to complete a project and only main contractors may apply for MYE. One man-year is equivalent to one year’s employment under a work permit. A main contractor’s MYE will expire on the completion date of the relevant project, which can be extended if the completion date of the project is extended. All levels of subcontractors are required to obtain their MYE allocation from their main contractors.

We generally obtain MYE allocations from the main contractor(s) of the construction project(s) to which we provide manpower outsourcing services. As advised by the Singapore Legal Adviser, for the purpose of MYE, we are regarded as a subcontractor.

While MYE allocations are required for the application of work permits for new NTS or PRC construction workers, NTS or PRC construction workers who have worked with any employer for a cumulative period of two or more years in the construction industry are eligible for MYE waiver and may be hired without any MYE allocation.

Once a foreign worker has been allocated an MYE, the foreign worker levy payable by the employer is reduced accordingly. As mentioned in the latest levy rates table above, the foreign worker levy for NTS and PRC basic skilled workers without MYE is S\$950, while the foreign worker levy for NTS and PRC basic skilled workers on MYE is S\$650.

Minimum percentage of higher-skilled workers

From 1 January 2017, at least 10% of a construction company’s work permit holders must be higher-skilled workers before the company can hire any new basic-skilled construction workers. Renewals of work permits of existing basic-skilled construction workers will not be affected. This is tracked on a 12-week rolling average.

Workers may be categorised as higher-skilled workers based on, *inter alia*, having a minimum working experience of between 4 and 6 years, possession of certain skills or qualifications and/or meeting a minimum fixed monthly salary of S\$1,600.

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

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

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As at the Latest Practicable Date, approximately 17.4% of the foreign workers hired by our Group are higher-skilled workers.

Dual employment of local employees

Some of our operating subsidiaries adopt a dual employment arrangement (“**Dual Employment Arrangement**”) for certain local employees for the purposes of calculating the number of local employees they have in order to meet the dependency ceiling quota which is discussed in the paragraph headed “Dependency ceilings” above in this section.

Under the Dual Employment Arrangement, a local employee is employed by two of our operating companies, and each of the two companies would be able to count the employee as its local employee for the purposes of availing itself to the dependency ceiling quota.

The Dual Employment arrangement is permitted under MOM rules, provided that the relevant employees who are hired under such Dual Employment Arrangement:–

- (a) must be a Singaporean citizen or a permanent resident;
- (b) must not be an employee for more than 2 of our operating companies or receive CPF contributions from more than 2 of our operating companies;
- (c) (for a full-time employee) must earn at least S\$1,100 per month;
- (d) (for a part-time employee) must earn at least S\$550 per month;
- (e) must be employed under a contract of service under each relevant company in our Group; and
- (f) must receive the relevant CPF contributions from each relevant company in our Group.

For the purposes of calculating the dependency ceiling quota, two part-time employees count as one full time employee, and the number of local employees deemed hired by our operating companies are computed based on the number of full-time local workers employed by the relevant company over the past three months as reflected in the relevant company’s CPF contribution statements.

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Based on the latest information available from the MOM database as at the Latest Practicable Date and our Manpower Services Companies' employment records, the Singapore Legal Advisers confirmed that (i) our Manpower Services Companies had utilized 1,547 quota balance for foreign workers (including those who were under our employment and those who had obtained prior approvals from MOM but whose employment had yet to be formally commenced), and (ii) our Manpower Services Companies should be entitled to employ up to an additional 42 foreign workers after taking into consideration, *inter alia*, the number of local employees who are eligible for, and are on the Dual Employment Arrangement. Therefore, our Group are in compliance with the dependency ceiling quota.

Conditions of work permits for foreign construction workers

Employers are required to comply with the conditions of work permits for foreign construction workers, which include requirements to:

- provide acceptable accommodation for their foreign workers;
- ensure that their foreign workers perform only those construction activities specified in the conditions;
- provide safe working conditions for their foreign workers; and
- purchase and maintain medical insurance with certain required coverage for their foreign workers.

Accommodation for our foreign workers

We provide accommodation for foreign workers employed by us, except when our foreign workers are deployed to our customers who, pursuant to the terms of the relevant contract with us, agreed to be responsible and to arrange for the accommodation for the deployed foreign workers.

As at the Latest Practicable Date, we house our foreign workers at our Sungei Kadut Dormitory, our Woodlands Dormitory, and other licensed dormitories operated by third parties.

For further details of our Sungei Kadut Dormitory and Woodlands Dormitory, please refer to the section headed "Business – Licences and permits" and "Business – Properties" in this prospectus.

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Medical insurance for foreign workers

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

As at the Latest Practicable Date, we are in compliance with the aforesaid obligations to ensure that foreign workers employed by us are covered under the relevant medical insurance policies taken out by us, as supported by, *inter alia*, the records filed with MOM and the terms of our medical insurance policies. For further details of our medical insurance policies, please refer to the section headed "Business – Insurance" in this prospectus.

Transportation of foreign workers

Some of our Group companies as well as KT&T Global own lorries which are used to transport foreign workers to and from their respective worksites.

Pursuant to the Road Traffic Act, lorries are generally not supposed to be used for carrying passengers, except that they may be used to transport workers to and from their lodging and places of work or between these places, subject to, *inter alia*, the persons being transported is in the employment of the owner or hirer of the vehicle and is proceeding on his master's business and is carried in accordance with the relevant safety and regulatory provision, or the person(s) so being carried is sick or injured in a case of emergency.

In view of the foregoing, we have motor vehicle hiring arrangements in place among companies within our Group so as to allow for the transportation of foreign workers employed by different companies within our Group in motor vehicles owned by other relevant Group companies.

Employment Act

The Employment Act, Chapter 91 of Singapore ("**Employment Act**") is the main legislation governing employment in Singapore. The Employment Act covers every employee who is under a contract of service with an employer and includes a workman (as defined under the Employment Act) but does not include, *inter alia*, any person employed in a managerial or executive position (subject to the exceptions set out below).

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A workman is defined under the Employment Act as including, *inter alia*, (a) any person, skilled or unskilled, who has entered into a contract of service with an employer in pursuance of which he is engaged in manual labour, including any apprentice; and (b) any person employed partly for manual labour and partly for the purpose of supervising in person any workman in and throughout the performance of his work.

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

Paid public holidays and sick leave apply to all employees who are covered by the Employment Act regardless of salary levels.

Any person employed in a managerial or an executive position (who is generally not regarded as an employee under the Employment Act) who is in receipt of a salary not exceeding S\$2,500 shall be regarded as an employee for the purposes of provisions in the Employment Act relating to, *inter alia*, payment and computation of salaries, powers of the Commissioner for Labour in relation to claims, complaints and investigations into offences under the Employment Act and procedures and regulations governing claims and offences under the Employment Act.

Following the amendments to the Employment Act in effect from 1 April 2016, all employers must issue key employment terms (“**KETs**”) in writing to employees covered under the Employment Act. Such employees include employees who: (i) enter into a contract of service with the company on or after 1 April 2016; (ii) are covered by the Employment Act and (iii) are employed for 14 days or more in relation to the length of contract (does not apply to number of days of work).

KETs include, *inter alia*, full name of employer and employee, job title, duties and responsibilities, start date of employment, duration of employment, basic salary, fixed allowances, fixed deductions, overtime pay, leave, medical benefits, probation period and notice period. KETs which are not applicable to specific employees may be excluded from their contracts.

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Immigration Act

Pursuant to the Immigration Act (Cap. 133), no person, other than a citizen of Singapore, shall enter or attempt to enter Singapore unless, *inter alia*, he is in possession of a valid pass lawfully issued to him to enter Singapore. Such valid pass would include, *inter alia*, a valid work pass issued by the Controller of Work Passes under the EFMA and the regulations issued pursuant to the EFMA, including *inter alia*, work permits (including a training work permit), S passes and employment passes. A work pass may be in the form of a card or in an endorsement made in the passport or other travel document of the work pass holder or in such other form as the Controller of Work Passes may determine.

Central Provident Fund Act

The CPF system is a mandatory social security savings scheme funded by contributions from employers and employees.

Pursuant to the Central Provident Fund Act (Cap. 36) (the “**CPF Act**”), an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore under a contract of service (save for employees who are employed as a master, a seaman or an apprentice in any vessel, subject to an exception for non-exempted owners). CPF contributions are not applicable for foreigners who hold employment passes, S Passes or work permits.

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

CPF contributions are due at the end of the month and employers are given a grace period of 14 days after the end of the month to pay CPF contributions. For example, contributions for December 2016 must be paid by 14 January 2017, and if the 14th falls on a weekend of public holiday, CPF contributions must be paid by the next working day.

Productivity and Innovation Credit Scheme

The Productivity and Innovation Credit Scheme (“**PIC Scheme**”) allows, amongst others, companies with active business operations in Singapore to claim (i) tax deductions and/or allowances; and/or (ii) cash payouts; and/or (iii) cash bonuses (on a dollar for dollar matching basis) in addition to (i) and/or (ii) above, in respect of certain qualifying activities undertaken by such companies, including the acquisition or leasing of certain qualifying equipment and certain types of training of employees, subject to prescribed expenditure caps. Further conditions apply before a company is eligible to make each of such claims,

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including having to invest in relevant qualifying expenditure and (in the case of the cash payouts and the cash bonuses) meeting the minimum 3 local employees requirement and (in the case of cash bonuses) investing the minimum qualifying expenditure per year of assessment over the course of 3 years from year of assessment 2013 to 2015. The PIC Scheme has been extended for another 3 years from year of assessment 2016 to 2018, and higher expenditure caps in relation to tax deductions and allowances apply for qualifying small and medium enterprises, which takes effect from year of assessment 2015. As announced in Singapore Budget Announcement 2016, the PIC payment will be at 40% for qualifying expenditure incurred on or after 1 August 2016.

During the Track Record Period, we received payments under the PIC Scheme, which is recognised in our other income in our financial statements. Please refer to the section headed “Financial information – 6. Principal components of results of operations” for further information.

Wage Credit Scheme

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

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

Only employers are eligible for co-funding. Employers do not need to apply for wage credit. Wage credits are automatically paid to eligible employers annually, based on the CPF contributions that they make for their employees.

During the Track Record Period, we received wage credits granted under the Wage Credit Scheme, which is recognised in our other income in our financial statements. Please refer to the section headed “Financial information – 6. Principal components of results of operations” for further information.

Special Employment Credit

The Special Employment Credit (“SEC”) was introduced in Budget 2011 as a three-year scheme (2012 to 2016) under which the Singapore Government sought to support employers and raise the employability of older Singaporeans and individuals with disabilities.

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From 2012 to 2016, employers who hired Singaporean employees aged above 50 earning up to S\$4,000 a month were eligible to receive SEA of up to 8% of the employee's monthly wages.

SEC was extended from 1 July 2017 to 31 December 2019 and employers hiring Singaporean workers aged 55 above, and earning up to S\$4,000 will continue to receive a wage-offset, tiered by age as follows:-

Age (years)	Wage-offset
55-59	Up to 3% of monthly wage
60-64	Up to 5% of monthly wage
65 & above	Up to 8% of monthly wage
67 & above (including individuals born before 1 July 1952)	11% of wage

The SEC extends to employers that hire individuals with disabilities of all ages from 2012 and is set at 16% of the employee's monthly income, up to S\$240 per month.

Parental leave benefits

The Children Development Co-Savings Act, Chapter 38A of Singapore ("CDCSA") provides that every female employee is legally entitled to 16 weeks of paid maternity leave regardless of her occupation if: (1) her child is a Singapore citizen; (2) (for children born before 1 January 2017) she is lawfully married to the child's father at the time of the child's birth; and (3) she has served the company for at least 3 continuous months before the birth of her child. During such period of leave, the female employee shall be entitled to receive payment from her employer at her gross rate of pay, which is thereafter reimbursed by the government to the employer.

The CDCSA provides that an eligible working father may apply to share 1 week of his wife's 16 weeks of government-paid maternity leave, subject to his wife's agreement if: (1) his child is a Singapore citizen; (2) the child's mother qualifies for government-paid maternity leave; and (3) he is lawfully married to the child's mother.

Further, with effect from 1 January 2017, eligible working fathers, including those who are self-employed, are entitled to 2 weeks of government-paid paternity leave funded by the Singapore Government if: (1) his child is a Singapore citizen; (2) he is or had been lawfully married to the child's mother between conception and birth (not applicable for adoptive fathers whose formal intent to adopt is on or after 1 January 2017); and (3) he has served his employer for a continuous period of at least 3 months before the birth of his child.

REGULATORY OVERVIEW

Payment for each week of shared paternity leave and government-paid paternity leave is capped at \$2,500, including CPF contributions.

II. Licence regime for contractors in Singapore

In addition to the provision of our manpower outsourcing and ancillary services, our Group also provides construction ancillary services and are registered under the Contractors Registration System maintained by the BCA.

At present, there are seven major categories of registration under the Contractors Registration System, which are: (a) Construction (CW); (b) Construction-Related (CR); (c) Mechanical and Electrical (ME); (d) Maintenance (MW); (e) Trade Heads for sub-contractors (TR); (f) Regulatory Workhead (RW); and (g) Supply (SY). Under these seven major categories, there is a further sub-classification of a total of 63 workheads. Each major category of registration under the Contractors Registration System is also subject to six to seven financial grades. In order to qualify for a particular grade, companies must satisfy the respective grade requirements in terms of (i) financial capability (valid audited accounts, paid-up capital, net worth, etc); (ii) relevant technical personnel (full-time employed, recognised professional, technical qualifications, valid licences, etc); (iii) management certifications (Singapore Accreditation Council accredited ISO 9000, ISO 14000, OHSAS 18000, etc.); and (iv) track record (valid projects with documentation proof, endorsed and assessed by clients).

A contractor's eligibility to qualify under the different gradings is dependent on, *inter alia*, the company's minimum net worth and paid-up capital, the professional and technical expertise of its management and its track record in relation to previously completed projects.

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

The following table sets out the current registrations of our Group companies in the Contractors Registration System:

Company name	Workheads	Title	Scope of work	Grade ^{Note 1}	Expiry
KT&T Engineers	CR01	Minor Construction Works	Minor building and civil engineering works that are not governed by the Building Control Act such as drainage, minor road works, aprons and minor A&A works.	Single Grade	01/12/2017 <i>Note 2</i>

REGULATORY OVERVIEW

Company name	Workheads	Title	Scope of work	Grade ^{Note 1}	Expiry
KT&T Resources	CR01	Minor Construction Works	Minor building and civil engineering works that are not governed by the Building Control Act such as drainage, minor road works, aprons and minor A&A works.	Single Grade	01/12/2018
Accenovate Engineering	CR01	Minor Construction Works	Minor building and civil engineering works that are not governed by the Building Control Act such as drainage, minor road works, aprons and minor A&A works.	Single Grade	01/11/2018
Keito Engineering	CR01	Minor Construction Works	Minor building and civil engineering works that are not governed by the Building Control Act such as drainage, minor road works, aprons and minor A&A works.	Single Grade	01/11/2017 <i>Note 3</i>
Tenshi Resources	ME11	Mechanical Engineering	The installation, commissioning, maintenance and repair of mechanical plant, machinery and systems. It includes the installation and maintenance of power generation and turbine systems.	L1	01/04/2018

Notes:

1. The differences in the grades relate to the tendering limits for Singapore public sector projects, which may be adjusted from year to year depending on the economy of the construction industry in Singapore.
2. The renewal application of KT&T Engineers's registration had been approved by the BCA for a period up to 1 November 2020.
3. Keito Engineering is in the course of preparation for the renewal application of its registration, and our Directors do not foresee any material legal impediment in the renewal of such registration, as further discussed in this paragraph below.

REGULATORY OVERVIEW

Tendering limits for different grades under the Contractors Registration System

Tendering limits for different grades of workheads CR01 and ME11 under the Contractors Registration System are as summarised below:

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

Registration and renewal requirements

In order to apply for, maintain and renew the registrations under the Contractors Registration System, there are different requirements to be complied with for different grades, including but not limited to requirements relating to minimum paid up capital and net worth, employment of personnel (including registrable professionals (“**RP**”)⁽¹⁾, professionals (“**P**”)⁽²⁾ and technicians (“**T**”)⁽³⁾), and track record of past projects.

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

Workhead/Title/ Grade		Requirements
CR01/Minor Construction Works/Single Grade	Management Track record (over a three- year period)	Having at least 1T with BCCPE Having secured projects with an aggregate contract value of at least S\$100,000
ME11/Mechanical Engineering/L1	Management Track record (over a three- year period)	Having 1T with BCCPE ⁽⁴⁾ or Having 1T (if the 1T does not have BCCPE ⁽⁴⁾) and at least 1 RP, P or T with BCCPE ⁽⁴⁾ . Having secured projects with an aggregate contract value of at least S\$100,000

Notes:

¹ A RP must have a minimum professional qualification of a degree in architecture, civil/structural engineering or equivalent recognised by the Professional Engineers Board, the BCA or the Board of Architects Singapore.

REGULATORY OVERVIEW

- ² A P must have a minimum professional qualification of a recognized degree in architecture, building, civil/structural engineering or equivalent.
- ³ A T must have a minimum qualification of (i) a technical diploma in architecture, building, civil/structural mechanical, electrical engineering, or equivalent awarded by the BCA Academy, Nanyang Polytechnic, Ngee Ann Polytechnic, Republic Polytechnic, Singapore Polytechnic or Temasek Polytechnic; (ii) a National Certificate in Construction Supervision or Advance National Building Qualification or a Specialist Diploma in M&E Coordination awarded by the BCA Academy; or (iii) such other diplomas or qualifications as approved by the BCA from time to time.
- ⁴ BCCPE refers to the Basic Concept in Construction Productivity Enhancement (Certificate of Attendance). This certificate is obtained after having attended a course conducted by the BCA Academy. Should the director of a company be the only person in the company possessing a BCCPE, he cannot utilise the same BCCPE to satisfy the requirements for another company which he is also part of.

As at the Latest Practicable Date, the identity and qualification of relevant technician for our Group companies are as follows:

S/n:	Company	Technician	Qualification	BCCPE
1	KT&T Engineers	Toh Beng Guan	Ngee Ann Polytechnic – Diploma in Mechanical Engineering	Yes
2	Tenshi Resources	Neo Choon Hao	Ngee Ann Polytechnic – Diploma in Quality Assurance Engineering	Yes
3	Keito Engineering	Mr. Kuah	Ngee Ann Polytechnic – Diploma in Mechanical Engineering	Yes
4	KT&T Resources	Dolly HWA Ai Kim	Ngee Ann Polytechnic – Diploma in Mechanical Engineering	Yes
5	Accenovate Engineering	Tan Peck Mei	Ngee Ann Polytechnic – Diploma in Mechanical Engineering	Yes

REGULATORY OVERVIEW

Each relevant Group company's ability to renew and maintain its registration under the Contractors Registration System is dependent on its compliance with the applicable requirements or any required conditions, as amended from time to time, in relation to, *inter alia*, whether such Group company (i) meets the paid up capital and net worth requirements, (ii) has appointed or retained the relevant technical personnel, and (iii) has met the requisite track record requirements which complies with the conditions of the respective registrations under the Contractors Registration System.

As advised by the Singapore Legal Adviser, subject to our Group continuing to meet the abovementioned renewal requirements and complying with the applicable laws and regulations under which the abovementioned registrations by our Group were obtained as confirmed by our Directors, it does not foresee, as at the Latest Practicable Date, any material legal impediment in the renewal of such registrations by our Group, although there is no guarantee that such registrations will be renewed or be renewed on the same terms and conditions, and may be revoked if the Manpower Services Companies are found to be in contravention of the terms, conditions and/or regulations under which the registrations were obtained.

III. Workplace safety and health

Workplace Safety and Health Act

Under the Workplace Safety and Health Act, Chapter 354A of Singapore (“**WSHA**”), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include:

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

REGULATORY OVERVIEW

Additional specific duties imposed by the MOM on employers are laid out in the various regulations subsidiary to the WSHA, including without limitation, the Workplace Safety and Health (Construction) Regulations 2007 and Workplace Safety and Health (General Provisions) Regulations.

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

More specific duties imposed on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations. Some of these duties include taking effective measures to protect persons at work from the harmful effects of any exposure to any bio-hazardous material which may constitute a risk to their health.

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

Loaned employees

Section 6(4) of the WSHA provides that where:

- (a) an employer places an employee (referred to as the loaned employee) at the disposal of another person to do work for that other person; and
- (b) there is no contractual relationship between the employer and that other person regarding the work to be performed by the loaned employee,

then, for the purposes of the WSHA, the loaned employee shall be generally regarded (subject to certain exceptions) as if he were an employee of that other person (instead of his employer), and that other person shall be regarded as if he were the employer of the loaned employee while the loaned employee is at work for that other person.

REGULATORY OVERVIEW

Under the contracts entered into by us with our customers for the provision of manpower outsourcing services, we merely supply manpower and our customers shall have full discretion and control to deploy and supervise such workers and we are not directly engaged or involved in the construction works or projects undertaken by our customers.

Accordingly, as advised by the Singapore Legal Adviser, our workers should fall under the ambit of “loaned employees” as provided under section 6(4) of the WSHA during the period of deployment to our customers and it would hence be the relevant customer that would be deemed as the employer of our workers during the period of deployment and would be subject to the obligations and liabilities of an “employer” under the WSHA.

Workplace Safety and Health (Incident Reporting) Regulations

Pursuant to the Workplace Safety and Health (Incident Reporting) Regulations, an employer is required to lodge the relevant incident report for any accident suffered by a workman no later than 10 calendar days from the date of the accident following the hospitalisation of the workman, and (in the case of medical leave taken by the workman) no later than 10 days after the 3rd day of such medical leave taken by the workman.

Under the Workplace Safety and Health (Incident Reporting) Regulations, an employer who fails to report a work-related accident as required is liable to be (i) fined up to S\$5,000 for a first-time offence; or (ii) fined up to S\$10,000 and/or jailed up to six months for subsequent offences.

Our Singapore Legal Adviser has advised that since our Group companies’ workers who are deployed to our customers should fall under the ambit of “loaned employees” under section 6(4) of the WSHA as mentioned above, our Group companies should not be held legally liable or accountable by the relevant authorities for any delay in reporting work accidents which occurred when our employees were deployed to our customers because we would not be deemed as the “employer” of such workers pursuant to section 6(4) of the WSHA.

REGULATORY OVERVIEW

As at the Latest Practicable Date, none of our relevant Group companies have received any notice from the relevant authorities in relation to any possible action or claim against such Group companies relating to the reporting of incidents.

Workmen's compensation

The Work Injury Compensation Act, Chapter 354 of Singapore (“WICA”), which is regulated by the MOM, applies to employees who are engaged under a contract of service or apprenticeship, regardless of their level of earnings. The WICA does not cover self-employed persons, independent contractors, domestic workers or uniformed personnel. The WICA lets employees make claims for work-related injuries or diseases without having to file a civil suit under common law. It is a low-cost and quicker alternative to common law for settling of compensation claims.

Where the services of an employee are temporarily lent or let on hire to another person by the person with whom the employee has entered into a contract of service or apprenticeship (ie. the original employer), the latter (the original employer) shall, for the purposes of the WICA, be deemed to continue to be the employer of the employee whilst he is working for that other person. Accordingly, our Group companies continue to be responsible for the obligations of the employer as set out in the WICA in respect of workers who have been deployed to their customers.

Under the WICA, every employer is required to insure and maintain insurance under approved policies with an insurer against all liabilities which he may incur under the provisions of the WICA in respect of all employees employed by him, unless specifically exempted. For further details of our Group's insurance policies, please refer to the section headed “Business – Insurance” in this prospectus.

Employers are required to maintain work injury compensation insurance for two categories of employees engaged under contracts of service (unless exempted) – firstly, all employees (whether foreign or local) doing manual work and secondly, non-manual employees (whether foreign or local) earning S\$1,600 or less a month. Failure to do so is an offence punishable by a maximum fine of S\$10,000 and/or imprisonment of up to 12 months.

The WICA provides that if an employee dies or sustains injuries in a work-related accident or contracted occupational diseases in the course of the employment, the employer shall be liable to pay compensation in accordance with the provisions of the WICA. An injured employee is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death, subject to certain limits stipulated in the WICA.

REGULATORY OVERVIEW

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

- (a) submit a claim for compensation through the MOM without needing to prove negligence or breach of statutory duty by employer. There is a fixed formula in the WICA on amount of compensation to be awarded; or
- (b) commence legal proceedings to claim damages under common law against the employer for breach of duty or negligence.

Damages under a common law claim are usually more than an award under WICA and may include compensation for pain and suffering, loss of wages, medical expenses and any future loss of earnings. However, the employee must show that the employer has failed to provide a safe system of work, or breached a duty required by law or that the employer's negligence caused the injury.

In the case of a WICA claim, the amount of compensation is based on a formula and is subject to the following limits:–

- (i) Medical leave wages: Payable only for working days covered by doctor-granted medical leave (“MC”) or hospitalisation leave (“HL”).

Amount of MC	Amount of HL	Wages calculated based on:
Up to 14 days; or	Up to 60 days	Full average monthly earnings of the injured worker
15th day onwards, up to 1 year from accident	61st day onwards, up to 1 year from accident	2/3 of average monthly earnings of the injured worker

- (ii) Medical expenses: Employers are required to pay for medical expenses related to the work accident up to a maximum limit of S\$36,000 or 1 year from the date of the accident, whichever comes first.

REGULATORY OVERVIEW

(iii) Compensation: Compensation limits under the WICA for accidents occurring from 1 January 2016 onwards are as follows:–

Compensation Type	Before 1 January 2016	From 1 January 2016
Death*	Min: S\$57,000; Max: S\$170,000	Min: S\$69,000; Max: S\$204,000
Total permanent incapacity*	Min: S\$73,000; Max: S\$218,000	Min: S\$88,000; Max: S\$262,000
Medical expenses	Up to S\$30,000 or 1 year from date of accident, whichever first	Up to S\$36,000 or 1 year from date of accident, whichever first

* Amount payable = Employee's average monthly earnings x age multiplying factor x % permanent incapacity

As at the Latest Practicable Date, our Group companies have in place WICA insurance policies covering all of their requisite employees as required under the WICA.

Please refer to the section headed “Business – Insurance – Work injury compensation insurance” in this prospectus for our insurance coverage in this regard. Please also refer to the section headed “Business – Litigation” in this prospectus for information regarding work injury compensation claims and common law injury claims against our Group during the Track Record Period and up to the Latest Practicable Date.

IV. Referral fees

As advised by the Singapore Legal Adviser, generally speaking, the payment of referral fees for the introduction of new customers will not violate the relevant laws and regulations of Singapore including the Prevention of Corruption Act (Chapter 241 of the Laws of Singapore) if, among other things:

- (i) such arrangement is a bona fide commercial arrangement between the entity paying such referral fee (“payor”) and the entity receiving such referral fee (“payee”), and there is no corrupt intent in relation to such arrangement, in particular the payment of referral fee(s) does not corruptly serve as any gratification, inducement to or reward for, or otherwise on account of the new customer entering into contract(s) with the payor;

REGULATORY OVERVIEW

- (ii) there is no principal-agent relationship between the new customer and the payee (for example, a principal-agent relationship exists if the payee is an employee of the new customer, or if the payee is engaged and paid by the new customer to identify and select a suitable service provider similar to the payor); and
- (iii) the new customer has prior knowledge of the arrangement in relation to the payment of referral fee and has consented to such arrangement.

B LAWS AND REGULATIONS IN SINGAPORE IN RELATION TO THE PROVISION OF DORMITORY SERVICES

I. Overview

The operation of foreign workers' dormitories has to comply with applicable laws and regulations, including but not limited to the Building Control Act, Chapter 29 of Singapore, the Control of Vectors and Pesticides Act, Chapter 59 of Singapore, the Environmental Public Health Act, Chapter 95 of Singapore, the Fire Safety Act, Chapter 109A of Singapore, the Planning Act, Chapter 232 of Singapore and the Foreign Employee Dormitories Act 2015 (No. 3 of 2015) (the "**Foreign Employee Dormitories Act**") (in the case of dormitories housing 1,000 or more foreign workers).

We obtained the written permission in respect of the operation of the Woodlands Dormitory for the provision of dormitory services in 2013.

II. Dormitory Licence

From 1 January 2016, operators of dormitories that can house 1,000 or more foreign employees need to obtain a licence from MOM ("**Dormitory Licence**"). Under the said Dormitory Licence, dormitory operators need to comply with standards on physical and structural safety, land use, hygiene and cleanliness. The purpose of the Foreign Employee Dormitories Act is to provide a regulatory framework for the provision of facilities and amenities and the delivery of services, to residents of foreign employee dormitories who are foreign employees by (i) providing for the licensing of operators of foreign employee dormitories, (ii) providing for certain accommodation standards to be observed with respect to the accommodation of residents of foreign employee dormitories and for the appropriate mechanisms for the enforcement of those standards; and (iii) promoting the sustainability of, and continuous improvements in, the provision of services at foreign employee dormitories.

A Dormitory Licence must be obtained if the dormitory being operated (i) houses 1,000 or more foreign employees; or (ii) has an approved occupancy load of 1,000 or more in the written permission issued by the Urban Redevelopment Authority of Singapore; or (iii) has an approved occupancy load of 1,000 or more according to the Fire Safety Code. Unless specifically exempted, a person must not operate any premises as a foreign employee dormitory unless under the authority of a valid licence for the said premises.

REGULATORY OVERVIEW

In its consideration for applications for issuance or renewals of a Dormitory Licence, the Commissioner for Foreign Employees shall have regard to, *inter alia*, the following:–

- whether the applicant is a suitable person to be involved in the management or operation of a foreign employee dormitory, and where necessary, whether the members of the board of directors of the body corporate, are also similarly suitable;
- whether the applicant does not have (or is unlikely to have) the financial capacity to operate the premises as a foreign employee dormitory;
- whether the premises are fit to be used as a foreign employee dormitory for reasons connected with the site, construction, accommodation, staffing or equipment, and with building safety, fire safety and public health and sanitation requirements prescribed by or under the relevant laws of Singapore;
- whether the applicant, any associate of the applicant or member of the board of directors is disqualified from holding a licence under the relevant regulations of the Foreign Employee Dormitories Act or has been convicted of an offence under the Foreign Employee Dormitories Act or it is otherwise contrary to public interest for the Dormitory Licence to be granted to the applicant.

A licenced operator of a foreign employee dormitory who contravenes or fails to comply with a condition of the Dormitory Licence shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 12 months, or to both, for each condition that is contravened or not complied with.

Pursuant to the Foreign Employee Dormitories Act, a person shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$20,000 or to imprisonment for a term not exceeding 2 years or both if said person furnishes a document, or makes a statement (whether orally, in writing or any other way) or gives information, to the Commissioner or a dormitory inspector where said document, statement or information is false or misleading.

The Commissioner may compound any offence under the Foreign Employee Dormitories Act which is prescribed as a compounding offence by collecting from the person reasonably suspected of having committed the offence a sum not exceeding the lower of the following:–

- one half of the amount of the maximum fine that is prescribed for the offence; or
- S\$5,000.

REGULATORY OVERVIEW

Nichefield (one of our operating subsidiaries) had developed and is currently operating the Woodlands Dormitory. The Woodlands Dormitory falls under the ambit of the Foreign Employee Dormitories Act, and hence Nichefield needs to be duly licenced with MOM for the operation of the Woodlands Dormitory. Nichefield has a Dormitory Licence which is valid up to 30 October 2018.

Nichefield in the course of its operations of the Woodlands Dormitory is required to submit quarterly management reports to MOM providing information relating to, *inter alia*, dormitory occupancy, rental rates, use of amenities and facilities in the dormitories, programmes and activities which were held in the dormitory, transport arrangements, cleaning arrangements, security arrangements, feedback from residents or lessees (including grievances received and actions taken by Nichefield in addressing such grievances), security-related incidents and any outstanding rental arrears.

III. Environmental laws and regulations

The Environmental Public Health Act, Chapter 95 of Singapore (“**EPHA**”) regulates, among others, the disposal and treatment of industrial waste, water pollution and public nuisances. Under the EPHA, the Director-General of Public Health may, on receipt of any information respecting the existence of a nuisance liable to be dealt with summarily under the EPHA and if satisfied of the existence of a nuisance, serve a nuisance order on the person by whose act, default or sufferance the nuisance arises or continues, or if the person cannot be found, on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with summarily under the EPHA include any factory or workplace which is not kept in a clean state, any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety.

Please refer to the section headed “Business – Environmental compliance” in this prospectus for further information on our environmental management system.

HISTORY AND DEVELOPMENT

OUR CORPORATE HISTORY

Overview

Our Group mainly provides manpower outsourcing and ancillary services to building and construction contractors in Singapore. We also provide dormitory services, IT services and construction ancillary services in Singapore. We operate our business through our nine principal operating subsidiaries, namely, KT&T Engineers, KT&T Resources, KT&T Global, Tenshi Resources, Keito Engineering, Accenovate Engineering, Nichefield, Kanon Global and Accenovate Consulting, all being companies incorporated in Singapore with limited liability.

Our nine principal operating subsidiaries were incorporated between 2005 and 2013, where Mr. Kuah was one of the founding shareholders of some of these companies. Throughout the Track Record Period and up to immediately prior to the Reorganisation, all these nine principal operating subsidiaries were beneficially wholly owned by Mr. Kuah. Mr. Kuah is an executive director, the chairman of our Board and our chief executive officer. For the biographical information of Mr. Kuah, please refer to the section headed “Directors and senior management” in this prospectus.

Major development and milestones

The following is a summary of our Group’s key business development and milestones:

Year	Major events
2005	Tenshi Resources was registered under the workhead ME11 (Mechanical Engineering). We commenced our business of providing construction ancillary services.
2006	We commenced our business of providing manpower outsourcing services business in Singapore. We started sourcing foreign workers from Bangladesh.
2007	We commenced our business of providing IT services.
2009	KT&T Engineers, KT&T Resources, Accenovate Engineering and Keito Engineering were registered under the workhead CR01 (Minor Construction Works). KT&T Engineers obtained the ISO 9001:2008 certification in September 2009.

HISTORY AND DEVELOPMENT

KT&T Engineers obtained the OHSAS 18001:2007 certification in October 2009.

Tenshi Resources obtained the OHSAS 18001:2007 certification in October 2009.

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| 2011 | KT&T Engineers obtained the leasehold interest in the Sungei Kadut Premises and obtained the grant of temporary permission for using the Sungei Kadut Dormitory as temporary ancillary workers' dormitory. |
| 2012 | Nichefield was awarded the tender for the contract in relation to the construction, management and operation of the Woodlands Dormitory by the BCA in October 2012. |
| 2013 | Nichefield obtained the written permission from the Urban Redevelopment Authority to erect the Woodlands Dormitory for the provision of dormitory. |
| 2015 | KT&T Engineers attained bizSAFE Level Star. |
| 2016 | We started sourcing foreign workers from India in addition to Bangladesh since early 2016. |

Our Company

Our Company was incorporated in the Cayman Islands on 14 February 2017 as an exempted company under the Companies Law in anticipation of the Listing. Upon completion of the Reorganisation, our Company became the holding company of our Group, which comprises the following major operating subsidiaries and their respective corporate history is set out below.

Our operating subsidiaries

We operate our business through a number of subsidiaries so as to (i) differentiate different segments and measure the performance of different segments of our business; (ii) minimise the operation risk by holding our contractor and dormitory licenses through different subsidiaries; and (iii) enjoy the benefits of dual employment for the purpose of meeting the dependency ceiling quota in relation to the employment of foreign workers, further details of which are set out in the paragraph headed "Dual employment of local employees" under the section headed "Regulatory overview" in this prospectus.

HISTORY AND DEVELOPMENT

KT&T Engineers

KT&T Engineers was incorporated as a private limited company in Singapore on 22 September 2005. Its principal business activities have been providing manpower outsourcing and ancillary services and construction ancillary services. KT&T Engineers was established by two independent third parties. On 8 September 2006, such two independent third parties transferred their respective shares in KT&T Engineers to Mr. Kuah. Upon completion of such transfers and up to immediately prior to the Reorganisation, Mr. Kuah directly held the entire issued share capital of KT&T Engineers.

Tenshi Resources

Tenshi Resources was incorporated as a private limited company in Singapore on 14 January 2005. Its principal business activities have been providing manpower outsourcing and ancillary services, and construction ancillary services.

Upon its incorporation, one share in Tenshi Resources, representing its then entire issued share capital, was allotted and issued to an independent third party. On 11 April 2005, such independent third party transferred the share to another independent third party, to whom on the same day 24,999 additional shares in Tenshi Resources were also allotted and issued. On the same day, Tenshi Resources also allotted and issued 25,000 shares, representing 50% of the then entire issued share capital of Tenshi Resources, to Tiara Construction Pte Ltd, a company which was then owned by Mr. Kuah as to 25%.

Subsequently, on 1 July 2008 and 23 July 2008, Mr. Kuah acquired 25,000 and 25,000 ordinary shares in Tenshi Resources from Tiara Construction Pte Ltd and the independent third party for the consideration of S\$25,000 and S\$25,000, respectively. On 17 February 2012, Mr. Kuah transferred 50,000 shares in Tenshi Resources to Accenovate Engineering (which was then wholly owned by Mr. Kuah) for a nominal consideration. On 30 April 2012, Accenovate Engineering transferred 50,000 shares in Tenshi Resources to KT&T Engineers for a nominal consideration.

Following the aforesaid transfers, Tenshi Resources became wholly-owned by KT&T Engineers, a company which was then directly and wholly owned by Mr. Kuah.

On 18 July 2016, KT&T Engineers transferred the 50,000 ordinary shares in Tenshi Resources to Mr. Kuah with a view to simplifying the shareholding structure of Tenshi Resources. Upon completion of such transfer and up to immediately prior to the Reorganisation, Mr. Kuah directly held the entire issued share capital of Tenshi Resources.

HISTORY AND DEVELOPMENT

Keito Engineering

Keito Engineering (formerly known as Clarity Construction & Consultancy Pte Ltd.) was incorporated as a private limited company in Singapore on 10 August 2005. Its principal business activities have been providing manpower outsourcing and ancillary services, and construction ancillary services.

Upon incorporation, Keito Engineering was beneficially owned as to 50% by Mr. Kuah and as to 50% by an independent third party, both via a common nominee shareholder. Since then, a number of transfers were effected (including to Mr. Kuah, Ms. Tan Peck Mei (who is currently one of our employees and is otherwise an independent third party), and Accenovate Engineering). On 27 June 2012, Accenovate Engineering, a company directly and wholly-owned by Mr. Kuah by then, acquired the entire issued share capital of Keito Engineering, following which Keito Engineering became a wholly-owned subsidiary of Accenovate Engineering.

On 18 July 2016, Accenovate Engineering transferred its entire shareholding in Keito Engineering to Mr. Kuah with a view to simplifying the shareholding structure of Keito Engineering. Upon completion of such transfer and up to immediately prior to the Reorganisation, Mr. Kuah directly held the entire issued share capital of Keito Engineering.

KT&T Resources

KT&T Resources was incorporated as a private limited company in Singapore on 1 September 2006. Its principal business activities have been providing manpower outsourcing and ancillary services, and construction ancillary services. Upon incorporation, KT&T Resources was owned as to 50% by Mr. Kuah and as to 50% by an independent third party.

Since then, a number of transfers were effected. In particular, KT&T Resources became directly and wholly owned by Mr. Kuah since 11 June 2010 and until Mr. Kuah transferred all his shareholding in KT&T Resources to Accenovate Engineering (a company wholly-owned by Mr. Kuah by then) on 27 June 2012.

On 18 July 2016, Accenovate Engineering transferred its entire shareholding in KT&T Resources to Mr. Kuah with a view to simplifying the shareholding structure of KT&T Resources. Upon completion of such transfer and up to immediately prior to the Reorganisation, Mr. Kuah directly held the entire issued share capital of KT&T Resources.

Accenovate Engineering

Accenovate Engineering (formerly known as Yebisu (International) Pte. Ltd.) was incorporated as a private limited company in Singapore on 10 May 2006. Its principal business activities have been providing manpower outsourcing and ancillary services, and construction ancillary services. Upon its incorporation, Accenovate Engineering was wholly-owned by Mrs. Kuah.

HISTORY AND DEVELOPMENT

On 28 July 2010, Mrs. Kuah transferred 100,000 shares in Accenovate Engineering (representing its then entire issued share capital) to Mr. Kuah for a nominal consideration. Upon completion of the aforesaid transfer and up to immediately prior to the Reorganisation, Accenovate Engineering was directly and wholly-owned by Mr. Kuah.

Nichefield

Nichefield was incorporated as a private limited company in Singapore on 31 January 2007. Since 2012, its principal business activities have been the provision of dormitory services and it is the operator of our Woodlands Dormitory. Upon incorporation, Nichefield was owned as to 30% by Mr. Kuah, 35% by an independent third party and 35% by another independent third party.

On 1 April 2008, one of the independent third parties transferred his 20% shareholding in Nichefield to Mr. Kuah and 15% to the other independent third party shareholder, for the consideration of S\$30,000 and S\$22,500, respectively. Following such transfers, Nichefield was owned as to 50% by Mr. Kuah and 50% by the remaining independent third party.

On 3 May 2012, the remaining independent third party transferred his 50% shareholding in Nichefield to Mrs. Kuah for a consideration of S\$75,000. On the same date, Mrs. Kuah executed a declaration of trust in relation to the 50% shareholding in Nichefield in favour of Mr. Kuah. Upon completion of, Nichefield was beneficially owned as to 100% by Mr. Kuah.

Our Singapore Legal Adviser advised that it is a requirement to seek the approval of MOM under the relevant MOM guidelines in relation to any legal restructuring of a licensee. Accordingly, Nichefield being the licenced operator of the Woodlands Dormitory had on 13 December 2016 obtained MOM approval in relation to the change in shareholding of Nichefield as part of the Reorganisation.

Kanon Global

Kanon Global was incorporated as a private limited company in Singapore on 8 October 2013. Its principal activities had been operating our School Dormitory Project since 2014, as further discussed in “Business – Loss making projects during the Track Record Period” in this prospectus. Upon incorporation and up to immediately prior to the Reorganisation, Kanon Global was directly and wholly-owned by Mr. Kuah.

Accenovate Consulting

Accenovate Consulting was incorporated as a private limited company in Singapore on 16 May 2006. Its principal activities have been providing IT services. Upon incorporation and up to immediately prior to the Reorganisation, Accenovate Consulting was directly and wholly-owned by Mr. Kuah.

HISTORY AND DEVELOPMENT

KT&T Global

KT&T Global was incorporated as a private limited company in Singapore on 16 April 2009. Its principal activities have been providing manpower outsourcing and ancillary services. Upon incorporation and up to immediately prior to the Reorganisation, KT&T Global was directly and wholly-owned by Mr. Kuah.

Incorporation of BVI companies

For the purpose of the Reorganisation, the following intermediate holding companies were incorporated in the BVI:

- (a) Real Value was incorporated on 24 November 2016, for the purpose of directly holding the entire issued share capital of Harbour Gold, Leading Elite, Priceless Developments and Promising Elite;
- (b) Harbour Gold was incorporated on 28 November 2016, for the purpose of directly holding the entire issued share capital of KT&T Resources, Tenshi Resources, Accenovate Engineering and Keito Engineering;
- (c) Leading Elite was incorporated on 28 November 2016, for the purpose of directly holding the entire issued share capital of KT&T Engineers;
- (d) Priceless Developments was incorporated on 13 October 2016, for the purpose of directly holding the entire issued share capital of Nichelfield and Kanon Global; and
- (e) Promising Elite was incorporated on 21 September 2016, for the purpose of directly holding the entire issued share capital of Accenovate Consulting and KT&T Global.

Further details of our BVI subsidiaries are set out in the section headed “A. Further information about our Company – 4. Corporate reorganisation” in Appendix IV to this prospectus.

HISTORY AND DEVELOPMENT

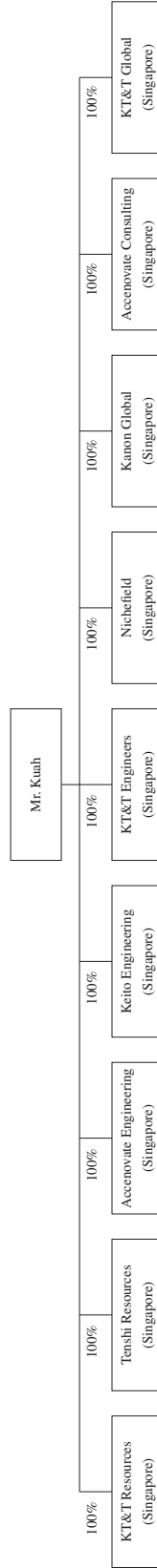
REORGANISATION

Our Company completed the Reorganisation on 21 August 2017 in preparation for the Listing, pursuant to which our Company became the holding company of the aforesaid operating subsidiaries. Details of the Reorganisation are set out in the section headed “A. Further information about our Company – 4. Corporate reorganisation” in Appendix IV to this prospectus.

As confirmed by our Directors, save for Nichefield, the change of shareholdings in all our aforesaid operating subsidiaries would not require any approval or permit from any relevant government authorities in Singapore.

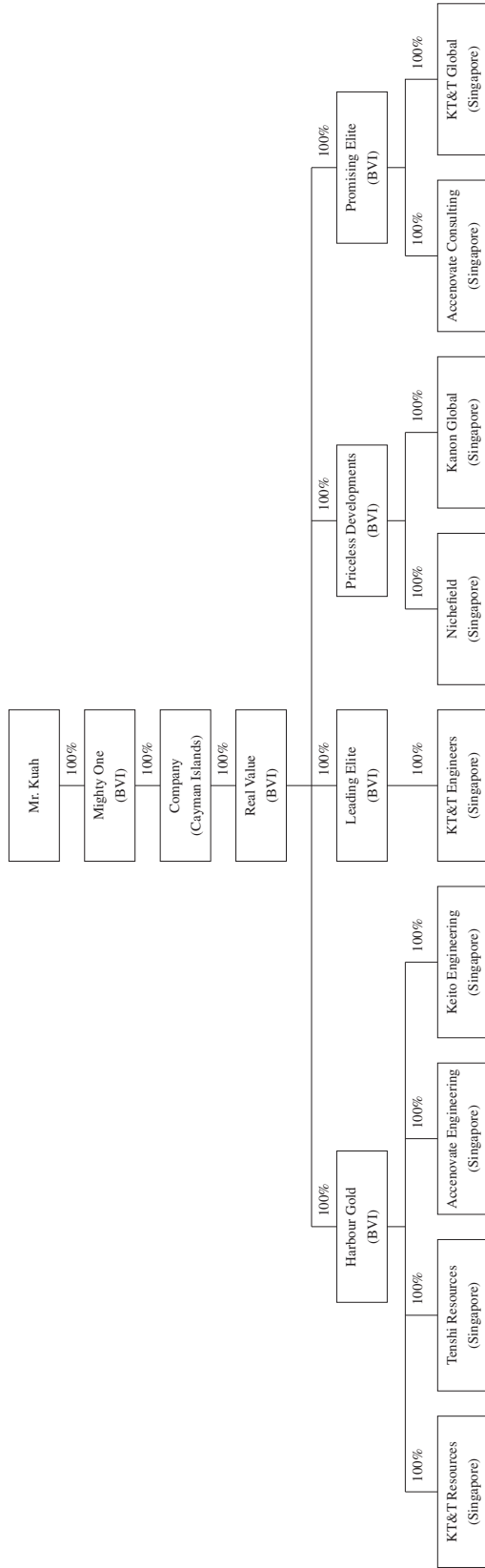
Our Group structure

Set out below is the beneficial shareholding structure of our Group immediately prior to the Reorganisation:—



HISTORY AND DEVELOPMENT

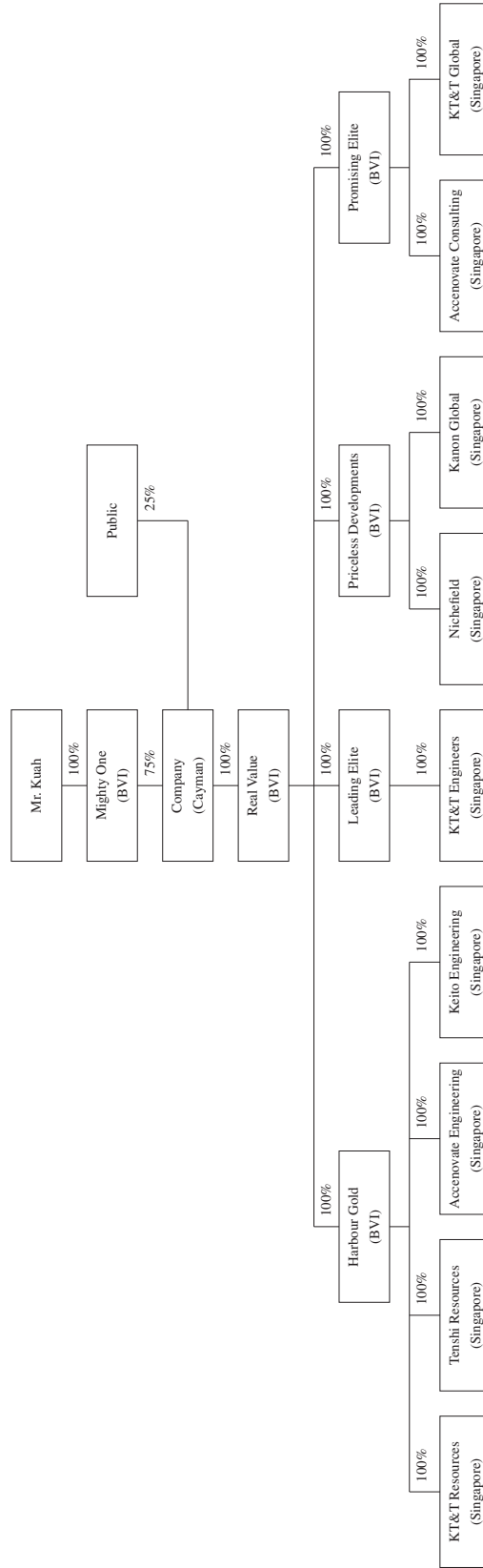
Set out below is the shareholding structure of our Group immediately after completion of the Reorganisation but before completion of the Share Offer and the Capitalisation Issue:-



HISTORY AND DEVELOPMENT

As part of the Share Offer, the Selling Shareholder (i.e. Mighty One) will offer 107,500,000 Sale Shares for sale under the Placing. For details of the sale of the Sale Shares by the Selling Shareholder, please refer to the section headed “Structure and conditions of the Share Offer” of this prospectus.

Set out below is the shareholding structure of our Group immediately after the completion of the Capitalisation Issue and Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option):



HISTORY AND DEVELOPMENT

REASONS FOR LISTING

Our Directors believe that the Listing will benefit our Group as it will (i) allow our Group to gain access to equity capital market funding and (ii) increase the profile of our Group and enable our Group to be considered more favourably by our customers, suppliers and bankers, given that a listed company is subject to ongoing regulatory compliance for announcements, financial disclosure and corporate governance. In addition, we intend to implement our business strategies and future plans as detailed in the sections headed “Business – Business strategies” and “Future plans and use of proceeds” in this prospectus, which require funding and are intended to be financed by the proceeds from the Share Offer.

Our Directors had considered and evaluated different listing venues including Hong Kong and Singapore and have concluded that Hong Kong is the suitable venue to pursue a listing after taking into account the liquidity of the stock market in Hong Kong. Our Directors consider that the level of trading activities on a stock exchange is one of the key factors indicating the ease of conducting secondary fund raising exercises after a listing. For instance, a secondary fund raising exercise such as a secondary placement of shares would generally be easier and more attractive to investors if there is a more liquid market, because a more liquid market generally means that there are more ready and willing buyers (who may invest in the shares under the fund raising exercise) and sellers (who may realise their investment subsequently) in the market. According to the data compiled by the World Bank, in 2016, the turnover ratio of stocks traded in the Hong Kong stock market was 42.2% while the turnover ratio of stocks traded in the Singapore stock market was 31.9%. Based on the information from the Stock Exchange, the average daily turnover of stocks in Hong Kong was approximately HK\$105.6 billion (S\$18.4 billion) and HK\$66.9 billion (S\$11.6 billion) for each of the two years ended 31 December 2016 respectively. By comparison, according to the Singapore Exchange Limited, the average daily turnover of stocks in Singapore was only approximately HK\$6.3 billion (S\$1.1 billion) and HK\$6.3 billion (S\$1.1 billion) for each of the two years ended 31 December 2016 respectively. Based on the information obtained from Bloomberg, the average daily share turnover of all companies which fall within the professional services category (which covers, among others, companies engaged in providing manpower outsourcing or recruitment services) and which are listed on the Stock Exchange in Hong Kong and that of all such companies listed on the Singapore stock market for the period from 1 January 2016 to 28 August 2017 was approximately HK\$2.8 million and HK\$2.2 million (equivalent to approximately S\$0.5 million and S\$0.4 million), respectively. In addition, our executive Directors note that for companies which have similar market capitalisation to our Group (i.e. companies with market capitalisation between HK\$350 million and HK\$450 million), the average daily turnover of stocks for each of these companies listed on the Stock Exchange in Hong Kong and those listed on the Singapore stock market for the period from 1 January 2016 to 28 August 2017 was approximately HK\$2.3 million and HK\$1.1 million (equivalent to approximately S\$0.4 million and S\$0.2 million), respectively. Therefore, our Directors are of the view that it would be easier for us to conduct secondary fund raising in the Hong Kong stock market, if necessary, for our further expansion in the future, than in the Singapore stock market as the Hong Kong stock market has higher liquidity.

NO LISTING APPLICATION MADE IN SINGAPORE

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

BUSINESS

BUSINESS OVERVIEW

We are a Singapore-based service provider and we mainly provide manpower outsourcing and ancillary services to building and construction contractors in Singapore. To a lesser extent, we also provide dormitory services, IT services and construction ancillary services (which comprise warehousing services, cleaning services and building maintenance works) in Singapore.

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

	FY2014		FY2015		FY2016		For the four months ended 30 April 2016 (Unaudited)		For the four months ended 30 April 2017	
	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>%</u>
Manpower outsourcing and ancillary services	38,943	86.4	39,770	86.3	37,978	84.3	12,471	84.9	12,315	81.9
Dormitory services	4,297	9.5	4,706	10.2	5,464	12.1	1,763	12.0	1,772	11.8
IT services	810	1.8	622	1.3	892	2.0	230	1.6	319	2.1
Construction ancillary services	<u>1,044</u>	<u>2.3</u>	<u>993</u>	<u>2.2</u>	<u>716</u>	<u>1.6</u>	<u>229</u>	<u>1.6</u>	<u>633</u>	<u>4.2</u>
Total	<u>45,095</u>	<u>100.0</u>	<u>46,091</u>	<u>100.0</u>	<u>45,051</u>	<u>100.0</u>	<u>14,693</u>	<u>100.0</u>	<u>15,039</u>	<u>100.0</u>

Our revenue represents income derived from providing manpower outsourcing and ancillary services, rental income derived from the operation of our Woodlands Dormitory and other service income derived from providing IT services and construction ancillary services. Our cost of services mainly include foreign workers' wages and salaries, foreign workers levy, rental cost for the land in relation to our Woodlands Dormitory, and staff salaries, bonuses and allowances.

The following is an overview of our business operations:

Manpower outsourcing and ancillary services

We provide manpower outsourcing services by (i) recruiting, employing, training and remunerating foreign workers from Bangladesh and India as our employees in Singapore, and (ii) deploying them to perform various construction works of different construction trades at the work sites designated by our customers in Singapore.

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The main types of construction works performed by our deployed employees include scaffolding, welding, hacking, casting, painting, rebarring, lifting supervision, carpentry and plastering etc. As at the Latest Practicable Date, we employed 1,380 foreign employees for deployment. We recruit our foreign employees mainly through candidate referrals from Overseas Testing Centres based in Bangladesh and India. Depending on the availability of candidate referrals from the Overseas Testing Centres, we occasionally engaged individual recruitment agents based in Bangladesh to source appropriate foreign workers from Bangladesh for our selection and employment.

We provide all incoming foreign employees with regular in-house trainings on rebarring and other general construction works. In addition, we arrange some of them to attend external training courses on specialised construction works such as scaffolding and welding.

In the formal contracts of our manpower outsourcing services, we generally stipulate that our customers are responsible for the accommodation of our employees during their deployment. Some of our customers may make accommodation arrangements for the deployed employees on their own during the deployment period. Alternatively, if so requested by our customers, our Group also provides ancillary services to our customers for a fee during the deployment period, which include providing accommodation for the deployed employees at our self-operated dormitories or dormitories operated by third parties, and arranging transportation for the deployed employees to and from their respective work sites using our lorries.

We currently operate two dormitories, namely the Woodlands Dormitory and Sungei Kadut Dormitory, with a capacity of 1,500 and 479 persons, respectively. The Woodlands Dormitory is a licensed foreign employee dormitory licensed by the MOM which is permitted to house foreign workers employed by our Group as well as by third parties, while the Sungei Kadut Dormitory is a temporary ancillary workers' dormitory approved by the Urban Redevelopment Authority of Singapore to house our foreign employees. For further details of the operation of our self-operated dormitories, please refer to the paragraphs headed "Licences and permits" and "Properties" in this section.

Dormitory services

We provide dormitory services at our Woodlands Dormitory mainly to building and construction contractors in Singapore for foreign workers who are employed by them. Our dormitory services generally consist of the provision of dormitory bed spaces and the duration of each contract typically ranged from six months to one year. The lodgers are also allowed to use various facilities at the dormitory during their stay in general, mainly including gymnasium room, sports fields, cooking facilities and television room. Depending on our customers' request, we may also charge our customers for providing laundry services to the relevant lodgers. During the Track Record Period, approximately 57.2% to 84.9% of the dormitory bed spaces at the Woodlands Dormitory were occupied by foreign workers who are under the employment of third parties.

BUSINESS

IT services

Our IT services generally comprise the provision of support and maintenance services and software upgrades in relation to the ERP systems of our customers.

Construction ancillary services

We also provide a range of construction ancillary services to our customers, including warehousing services, cleaning services and building maintenance works.

In relation to our warehousing services, we mainly provide leasing of storage spaces at the warehouse of our Sungei Kadut Dormitory for construction-related materials of our customers.

Our cleaning services generally involves the cleaning of interior units of residential buildings by our foreign employees who are not subject to any current deployment for the time being. Our customers in respect of our cleaning services are typically main contractors in relation to newly developed residential properties. These main contractors were normally the customers of our manpower outsourcing and ancillary services and engaged us to perform cleaning on the residential buildings after the construction works had been completed.

Meanwhile, we have also undertaken one project of building maintenance works as subcontractor during the Track Record Period.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

Established relationships with Overseas Testing Centres in Bangladesh

Our Group has started to source foreign workers from Bangladesh since 2006. We obtain candidate referrals from Overseas Testing Centres in Bangladesh from time to time in order to meet our needs for new labour. According to our requests, these Overseas Testing Centres will provide us with the personal information of potential candidates for our selection and recruitment. The Overseas Testing Centres are also responsible for providing training and assessment (as approved by the BCA) to the foreign workers before they arrive in Singapore.

Our relationships with Overseas Testing Centres in Bangladesh from which we obtained candidates referrals during the Track Record Period have been up to approximately 10 years. Our Directors believe that our established working relationships with Overseas Testing Centres in Bangladesh have ensured a pool of quality workers for our selection and recruitment and is a key factor leading to our success in the industry.

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Cost advantages from our self-operated dormitories and lorry fleet

As at the Latest Practicable Date, our Group operated two dormitories (namely the Woodlands Dormitory and Sungei Kadut Dormitory) and owned a total number of 20 lorries for workers' transportation. Our Directors consider that, holding all else the same, housing our foreign employees at our self-operated dormitories (compared to renting bed spaces from dormitories operated by third parties) would generally lead to a higher profit margin of our manpower outsourcing and ancillary services business, as a profit markup is generally factored in the rental fees charged by the dormitories operated by third parties. Further, this could minimise the risk of substantial increase in the rental fees charged by dormitories operated by third parties, and the associated cost of relocating our foreign employees to other dormitories.

Further, our Directors believe that there are other benefits of housing our foreign employees at our self-operated dormitories and providing transportation arrangements using our own lorries because our Group can (i) ascertain the health conditions and whereabouts of our workers efficiently; (ii) promptly divide and assign them into different team batches for deployment to customers within short notice; (iii) give us flexibility in arranging our transportation schedule; and (iv) allow us to ensure our workers would arrive at the work sites on time.

Being experienced and knowledgeable in managing foreign workers

Our experienced and dedicated management team is integral to the success of our Group. Mr. Kuah, the chairman of our Board, an executive Director and our chief executive officer, is responsible for the overall business development as well as financial and strategic planning of our Group. Mr. Kuah has been managing our business for more than 10 years. Ms. Dolly Hwa Ai Kim, an executive Director, is responsible for the overall management of our business operation and supervision. Ms. Hwa has been managing our business for more than nine years. Leveraging on the experience, network and industry knowledge of Mr. Kuah and Ms. Hwa, our Group is able to develop different business strategies to keep pace with the industry trend and market demand.

Mr. Kuah and Ms. Hwa are supported by our senior management team, whose credentials are disclosed in the section headed "Directors and senior management" in this prospectus. Our Directors believe that under the leadership of Mr. Kuah, Ms. Hwa and our senior management team, our Group is able to build up our market presence, expand our business scale and deliver quality and satisfactory services to our customers.

In particular, based on our operations over the years, our management team has accumulated knowledge and experience in the management of foreign workers in order to provide quality and reliable manpower outsourcing services to our customers. To ensure our workers possess adequate knowledge in performing the required construction works, we have equipped them with relevant know-how through (i) providing in-house trainings to our foreign employees on rebarring and other general construction works and arranging some of them to attend external training courses on specialised construction works, and (ii) providing briefings to our deployed employees on their service standard and work safety measures before the

BUSINESS

commencement of works. Further, to maintain our service quality and customers' satisfaction, we evaluate the performance of our employees during their deployment through (i) routine inspection by our site operations team at the relevant work sites, and (ii) follow-up telephone calls by our sales managers to our customers in order to obtain their feedbacks. In addition, we also strive to increase the morale of our foreign employees by (i) providing meals and general living environments that are suitable and cater for the tastes and cultures of our foreign employees based on our more than 10 years of experience, (ii) organising internal sports events, and (iii) encouraging them to make use of our various recreational facilities at the relevant dormitory during their leisure time. Our Directors believe that our knowledge and experience in managing a sizable pool of foreign employees are crucial in earning customers' trust and recognition in our services.

Being an established service provider of manpower outsourcing services

We have been engaged in the manpower outsourcing market in Singapore since 2006. During our operating history, we have accumulated practical experiences in sourcing and managing a sizable pool of suitable foreign workers and in providing manpower outsourcing services to building and construction contractors in Singapore. Our senior management team is experienced in labour recruitment and deployment, and strives to provide manpower outsourcing services to meet our customers' needs.

In relation to our deployed employees, our Group performs recruitment and administration functions in which our Group handles (i) the sourcing, screening and assessment of prospective workers for deployment, (ii) arrangements to train, manage and maintain a pool of suitable workers for deployments on short notice, and (iii) the administrative matters relating to such workers including, among other things, payrolls, employee contractual benefits, CPF and compliance with labour-related laws and regulations in Singapore.

Our Directors believe that our manpower outsourcing services enable our customers to focus on their core business activities and save up their management attention and resources that would otherwise be required for handling the aforesaid recruitment and administration matters.

Possession of a sizable pool of suitable and trained workers

Our Directors consider that building and construction contractors in Singapore prefer manpower outsourcing service providers who are able to provide reliable manpower outsourcing service on short notice. Our Directors believe that the ability to do that requires a relatively sizeable pool of suitable and trained workers who are available for deployment on short notice.

We maintain a pool of foreign employees who are trained and skilled in performing various types of construction works and are available for deployment within short notice by our customers.

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With a sizable pool of skilled workers, our Directors believe that we are well-positioned to cater for the manpower needs from construction projects of varying scales and complexity, which in turn strengthens our industry position. Our Directors also believe that our ability to maintain a sizeable pool of foreign workers from time to time who are available for deployment to our customers on short notice enables our customers to reduce their recurring overhead costs by not having to maintain a full team of direct labours on their own at all times, and to have more flexibility in coping with the fluctuations in their needs for manpower in their construction projects from time to time.

BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our position as an established service provider of manpower outsourcing services in Singapore as well as expanding our dormitory services.

According to the Ipsos Report, the construction demand by value of contracts in Singapore is forecasted to grow at a CAGR of approximately 3.9% from approximately S\$30.0 billion in 2017 to approximately S\$35.0 billion in 2021, while the number of foreign workers sourced by manpower outsourcing service providers in Singapore is forecasted to increase from an estimate figure of approximately 35,700 persons in 2017 to approximately 47,200 persons in 2021. In view of the abovementioned industry forecast, the demand for dormitory services provided by manpower outsourcing service providers are expected to grow in tandem to meet the increasing number of foreign construction workers in the industry. Having considered (i) our competitive strengths mentioned above, (ii) the number of customers that we served during the Track Record Period, and (iii) the forecasted growth of the construction industry and the manpower outsourcing industry in Singapore as well as the forecasted increase in the demand for dormitory services in respect of foreign workers in Singapore as stated in the Ipsos Report, our Directors believe that our Group can expand our business of providing manpower outsourcing and ancillary services and dormitory services on top of our present scale of operation if we are to continue to increase our available resources mainly including (i) the size of manpower available for deployment, (ii) the scale of our dormitory operation, and (iii) the number of lorries for transporting our employees to and from work sites.

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

Further expanding our manpower available for deployment

As our manpower outsourcing services are labour-intensive, we consider that maintaining a pool of skilled foreign workers equipped with appropriate trainings and qualifications in performing different types of construction works is crucial to our continuing success. During the Track Record Period, our foreign employees were fully utilised as discussed in the paragraph headed “Utilisation rate” in this section. Currently, we had recruited and obtained the prior approvals from MOM for approximately 200 additional foreign workers. All of these workers are expected to arrive in Singapore and be

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employed by us in FY2017. Going forward, having considered the projected growth of the demand for manpower outsourcing services, our Directors intend to expand our manpower available for deployment by recruiting approximately 200 additional foreign employees in phases by the end of 2018 in order to cope with our business development.

In addition, we intend to provide the newly employed foreign employees with training on different types of construction works. Such training courses include regular in-house trainings on rebarring and other general construction works as well as external training courses on specialised construction works. Further, in order to match with our expansion in manpower available for deployment, as well as the acquisition of an additional foreign worker dormitory and additional lorries for transporting our foreign workers (as discussed below), we also plan to hire additional local employees mainly including sales managers, site operation staff, drivers, dormitory staff and administrative staff, depending on our business needs from time to time, who will assist in and strengthen our administrative and supporting functions, sales and marketing, foreign workers' monitoring and management, and general operational supports.

We currently plan to finance the abovementioned expansion in our manpower by using cash flows from our operations and our internal financial resources.

Acquiring an additional foreign worker dormitory

As at the Latest Practicable Date, we operated two foreign worker dormitories, namely (i) Woodlands Dormitory for housing foreign workers employed by our Group as well as by third parties, and (ii) Sungei Kadut Dormitory for housing our foreign employees. In order to cater to the increase in housing needs associated with the expansion in our manpower as mentioned above, our Directors consider that we have the business needs in acquiring an additional foreign worker dormitory for the following reasons:

(i) Historical occupancy rates of our self-operated dormitories

We started to operate our first foreign worker dormitory in 2012 after we acquired the leasehold interest in the Sungei Kadut Premises. Subsequently, given that the capacity of our Sungei Kadut Dormitory was no longer sufficient to accommodate our foreign workers, and with a view to diversifying our business into dormitory service segment, we had started the operation of our Woodlands Dormitory in 2013. In light of the growing housing needs of foreign workers employed by our Group as well as by third parties, our self-operated dormitories were close to being fully occupied during the Track Record Period. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, the average monthly occupancy rate of the Woodlands Dormitory was 98.3%, 98.2%, 99.2% and 99.4%, respectively, and the average monthly occupancy rate of the Sungei Kadut Dormitory was 100% during the Track Record Period.

BUSINESS

For the period while our two self-operated dormitories were fully occupied during the Track Record Period, our Group had to engage third party dormitory service providers for housing our foreign employees. We have incurred approximately S\$7,000, S\$0.1 million, S\$0.8 million and S\$0.5 million for housing our foreign employees in dormitories operated by third parties in each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, respectively. Currently, we had recruited and obtained the prior approvals from MOM for employing approximately 200 additional foreign workers. All of these workers are expected to arrive in Singapore and be employed by us in FY2017. Going forward, having considered the projected growth of the demand for manpower outsourcing services, our Directors intend to expand our manpower available for deployment by recruiting approximately 200 additional foreign employees in phases by the end of 2018 in order to cope with our business development. Therefore, our Directors are of the view that our two self-operated dormitories are not sufficient for our Group to cope with the expansion in our foreign manpower and the accommodation needs of third parties' workers, as evidenced by the amount and the trend of increasing dormitory services fees incurred by us.

In addition, based on our dormitory service contracts on hand, the number of bed spaces at our Woodlands Dormitory being leased out to third parties as at 31 December 2017 will be approximately 1,132. Taking into account (i) the total housing capacity of our two self-operated dormitories of 1,979 individuals, (ii) the number of bed spaces which have been leased out to third parties as mentioned above; and (iii) the number of our foreign workers (i.e. 1,380) as at the Latest Practicable Date, it is estimated that the remaining bed spaces will not be sufficient to house the foreign workers employed by third parties and our foreign workers by the end of FY2017. Having considered that (i) the shortage in bed spaces at our two self-operated dormitories as discussed above; (ii) our plan to recruit 200 additional foreign employees by the end of FY2017 and FY2018 respectively, and (iii) the forecasted growing demand for dormitory services in relation to foreign workers between 2016 and 2021 as further discussed below, our Directors are of the view that there is business need to expand our dormitory capacity.

In the long-run, our Directors consider that housing our foreign employees at our self-operated dormitories (as compared to renting bed spaces from dormitories operated by third parties) would lead to a higher profit margin, as a profit mark-up is generally factored in the rental fees charged by the dormitories operated by third parties. Further, we could have a better control on our operating costs if we house our foreign employees at our self-operated dormitories and minimise the risk of substantial increase in the rental fees charged by dormitories operated by third parties and the costs of relocating our foreign employees to other dormitories frequently.

BUSINESS

Based on our current expansion plan and schedule as discussed in the section headed “Business – Business Strategies”, our Directors estimate that by housing our foreign employees at an additional foreign worker dormitory to be acquired by us could lead to cost savings of approximately S\$0.3 million and S\$1.0 million for each of FY2017 and FY2018 respectively which would otherwise be incurred for engaging other dormitory service providers to house the newly recruited workers under our expansion plan.

(ii) Historical financial performance of our dormitory services and the forecasted increase in demand for dormitory services

Our revenue derived from the provision of dormitory services increased from approximately S\$4.3 million in FY2014 to approximately S\$4.7 million in FY2015 (representing an increase of 9.5%), and further increased to S\$5.5 million in FY2016 (representing an increase of 16.1%). The substantial increase in the amount of revenue derived from the provision of dormitory services demonstrates the increasing demand for dormitory services in relation to foreign workers in Singapore and was in line with the findings of the Ipsos Report.

During the Track Record Period, our Group has experienced increasing demand from third parties for housing their foreign workers at our Woodlands Dormitory. The following table sets forth a breakdown of (i) the percentage range of bed spaces at Woodlands Dormitory being leased out to third parties; and (ii) the range of daily services fees for our dormitory services, during the Track Record Period:

	FY2014	FY2015	FY2016	For the four months ended 30 April 2017
Percentage range of bed spaces at Woodlands Dormitory being leased out to third parties	57.2% – 74.7%	66.2% – 74.3%	73.5% – 84.9%	78.6% – 82.4%
Range of daily service fee for our dormitory services	S\$9.70 – S\$11.30	S\$10.00 – S\$11.90	S\$10.00 – S\$11.90	S\$10.00 – S\$11.90

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In light of the increase in (i) the proportion of bed spaces at Woodlands Dormitory being leased out to third parties; and (ii) the range of daily service fee for our dormitory services during the Track Record Period, our Directors consider that there has been growing market demand for our dormitory services. Given that our Woodlands Dormitory was occupied predominantly by foreign workers employed by third parties in FY2016, our Directors also take the view that it would be increasingly difficult for us to accommodate the increasing housing needs of additional foreign workers hired by our Group and third parties without expanding the capacity of our dormitory operation.

In view of the occupancy rates of our self-operated dormitories during the Track Record Period as aforementioned, our Directors consider that the current capacity of our two self-operated dormitories are insufficient for us to capture the business opportunities in relation to the forecasted increase in accommodation needs of foreign workers in Singapore. In light of the steady increase in demand for dormitory services as further discussed below, our Directors believe that we would be able to expand our business in the provision of dormitory services through the acquisition of an additional foreign worker dormitory.

According to the Ipsos Report, the total number of foreign construction workers in Singapore is forecasted to increase from approximately 315,500 in 2016 to approximately 416,500 in 2021. In particular, Ipsos forecasts that the total number of foreign construction workers housed with external dormitory service providers will increase from 141,300 in 2016 to approximately 204,900 in 2021. Ipsos advised that more employers of foreign construction workers will opt to house their foreign construction workers with external dormitory service providers in the future due to (i) the limited capacity of their self-owned accommodation and (ii) their preference to focus on their principal business activities instead of diverting their resources and management attention for operating a dormitory. In view of the forecasted increase in the number of foreign construction employees being housed with external dormitory service providers, our Directors believe that, if an additional dormitory is acquired by us as planned, our Group will be in a better position to capture the expected growing demand for dormitory services in relation to foreign construction workers in Singapore in the coming years.

(iii) Operational rationale for acquiring an additional dormitory instead of leasing dormitory bed space from third parties

Our Directors believe that it is in our Group's interest to house more of our foreign workers in our self-operated dormitories because this enables us to enhance our deployment flexibility and effective management of our foreign workers. The total number of customers with revenue contribution to us was 406, 466, 607 and 190 for FY2014, FY2015, FY2016 and the four months ended 30 April 2017 respectively. Given that the construction demand in Singapore is expected to increase from 2017 onwards according to the Ipsos Report, we believe that we could continue to secure contracts from a larger group of customers. As our customers were generally engaged in building and construction projects of different locations in Singapore, the increase in the number of our customers would mean that we

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may have to deploy our workers to a potentially wider range of locations. In light of (i) the expected increase in number of worksites requiring our manpower deployment services; (ii) the growing housing needs of our employees after the planned expansion in our foreign manpower; and (iii) the decreasing number of bed spaces available for our own employees at the Woodlands Dormitory during the Track Record Period, our Directors consider that a greater proportion of our foreign employees would have to be housed by other dormitory service providers unless we are able to acquire an additional foreign work dormitory.

Our Directors consider that if a greater proportion of our foreign employees are housed in third party dormitories, the overall efficiency and effectiveness of our business operations is likely to be adversely affected because (i) it would be administratively inconvenient to divide and assign our foreign workers into various teams for deployment within short notice if they are housed in different locations; and (ii) we may not be able to promptly obtain real-time information about the health conditions and whereabouts of our workers. Therefore, our Directors believe that acquiring an additional dormitory would allow us to maintain centralised management of our foreign manpower while being able to cater to the housing needs of workers employed by third parties.

On the other hand, by housing our foreign employees in our self-operated dormitories, it would be more efficient for us to provide in-house training and briefings to our foreign employees regarding service standard and work safety measures. It would also be more flexible for us to group our foreign workers into different teams and transport them to the relevant work sites according to their work schedules.

Further, housing a larger portion of our foreign manpower at third party dormitories would expose us to greater risks associated with the potential increase in rental cost and relocation of our workers. Under the contracts entered into between our Group and dormitory service providers, either party is generally entitled to terminate the term of the dormitory service by one month's notice. There is no guarantee that we will be able to renew the term on substantially similar terms or at all. If the dormitory service providers request for a substantial increase in the service charges and/or refuse to renew the service term, we would have to bear a higher rental costs and/or incur additional time and expenses in identifying and engaging other suitable dormitory service providers.

According to the Ipsos Report, building and construction contractors tend to prefer to engage manpower outsourcing service providers which operate large dormitories to house their workers primarily due to the benefits of housing the workers in one place, including (i) easier management of workers because the workers are not dispersed in several dormitories; and (ii) allowing the manpower outsourcing service providers to ensure the deployed workers would arrive at the work sites on time. Therefore, our Directors consider that our planned acquisition of an additional dormitory would have a positive effect on our customers' confidence in our Group, and could be complementary to our efforts to expand our manpower outsourcing services.

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(iv) Commercial rationale for acquiring an additional dormitory instead of leasing dormitory bed space from third parties

In view of (i) the average monthly occupancy rate of our two self-operated dormitories during the Track Record Period; and (ii) the increase in expenses incurred in relation to engaging other dormitory service providers during the Track Record Period, we intend to house part of our existing foreign employees and all additional foreign employees expected to be hired under our business expansion plan in the additional dormitory to be acquired by us. Having considered the prevailing market condition, the increase in demand for dormitory services and in accordance with our expansion plan and schedule, our Directors estimate that this could result in an increase of up to S\$3.9 million in annual rental income from our dormitory service in the first year following the commencement of operation of the additional dormitory to be acquired by us.

Our sales and marketing team has generally received an average of 10 to 15 enquiries per week from potential customers of our dormitory services. However, having regard to the occupancy rates of our self-operated dormitories, our sales managers have from time to time turned down such enquiries from such potential customers. Our Directors believe that if we increase our available dormitory spaces by acquiring an additional dormitory as detailed in the section headed “Future plans and use of proceeds” in this prospectus, our Group will have the capacity to respond positively to more enquiries from potential customers in the future.

Our Directors have considered the viability of leasing a single dormitory building premise with a capacity of 1,500 individuals (as opposed to merely leasing individual bed spaces from different dormitory service providers) instead of making an outright acquisition. Nevertheless, our Directors had decided that it would be in the best interest of our Group to make the aforesaid acquisition because (i) based on enquiries with property agent in Singapore, our Directors are not aware of any single dormitory building premise which is available for long-term leasing and may accommodate approximately 1,500 foreign workers. With reference to the current rental for our Woodlands Dormitory (the housing capacity of which is similar to the dormitory we plan to acquire), it is estimated that the cost of leasing a single dormitory building premise with similar housing capacity will be approximately S\$2.9 million for each financial year. By comparison, based on the acquisition cost of an additional dormitory (i.e. S\$28.0 million) and the accounting policies adopted by our Group, it is estimated that the annual depreciation expenses will be approximately S\$0.9 million in direct relation to such acquisition. In addition, based on the accounting policies adopted by our Group and the intended timing for acquiring an additional dormitory, it is estimated that additional depreciation expenses of approximately S\$0.2 million and S\$0.9 million will be incurred for FY2017 and FY2018, respectively, in direct relation to such acquisition; (ii) as mentioned above, a profit mark-up is generally factored in the rental fees charges by the dormitories operated by third parties, which may limit our ability to profitably sub-lease available bed spaces (if permitted by the landlord)

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to customers in respect of our dormitory services business; and (iii) our customers may not have confidence in placing most of their foreign workers with us for a long period if they are informed that our dormitory premise is leased by us from another dormitory owner because our operation would be subject to risks of relocation due to non-renewal or premature termination of the head lease between us and the relevant dormitory owner. If the dormitory building premise leased by us would only be used for housing our foreign employees, this would mean that we have to forgo the opportunities in expanding our business in the provision of dormitory services for workers employed by third parties which would otherwise be available if we own the dormitory building. Therefore, our Directors considered that leasing a single dormitory building premise from third parties will not be in line with our business strategies in expanding our dormitory service operation.

Identification of suitable dormitories upon Listing

Upon Listing, we will search for and identify suitable dormitories in Singapore based on the following criteria: (i) having a capacity to house approximately 1,000 to 1,500 persons; (ii) being located in an area which is convenient or otherwise suitable for our operational needs; (iii) being properly licensed and being capable of housing foreign workers employed by us as well as by third parties; (iv) being in good physical condition; and (v) being within the range of our estimated consideration of between S\$26.0 million and S\$30.0 million, which is determined with reference to the current selling price for similar type of dormitories as informed by property agents in Singapore. Based on the information provided by property agent, our Directors note that there are properties available for sale in the market in Singapore which fulfil the aforesaid criteria.

A final decision as to the exact dormitory to be acquired will be made by our Directors following the Listing after having regard to, among other things, (i) the dormitories available for sale in the market which fulfil the aforesaid criteria; (ii) the results of the legal due diligence to be performed on the title and license of suitable dormitories; (iii) the results of our assessment of the overall suitability of the dormitories taking into account, among other factors, their size, capacity, physical condition, facilities, location and price; and (iv) the prevailing condition in the property market in Singapore.

We currently plan to finance our proposed acquisition of additional dormitory (i) partly by using our net proceeds from the Share Offer; and (ii) partly by debt financing. For further details, please refer to the sections headed “Future plans and use of proceeds” and “Financial information – 11. Indebtedness – 11.7 Plan to obtain mortgage loan for intended purchase of additional dormitory” in this prospectus.

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Acquiring additional lorries

Ancillary to our manpower outsourcing services, during the Track Record Period, we have arranged transportations for our foreign employees to and from their respective work sites during their deployment with the use of our lorries. In light of the planned expansion in our manpower as mentioned above, our Directors expect that the needs for arranging the work travelling of our foreign employees will increase accordingly. In order to ensure that our workers are transported to their respective work sites on time and to cope with the expected increase in transportation needs from a larger size of manpower, we intend to acquire 10 additional lorries by the end of 2018.

(i) Useful life and total capacity of our lorries fleet

Our fleet of lorries has a total capacity of 709, 731, 785 and 785 passengers as at 31 December 2014, 2015, 2016 and 30 April 2017 respectively. As at 30 April 2017, we owned 20 lorries. The following table sets forth the expected useful life, average remaining useful life and average age of our lorries as at 30 April 2017:

	<u>Expected useful life</u> <u>years</u>	<u>Average remaining useful life</u> <u>years</u>	<u>Average age</u> <u>years</u>
Lorries	5	3.3	1.7

(ii) Reasons for acquiring additional lorries

Our Directors consider that our fleet of lorries had been fully utilised in providing transportation services to our foreign employees during the Track Record Period, and therefore we have the business needs in acquiring lorries for the following reasons:

- (a) During the Track Record Period, the size of our foreign manpower available for deployment has far exceeded the capacity of our fleet of lorries, which means that some of our lorries had to make multiple trips per day for transporting our deployed workers. As at 31 December 2014, 2015, 2016 and 30 April 2017, the number of our foreign employees available for deployment was 1,080, 1,165, 1,250 and 1,354 respectively. Our fleet of lorries has a total capacity of 709, 731, 785 and 785 passengers as at 31 December 2014, 2015, 2016 and 30 April 2017 respectively. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, we acquired additional and/or replacement of lorries in the amount of approximately S\$44,000, S\$0.1 million, S\$1.1 million and S\$0.3 million at costs, respectively, in order to cope with the increase in our foreign manpower.

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- (b) As our foreign employees were deployed to work at different work sites, each of our lorries was required to visit on average 8 to 16 locations per day, depending on their passenger capacities.

The table below sets out the historical utilisation rate of our lorries fleet during the Track Record Period:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	For the four months ended 30 April 2017
Utilisation rate of our				
lorries fleet	100.0% <i>(Note)</i>	100.0% <i>(Note)</i>	100.0% <i>(Note)</i>	100.0% <i>(Note)</i>

Note: During the Track Record Period, the utilisation rate of our lorries fleet was 100.0%, as each of our lorries was deployed to transport our foreign employees to work on every work day.

Based on our past experience, building and construction sites of our customers generally commence works each day at around similar timeframe in the morning. Therefore, considering the number of locations involved in each lorry trip and our plan to recruit approximately 200 additional foreign employees by the end of 2018, it will be increasingly difficult for our Group to transport our workers to their work sites on time with the current scale of our lorries fleet. If our lorries experience any material traffic disruption at any particular location, it may result in delay in transporting our foreign workers to all subsequent work sites according to the schedule. This will in turn adversely affect our perceived reliability and industry reputation of our manpower outsourcing services.

- (c) Further, in view of our business expansion and the planned increase of our manpower available for deployment, it will be practically inconvenient and burdensome for our logistic staff to plan for the route and schedule of our lorries in transporting our workers to respective work sites on time without acquiring additional lorries. In particular, it is not time efficient to arrange our lorries to cover numerous work sites in scattered locations in a single trip. Our Directors believe that having a larger fleet of lorries will enable us to achieve greater flexibility in our route planning and minimise the risk of delay in transporting our workers to their work sites according to schedule.

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Under our current plan to acquire additional lorries for transporting our foreign employees, our Directors estimated that the total capacity of our lorries fleet will increase by 344 passengers (representing an increase of 27.5%) and additionally 86 passengers (representing a further increase of 5.4%) in each of FY2017 and FY2018 respectively. We currently plan to finance the abovementioned acquisition of additional lorries by using our net proceeds from the Share Offer. For further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Funding needs for implementing our business strategies

(i) Our current available cash resources

As at 31 August 2017, our bank balances and cash amounted to approximately S\$6.6 million, as set out in the section headed “Financial information – 9. Net current assets” in this prospectus.

Of the S\$6.6 million available as at 31 August 2017, our Group had reserved a sum of S\$0.9 million for tax payments to be settled in respect of FY2016. Having considered the aforesaid and without taking into account other transactions that took place after 31 August 2017, our current available cash resources is approximately S\$5.7 million.

From a prudent financial management perspective, our Directors consider that our Group should always maintain a sufficient amount of immediately available cash resources for meeting our liquidity needs in case of unforeseen circumstances.

In particular, as at 31 August 2017, we have current liabilities (excluding our income tax payable) of approximately S\$6.4 million, including in particular trade and other payables of approximately S\$6.3 million. There can be no assurance that we will receive payments from our customers before we are required to settle our suppliers’ invoices and our other current liabilities. Therefore, our Directors consider that it is financially prudent for us to maintain immediately available cash that is not materially different from, or preferably greater than, our current liabilities at any point in time.

Furthermore, other risks set out in the section headed “Risk factors” in this prospectus may also lead to increased liquidity needs and/or needs for the use of immediately available cash, such as customers’ defaults on payments, increase in salaries and wage of foreign workers, and litigation and claims.

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Having considered all of the above including, in particular, our current financial position and scale of operation, our Directors consider that if we pursue our business strategies by fully utilising our current available cash resources without raising additional funding, it could lead to a significantly higher liquidity risk in case of any unforeseen circumstances. Therefore, our Directors consider that it is in the interest of our Company to retain our current available cash resources of approximately S\$5.7 million (taking into account the aforesaid amount reserved for tax payment) in the form of cash to meet our liquidity needs in case of any unforeseen circumstances.

(ii) Cash flows from our operating activities

For FY2014, FY2015, FY2016 and the four months ended 30 April 2017, our operating cash flow before movement in working capital amounted to approximately S\$7.3 million, S\$9.6 million, S\$8.3 million and S\$2.0 million respectively. Our current available financial resources discussed above have already included, among other things, cash flows generated from our operating activities in the past.

Future cash flows to be generated from our operating activities are not immediately available for the implementation of our business strategies. In addition, our Directors consider that there is no guarantee that future cash flows from our operating activities, once generated, can be immediately available for our expansion plans due to factors such as the need to maintain a higher level of available cash resources to be in line with our scale of operation, payments of dividends (if any), and funding needed for further expansion upon the successful implementation of our business strategies. Therefore, our Directors consider that if we only rely on future cash flows from our operating activities for financing our business strategies, there will be uncertainties in relation to (i) the timing of the generation of sufficient cash from our operation for our expansion plans; (ii) the need to constantly adjust our expansion plans in view of the amount of cash to be generated from our operation; (iii) the timing of the implementation of our business strategies; and (iv) the timing of capturing the growing demand for manpower outsourcing services and dormitory services as stated in the Ipsos Report. Our executive Directors consider that it is not in the best interest of our Company to be exposed to the abovementioned uncertainties.

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(iii) Financing arrangement for the acquisition of foreign worker dormitory

Besides, even if our Group were to (i) fully utilise the maximum 80% loan-to-value ratio of mortgage loan financing offered by banks in Singapore for funding our planned acquisition of an additional foreign worker dormitory; and (ii) fund the remaining 20% payment obligations (approximately S\$5.6 million) solely with our internal resources available, this would mean that our financial resources will be stretched to the limit, and, from a perspective of prudent financial management, our Directors do not consider this to be in the interest of our Company as this could lead to a significantly higher risk of insolvency if any unforeseen circumstances arise. In particular, if we had utilised the maximum loan-to-value ratio of mortgage loan financing offered by banks, this would significantly increase the indebtedness level of our Group and might in turn limit our future ability to obtain further funding from financial institutions in support of our daily operations. It would also result in additional finance cost of approximately S\$0.1 million and S\$0.4 million for FY2017 and FY2018 respectively.

(iv) Use of proceeds from the Share Offers

Having considered all of the above, our Directors are of the view that our Group needs to raise additional funding to facilitate the successful implementation of our business strategies. Therefore, our Executive Directors consider that pursuing the Listing is in the interest of our Company.

It is the current intention of our Executive Directors to apply the net proceeds from the Share Offer to be received by our Company (estimated to be approximately HK\$82.6 million based on an Offer Price of HK\$0.52 per Offer Share) for the implementation of the business strategies mentioned above. For further information, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

DESCRIPTION OF OUR SERVICES

(A) Manpower outsourcing and ancillary services

Construction works performed by deployed employees

The types of construction works performed by our deployed employees during the Track Record Period mainly include scaffolding, welding, hacking, casting, painting, rebarring, lifting supervision, carpentry and plastering etc. Our customers may require us to deploy workers who are capable of performing single or multiple type(s) of works depending on the requirements for their building and construction projects.

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Set out below are illustrations of the major types of construction works carried out by our deployed employees:

Types of construction works

General descriptions

Scaffolding



It refers to the process of creating a platform on which workers can work at different heights and materials can be placed during building and construction works.

Welding



It refers to the fabrication process that joins materials (usually metals) by causing fusion during building and construction works.

Hacking



It refers to the process of striking a brick surface with a special tool during building and construction works.

Casting



It refers to the process of forming an object in a mold (usually made of iron, steel and concrete) during building and construction works.

Painting



It refers to the process of applying paints to a surface during building and construction works.

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Types of construction works

General descriptions

Rebarring



It refers to the process of installing reinforcing steel bars in relation to a formwork during building and construction works.

Lifting supervision



It refers to the process of monitoring the lifting operation of building materials and equipment during building and construction works.

Carpentry



It refers to the process of cutting, shaping and installing building materials during building and construction works.

Plastering



It refers to the process of applying a layer of plaster to a surface for hardening during building and construction works.

Ancillary accommodation and transportation for deployed employees

In the formal contracts of our manpower outsourcing services, we generally stipulate that our customers are responsible for the accommodation of our employees during their deployment. Some of our customers may make accommodation arrangements for the deployed employees on their own during the deployment period. Alternatively, if so requested by our customers, we also provide ancillary services to our customers for a fee

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during the deployment period, which include providing accommodation for the deployed employees at our self-operated dormitories or dormitories operated by third parties, and arranging transportation for the deployed employees to and from their respective work sites designated by our customers using our lorries.

The photographs below are taken from our self-operated dormitories and one of our lorries:

Sungei Kadut Dormitory



Woodlands Dormitory



Lorry



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Our manpower outsourcing and ancillary services contracts

The following table sets out the number of manpower outsourcing and ancillary services contracts we were awarded during the Track Record Period and up to the Latest Practicable Date:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>For the four months ended 30 April 2017</u>	<u>From 1 May 2017 to the Latest Practicable Date</u>
Number of contracts awarded	<u>754</u>	<u>1,006</u>	<u>1,113</u>	<u>403</u>	<u>345</u>

Note: Number of contracts awarded for each financial year includes all contracts with respect to which our engagement was confirmed during the financial year, regardless of whether the quotation had been submitted during the same financial year.

Out of the 345 manpower outsourcing and ancillary services contracts awarded from 1 May 2017 to the Latest Practicable Date, 164 were completed as of the Latest Practicable Date, while the remaining 181 were ongoing (including contracts which were in progress or yet to commence) as at the Latest Practicable Date. There is no fixed or committed contract sums as to the amount of job orders to be placed by our customers under these on-going contracts. The actual number of service hours rendered by our foreign workers and the revenue generated therefrom are subject to the customers' job orders for manpower deployment during the contract period, which are charged according to a pre-agreed schedule of rates as stated in the contracts.

In relation to our ongoing contracts as at the Latest Practicable Date, an estimated amount of revenue of S\$7.6 million is expected to be recognised after the Latest Practicable Date and up to 31 December 2017. As our ongoing contracts do not contain any fixed or committed contract sums, our Directors estimated the total amount of revenue to be derived from such on-going contracts over the contract periods based on (i) the indicative number and type of workers available for deployment pursuant to the contracts; and (ii) the expected revenue to be recognised by reference to the amount of job orders placed by the same customers or customers of similar scale and background in our past track record.

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The following table sets out the number of hours of deployment billed by our Group for manpower outsourcing and ancillary services during the Track Record Period:

	FY2014	FY2015	FY2016	For the four months ended 30 April 2017
	<i>'000 hours</i>	<i>'000 hours</i>	<i>'000 hours</i>	<i>'000 hours</i>
Number of hours of deployment billed by our Group for manpower outsourcing and ancillary services	3,962	3,968	3,875	1,261

Charge-out rate for our foreign employees

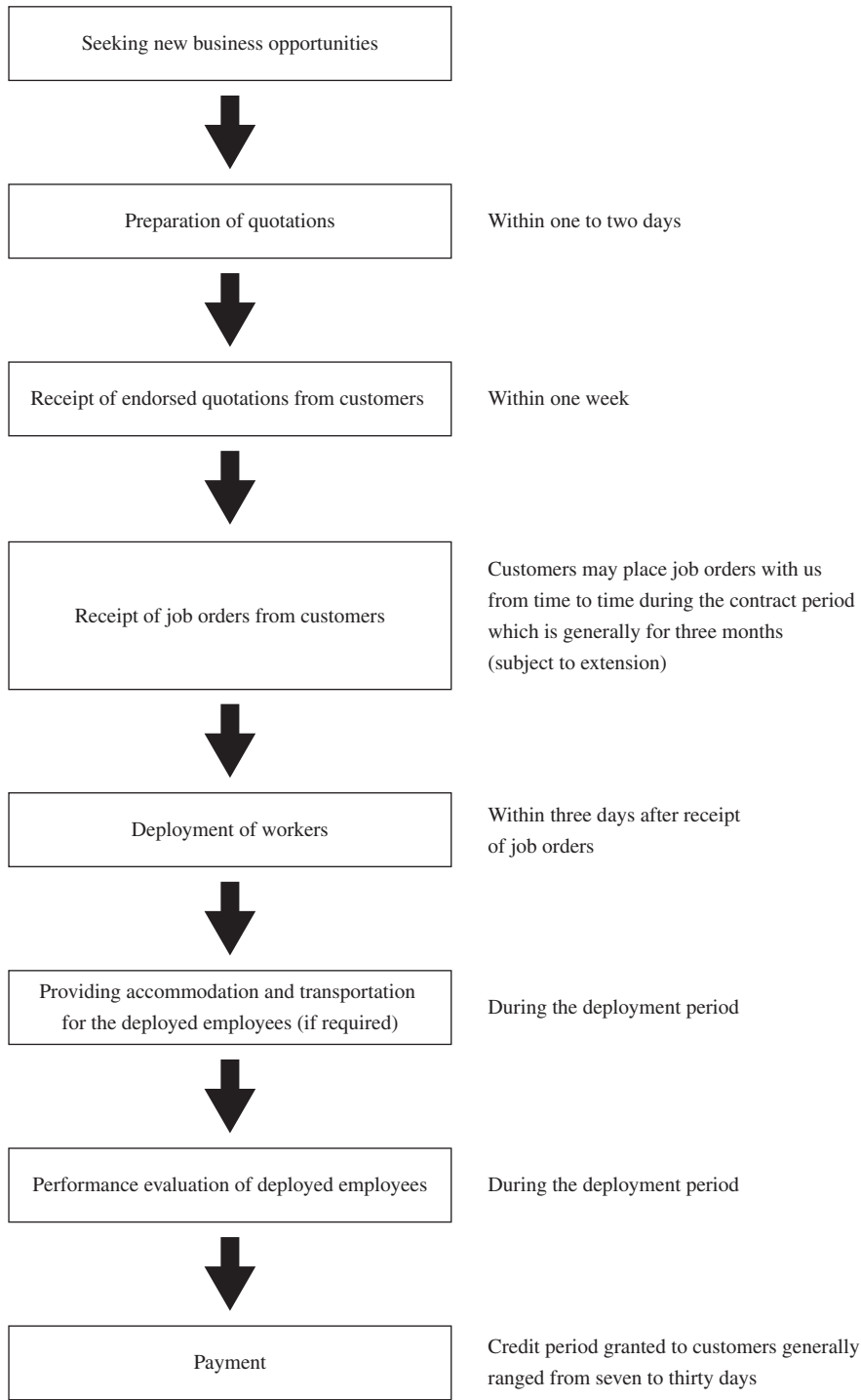
The following table sets out the range of charge-out rate for our foreign employees based on the type of construction skills during the Track Record Period:

	FY2014	FY2015	FY2016	For the four months ended 30 April 2017
Charge-out rate for general workers per hour	S\$8.0 – S\$9.8	S\$8.6 – S\$9.9	S\$8.5 – S\$9.7	S\$8.9 – S\$9.1
Charge-out rate for workers with specialised construction skills per hour	S\$9.0 – S\$11.3	S\$9.0 – S\$12.6	S\$9.8 – S\$13.6	S\$9.0 – S\$13.4

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Operation flow

Set out below is a flowchart summarising the principal steps of our workflow for manpower outsourcing and ancillary services and the typical time frame for such steps:



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Seeking new business opportunities

Our Group seeks new business opportunities mainly through (i) incoming enquiries from new and existing customers, (ii) referrals from existing customers, and (iii) active marketing and promotion carried out by our sales managers with potential customers. For further information, please refer to the paragraph headed “Sales and marketing” in this section.

Preparation of quotations

In general, our sales managers will review and evaluate the customers’ requirements including the number and the skill of workers required, duration of deployment and types of construction works involved. Based on our ability to meet the requirements and the availability of our workers, our sales managers will decide whether to proceed to prepare fee quotation.

If we decide to pursue a potential contract after our assessment, we will commence the preparation of fee proposal which will set out the charge-out rate for each type of workers for deployment. For our pricing strategy, please refer to the paragraph headed “Pricing strategy” below in this section.

Receipt of endorsed quotations from customers

Upon finalising our fee proposal, we will provide our quotation to our potential customer. If our fee quotation is accepted by our customer, our customer will typically confirm our engagement by endorsing our quotation previously submitted.

The following table sets out the number of quotations submitted, the number of contracts awarded and our success rate during the Track Record Period:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	For the four months ended 30 April 2017
Number of quotations submitted	1,047	1,452	1,597	432
Number of contracts awarded	754	1,006	1,113	403
Success rate	72.01%	69.28%	69.69%	93.3%

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As shown in the table above, our overall quotation success rate has remained relatively stable in each of FY2014, FY2015 and FY2016. Our success rate was relatively higher in the four months ended 30 April 2017, mainly because we adopted a more proactive strategy in competing for new contracts. In light of the rescheduling in the progress of several major infrastructure projects in Singapore (as discussed in the section headed “Industry Overview” in this prospectus), which in turn affected the demand of the construction industry for the same period, we had responded to some of our customers’ enquiries more favourably by lowering the range of charge-out rate in our quotations. For further details, please refer to the paragraph headed “Description of our services – (A) Manpower outsourcing and ancillary services – Charge-out rate for our foreign employees” in this section. Our Directors believe that as we had submitted fee quotations which were more competitive in price during the four months ended 30 April 2017, we therefore attained a higher success rate during the same period. Our Directors consider that our overall quotation success rate during the Track Record Period has been satisfactory in general.

After we receive the endorsed quotations, we will normally enter into formal contracts with our customers as soon as practicable, which typically contain (i) the pre-agreed main terms in the quotations such as the charge-out rate for each type of our workers, and the contract period, etc., and (ii) other standards terms of services. There is no fixed or committed total contract sum in the formal contracts. Instead, customers may place job orders with us for our manpower deployment during the contract period, and the amount chargeable by us is based on the actual number of service hours rendered by our deployed workers to our customers during the relevant period. Please refer to the paragraph headed “Customers – Principal terms of engagement” below in this section for further details.

Receipt of job orders from customers

Our customers place job orders with us from time to time by way of telephone calls or email. The job orders generally specify the type and number of workers required and the schedule of deployment. We will issue a formal acknowledgement to our customers upon receipt of their job orders.

In some cases, our customers may provide us with a non-binding estimation in relation to their future labour demand. This allows us to coordinate our human resources in advance for such upcoming job orders.

Deployment of workers

Pursuant to the Workplace Safety and Health Act of Singapore, all our deployed employees will attend the safety induction course conducted by an onsite safety officer appointed by the main contractor of the work site on their first day of deployment. In addition, our site operations team will provide briefings to our deployed employees on their service standard and work safety measures before the commencement of works.

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Providing accommodation and transportation for the deployed employees (if required)

In the formal contracts, we generally stipulate that our customers are responsible for the accommodation of our employees during their deployment. Some of our customers may make accommodation arrangements for the deployed employees on their own during the deployment period. Alternatively, if so requested by our customers, our Group may also provide ancillary services to our customers for a fee during the deployment period, which include providing the deployed employees with (i) accommodation at our self-operated dormitories or dormitories operated by third parties, and (ii) transportation for the deployed employees to and from their respective work sites using our lorries. As at the Latest Practicable Date, we own a total of 20 lorries for workers' transportation. We charge our customer for these accommodation and transportation services based on the daily rates set out in the formal contracts.

Performance evaluation of deployed employees

We evaluate the performance of our employees during their deployment. Our site operations team conducts routine inspection at the relevant work sites to ascertain our customers' satisfaction with the service quality of our deployed employees. Further, our sales manager will usually make follow-up telephone calls to our customers shortly after the deployment to obtain their feedbacks, and attend to the complaints received from our customers, if any. If our customers consider the performance of any deployed workers unsatisfactory, we will, pursuant to the relevant contract terms, arrange for appropriate replacement in the following work day after receiving their requests. The deployed hours rendered by such workers will still be charged to our customers.

Payment

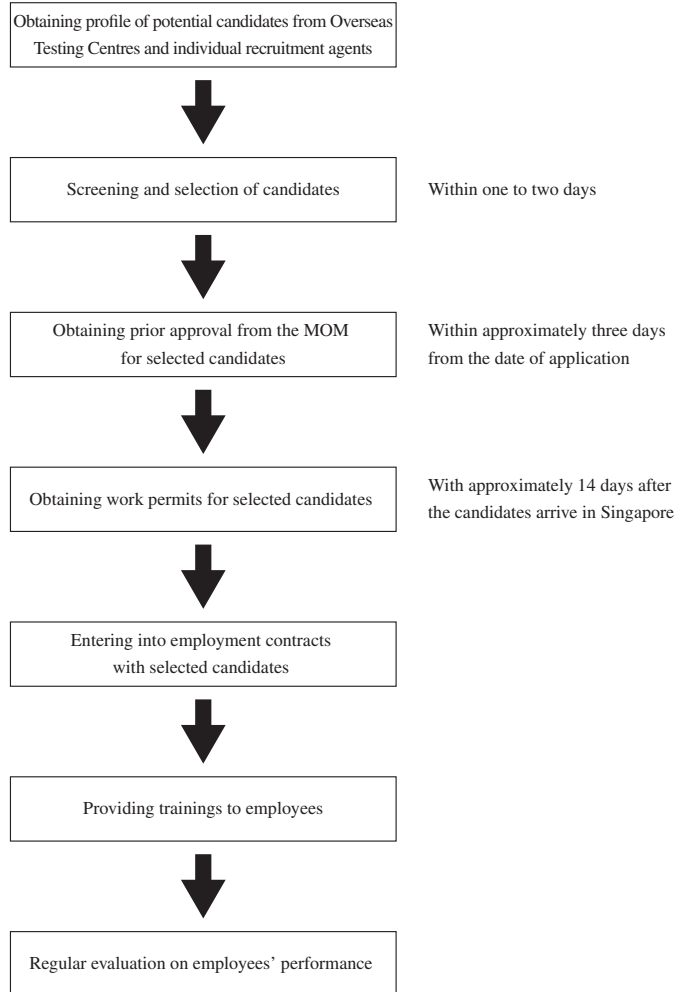
We issue a timecard to each deployed worker for recording the number of service hours rendered to our customers. The authorised representatives of our customers are required to endorse and submit the timecards to us on a bi-weekly basis for billing purpose.

Based on the timecards submitted to us, we issue invoices to our customers on a bi-weekly basis. Our invoices set out the number and type of employees deployed, the total service hours rendered to the customers, the number of days that we provided ancillary accommodation and transportation services, and the total amount of payment due to our Group. We generally grant a credit term of seven to 30 days to our customers after the issue of our invoices.

BUSINESS

Our recruitment and training process

Set out below is a flowchart summarising the principal steps of our recruitment and training process in relation to our deployed employees:



BUSINESS

Obtaining profile of potential candidates from Overseas Testing Centres and recruitment agents

Our deployed foreign employees in respect of our manpower outsourcing services are sourced from Bangladesh and India. Depending on our needs for new labour, we regularly obtain personal profile of potential candidates from Overseas Testing Centres. Depending on the availability of candidate referrals from the Overseas Testing Centres, we occasionally engaged individual recruitment agents based in Bangladesh to source appropriate foreign workers from Bangladesh for our selection and employment. According to our requests, the Overseas Testing Centres and individual recruitment agents will provide us with the personal information of potential candidates such as their ages and home countries.

Our Group recruited most of our foreign workers based on candidate referrals from the Overseas Testing Centres. Although we do not enter into any long term agreements with Overseas Testing Centres, our Directors consider that we can maintain sufficient supply of foreign workers mainly due to the following:

- (i) *Established relationships with our Overseas Testing Centres:* We have obtained written confirmations from our major Overseas Testing Centres confirming that (a) they have good and long standing relationships with our Group since our working relationships commenced; and (b) they have never encountered any negative experience with our Group.
- (ii) *The current manpower market landscape:* As stated in the Ipsos Report, it is the current industry practice that the Overseas Testing Centres charge each successful candidate a fixed referral fee, while employers (such as our Group) are not required to pay any referral fee or commission for successful cases of candidate referrals obtained from the Overseas Testing Centres. As advised by our Directors and as suggested by such industry practice, under the current foreign construction manpower supply market in Singapore, the supply of foreign workers wishing to enter the market is larger than the demand for foreign workers. This is evidenced by the aforesaid industry practice, because if employers (such as our Group) have to compete for candidate referrals from the Overseas Testing Centres, then it would be the employers (rather than the successful candidates) who would have to pay referral fees to the Overseas Testing Centres. Our Directors consider, and as suggested by the aforesaid industry practice, that the current market landscape is that there is a large number of foreign workers who wish to work in the construction industry in Singapore, such that Overseas Testing Centres have to compete for career opportunities offered by employers (such as our Group) by providing suitable and quality candidates.

BUSINESS

- (iii) *Our Group being one of the active players in Singapore:* According to Ipsos Report, we are one of the key active players of the manpower outsourcing industry in Singapore. As such and given the market landscape as discussed in paragraph (ii) above, our Directors consider that Overseas Testing Centres rely on our Group (rather than the other way round) in providing career opportunities for foreign workers in Singapore and rely on our acceptance of their candidate referrals such that they can earn referral fees from the successful candidates.
- (iv) *Sourcing from different Overseas Testing Centres:* We sourced foreign workers from different Overseas Testing Centres during the Track Record Period. In addition, our recruitment team has from time to time reviewed the list of recognised Overseas Testing Centres published on the BCA's website in order to identify alternative sources for recruitment of foreign workers. As at the Latest Practicable Date, our Group has identified 11 Overseas Testing Centres which are approved by the BCA as our recruitment channels.

Screening and selection of candidates

Our recruitment team will perform screening and selection on the potential candidates based on information obtained from the MOM including previous employment history and involvement in any claims or litigations in Singapore. Upon completion of our selection, we will inform the Overseas Testing Centres and/or individual recruitment agents about the candidates selected by us.

Obtaining prior approval from the MOM for selected candidates

Once we have finalised the selection of candidates, we will apply for prior approval from the MOM for the selected candidate subject to, among other things, the following rules and regulations in Singapore:

- (i) Dependency ceiling quota

Under the rules of the MOM, the dependency ceiling quota for companies in the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers.

As advised by the Singapore Legal Adviser, under the relevant rules of the MOM, for a Singapore citizen or permanent resident who is hired under a dual employment of two companies (the "**Dual Employment Arrangement**"), both companies would have the benefit of counting such worker as their employee for the computation of the dependency ceiling quota, subject to certain requirements as set out in the section headed "Regulatory Overview – A. Laws and Regulations in

BUSINESS

Singapore in relation to the provision of our Manpower Outsourcing and Ancillary Services and Construction Ancillary Services – Dual employment of local employees” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, certain of our local employees were employed by two of our Manpower Services Companies under Dual Employment Arrangement. Therefore, each of such Manpower Services Companies is entitled to count such local employee for their computation of the number of foreign employees that can be hired under the dependency ceiling quota.

Our Group is in compliance with the dependency ceiling quota, as further discussed in the section headed “Regulatory Overview – A. Laws and Regulations in Singapore in relation to the provision of our Manpower Outsourcing and Ancillary Services and Construction Ancillary Services – Dual employment of local employees” in this prospectus.

(ii) Man-year entitlements (MYE)

MYE is a work permit allocation system for employment of construction workers from NTS countries and the PRC. MYE represents the total number of work permit holders a main contractor is entitled to employ based on the value of the projects or contracts awarded by the developers or owners. A main contractor’s MYE will expire on the completion date of the relevant project. All levels of subcontractors are required to obtain their MYE allocation from their main contractors.

As advised by the Singapore Legal Adviser, the maximum number of foreign workers our Group can hire is subject to the ratio of one full-time local worker to seven foreign workers set under the dependency ceiling quota (as mentioned above), no matter how many MYE our Group has obtained. Companies without MYE may still employ NTS or PRC construction work permit holders upon a waiver granted by MOM, subject to the compliance with, *inter alia*, the dependency ceiling ratio and paying a higher foreign worker levy rate.

Our Group companies obtain their MYE allocations from the main contractor(s) of the construction project(s) to which we provide manpower outsourcing services. As advised by the Singapore Legal Adviser, our Manpower Services Companies are, for the purpose of MYE, regarded as a subcontractor.

BUSINESS

Obtaining work permits for selected candidates

After obtaining the prior approvals from the MOM, we will apply for in-principle approvals from the MOM. Before the selected candidates arrive in Singapore, we will take out insurance in guarantee of our obligations to furnish security bonds for the relevant foreign workers. For further details, please refer to the paragraph headed “Business – Insurance” in this section.

Upon their arrival in Singapore, the selected candidates are required to undergo a medical examination and attend the Enhanced Construction Safety Orientation Course (“ECSOC”) organised by MOM-accredited safety course training centre within specified period. Subject to completion of the aforesaid requirements and other conditions in the in-principle approvals, the selected candidates will receive the work permit issued by the MOM. For further details, please refer to section headed “Regulatory Overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services – I. Employment matter” in this prospectus.

Entering into employment contracts with selected candidates

After confirming that our selected candidates possess valid work passes, we will enter into formal employment contracts with them, which set out the main terms of employment such as their fixed daily salary, official work hours, overtime payment, employee benefits, entitlement to holidays and termination notice, etc.

As stated in the Ipsos Report, it is an industry practice that the Overseas Testing Centres charge each successful candidate a fixed referral fee, while employers (such as our Group) are not required to pay any referral fee or commission for successful cases of candidate referrals obtained from the Overseas Testing Centres. Our relationships with Overseas Testing Centres in Bangladesh from which we obtained candidates referrals during the Track Record Period have been up to approximately 10 years. Since 2016, we have also obtained candidate referrals from Overseas Testing Centres in India. Our working relationships with the Overseas Testing Centres enable us to secure a stable source of foreign labour supply. On the other hand, individual recruitment agents charge us a fixed referral fee for each successful case of referral based on one to two months’ salary of each foreign worker hired by us.

BUSINESS

Our Group recruited most of our foreign workers through candidate referrals from the Overseas Testing Centres. Nevertheless, on some occasions, we had requested for a relatively large number of candidate referrals from Overseas Testing Centres in a relatively short timeframe due to short-term surges in demand for our manpower outsourcing services from our customers who happen to need workers during similar time periods. Where the Overseas Testing Centres were unable to handle our requests within our expected timeframe, we had opted to obtain some of the candidate referrals from individual recruitment agents in Bangladesh. Our Directors consider that it is an industry practice to obtain candidate referrals from both the Overseas Testing Centres and individual recruitment agents. Our Directors also consider that the individual recruitment agents have provided us with an alternative and additional source of foreign workers in meeting our ad hoc needs for relatively large amount of foreign manpower from time to time.

Our foreign employees are housed either in our self-operated dormitories or dormitories operated by third parties unless our customers have arranged accommodation for our employees during their deployment. For our foreign employees staying at the Sungei Kadut Dormitory, they are required to pay for the catering service (which is offset against their wages), while our foreign employees staying at the Woodlands Dormitory have the option to either make use of our cooking facilities free of charge or pay for the catering service.

During the periods in which our foreign employees completed their last deployment but before starting the next deployment, we usually arranged them to attend our in-house trainings on rebarring and other general construction works or assigned them to provide cleaning services to our customers.

Providing trainings to employees

We provide all incoming foreign employees with regular in-house trainings on rebarring and other general construction works. In addition, we will arrange some of them to attend external training courses on specialised construction works such as scaffolding and welding. Upon successful completion of these courses, our employees will be awarded with certificates from the relevant course providers.

BUSINESS

The table below sets out the number of certificate holders among our foreign employees in various construction works as at the Latest Practicable Date:

<u>Categories of certificates</u>	Number of certificate holders among our foreign employees^(Note)
Scaffolding	58
Scaffolding supervisor	6
Welding	76
Safety supervisor	82
Lifting supervisor	48
Boom lift operator	12
Work at height assessor	2
Work at height supervisor	40

Note: Each employee may hold one or more type(s) of certificates.

Regular evaluation on employees' performance

We conduct regular evaluation on our foreign employees' performance. Our site operations team conducts routine inspection at the relevant work sites to ascertain our customers' satisfaction with the service quality of our deployed employees. Further, our sales manager will usually make follow-up telephone calls to our customers shortly after the deployment to obtain their feedbacks, and attend to the complaints received from our customers, if any. Based on the evaluation results, we will determine whether we will terminate and/or renew the employments of our foreign employees upon their expiry.

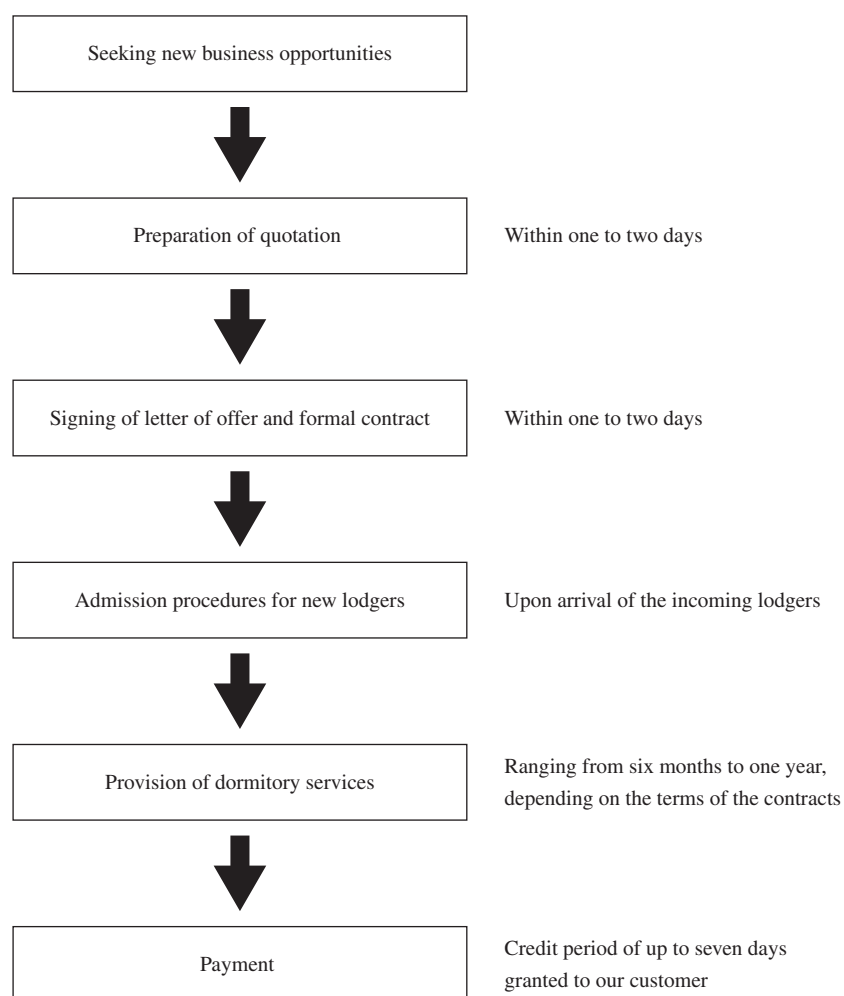
BUSINESS

(B) Dormitory services

Our Woodlands Dormitory also provides dormitory services mainly to building and construction contractors in Singapore for foreign workers employed by them. During the Track Record Period, approximately 57.2% to 84.9% of the bed spaces at our Woodlands Dormitory were occupied by foreign workers employed by third parties.

Operation flow

Set out below is a flowchart summarising the principal steps of our workflow of dormitory services:



BUSINESS

Seeking new business opportunities

The customers of our dormitory services are primarily building and construction contractors which employ foreign workers, for whom accommodation is required.

Our Group seeks new business opportunities for our dormitory service business mainly through (i) incoming enquiries from new and existing customers, and (ii) referrals from existing customers. Further, our sales managers will introduce our dormitory services as they conduct marketing and promotion with potential customers. For further information, please refer to the paragraph headed “Sales and marketing” in this section.

Preparation of quotation

Based on the vacancy at our Woodlands Dormitory, we will provide a fee proposal for our potential customers by telephone or email.

Signing of letter of offer and formal contract

Upon finalising our fee proposal, we will provide a letter of offer to our potential customers. If our fee quotation is accepted by our customer, our customer will typically confirm its acceptance by endorsing our letter of offer. The letter of offer generally sets out, among other things, the number of lodgers, duration of our dormitory services, the one-off administration fees, deposits and the monthly charges for the provision of dormitory space and, if required by customer, laundry services for each lodger. After we receive the endorsed letter of offer, we will normally enter into a formal contract with our customer, which typically contains, among other things, our in-house dormitory rules, the number of lodgers, the duration of our dormitory services, the pre-agreed deposits and the monthly charges for our provision of dormitory spaces and if required, our laundry services, rights and obligations of our customers and standard termination clauses.

Admission procedures for new lodgers

All new lodgers are required to undergo certain admission procedures before they are allowed entry into the Woodlands Dormitory. Our staff will check with the incoming lodgers if they possess valid work passes in Singapore and confirm their basic personal information. The new lodgers will also be provided with a set of our in-house dormitory rules that they are required to strictly comply with.

BUSINESS

Provision of dormitory services

Our dormitory services comprise the provision of dormitory bed spaces to the lodgers. Upon their admission to our Woodlands Dormitory, lodgers will be assigned with a designated bed space. The lodgers are also allowed to use various facilities at the dormitory, mainly including gymnasium room, sports fields, cooking facilities and television room during their stay in general. Depending on our customers' request, we may also charge our customers for providing laundry services to the relevant lodgers.

Payment

In general, we require our customer to pay us a deposit of two-month service charges and the first monthly service charge in advance upon signing of the formal contract. We typically issue invoices to our customers on a monthly basis, and grant a credit term of up to seven days to them after the issue of our invoices.

Service fee for our dormitory services

The following table sets out the range of daily service fee for our dormitory services during the Track Record Period:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>For the four months ended 30 April 2017</u>
Daily service fee for our dormitory services	S\$9.70 – S\$11.30	S\$10.00 – S\$11.90	S\$10.00 – S\$11.90	S\$10.00 – S\$11.90

(C) IT services

Scope of IT services

Our IT services generally comprise the provision of support and maintenance services and software upgrade services for the ERP systems of our customers. Our IT service team (serving our IT customers as well as providing in-house IT support in our Group) currently consists of five consultants who possess university degrees or certificates in programming and IT-related subjects.

During the Track Record Period and up to the Latest Practicable Date, we have provided IT services to two customers (being (i) a group member of a Japanese conglomerate engaged in production of products ranging from petrochemicals & plastics, IT-related chemicals, energy and functional materials and health and crop science; and (ii) an education company engaged in the childcare and tuition business in the Southeast Asia regions with which our business relationship started during the four months ended 30 April

BUSINESS

2017). The ERP systems of such customers are mainly related to logistics execution, supply chain management, financial management, procurement and inventory management and human resources management in their business operations.

Our IT services can be broadly classified as follows:

- Support and maintenance services: standard services involving the provision of onsite and offsite support for problem identification, diagnosis and resolutions, and regular check-up to the ERP systems.
- Software upgrade services: supplementary services involving system installation, configuration, data migration, system integration testing and user acceptance testing.

Operation flow

Preliminary consultations

Our IT consultants will from time to time conduct consultations with our customer to identify its latest needs and requirements in relation to the ERP system. Based on the information available to us, we will discuss with the customer on (i) the model and specifications of its existing ERP system(s); (ii) the natures and objectives of our proposed solutions; (iii) the expected implementation schedule; and (iv) the estimated budget.

Preparation of service proposals

Based on discussion at the preliminary consultation, our IT consultants will proceed to prepare service proposals which generally contain (i) our proposed scope of works; (ii) project schedule; (iii) project team structure; and (iv) implementation plan of our proposed solutions. We will then submit the service proposal to our customer for its feedback.

Entering into formal contracts

Upon finalising our service proposals, we will enter into formal contract with our customer, which typically contain the estimated units of man-days required, fee schedule of man-days, expected duration of the project, the scope of works, the composition of our project team, and our standard terms of services. Please refer to the paragraph headed “Our customers – Principal terms of engagement” below in this section for further details.

Formation of project team

After entering into formal contract with our customer, we will form a project team which is normally headed by a project manager. The structure of the project team varies according to the scale and complexity of the projects.

BUSINESS

Project implementation

The major steps in our project implementation are summarised below by service type:

(i) Support and maintenance services

Based on support request received from users by telephone or email, our project team will obtain information about the problems encountered by the users, and will then start to solve the reported problem.

After the problem is resolved, our project team will submit an incident report to our customer which will summarise the causes of the incident, corrective actions taken, time spent on repair, and solutions to prevent recurring incidents.

Our project team is required to submit a monthly report to our customer which sets out the services rendered and units of man-days utilised during a particular month. Our project team will also provide regular check-up on our customer's systems.

(ii) Software upgrade services

Our project team will develop a schedule plan for implementing the software upgrade or enhancement to minimise disruption to our customer's business operations. After the implementation of the software upgrade, our project team will check the functionality and compatibility of the upgraded systems. In addition, we will carry out tests to ensure the upgraded systems fulfil the criteria set out by our customer. Our customer is generally required to sign an acceptance form to confirm the completion of our upgrade service.

Payment

In respect of our support and maintenance services, we usually require our customers to pay us on a quarterly basis. For software upgrade and enhancement services, we will require our customers to pay us based on the progress of implementation in accordance with the schedule set out in the formal contracts. In general, we grant the customer of our IT services a credit term of 30 days.

BUSINESS

(D) Construction ancillary services

The construction ancillary services rendered by our Group are summarised as follows:

Warehousing services

Our warehousing services refer to leasing of warehouse spaces at our Sungei Kadut Dormitory for storage of construction-related materials such as steel bars, wooden boards and marble stones. Based on the nature and specifications of the incoming goods and materials, we will prepare a letter of offer and/or formal contract which sets out, among other things, the storage area/volume, monthly storage fees, initial deposits and our in-house regulations. Our customers will confirm our engagement by endorsing the letter of offer and return it to us.

We will inspect the incoming goods and materials before allowing them to be admitted to our warehouse. Goods and materials which are not permitted under our in-house regulations (e.g. dangerous goods or explosives) will be denied entry. Our customers are generally required to pay a storage fee on a monthly basis. For leasing of fixed storage area, our customers are typically required to provide a one-month deposit upon signing of the letters of offer/formal contracts. We generally grant our customers of warehousing services a credit term of three days after the issue of our invoices.

Cleaning services

Our cleaning services refer to the cleaning of interior units of residential buildings by our foreign employees who are not subject to any current deployment for the time being. In general, our customers will confirm our engagement by entering into formal contracts which sets out, among other things, the location of the residential buildings, the number of interior units to be cleaned, the duration and work schedule of the projects, and our fee schedules. Our customers in respect of our cleaning services are typically main contractors in relation to newly developed residential properties. These main contractors were normally the customers of our manpower outsourcing and ancillary services and engaged us to perform cleaning on the residential buildings after the construction works had been completed.

Typically, our customers will release the units to us based on the pre-agreed work schedule. After the cleaning is completed, the responsible person of our customers will inspect the condition of the units. Upon completion of the inspection, we will hand over the relevant units to our customer, and will not be responsible for any subsequent damage or loss. We generally submit invoices to our customers on a bi-weekly basis which shall be paid within 30 days upon receipt by our customers.

BUSINESS

Building maintenance works

During the Track Record Period, we have undertaken one project of building maintenance works as a subcontractor. Our customer in respect of such project was a building and construction contractor in Singapore. The building maintenance works involved were general regular maintenance works for a school campus, which were performed by our foreign employees who were not subject to any current deployment for the time being. We generally submit invoices to our customer on a monthly basis which shall be settled once our customers receive our invoices.

LICENCES AND PERMITS

As confirmed by our Directors, our Group has obtained all material licences and permits which are material to our business and operations in Singapore as at the Latest Practicable Date.

Set out below is a summary of our material licences, permits and certificates that we have obtained in relation to our business operations:

Registration under the Contractors Registration System of BCA

As at the Latest Practicable Date, our Manpower Services Companies (save for Tenshi Resources) are registered under the workhead of CR01 (Minor Construction Works) and Tenshi Resources is registered under the workhead of ME11 (Mechanical Engineering) under the Contractors Registration System maintained by the BCA. For further details, please refer to the section headed “Regulatory Overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services – II. Licence regime for contractors in Singapore” in this prospectus.

Our Group’s renewal of our registrations under the Contractors Registration System is subject to, *inter alia*, the meeting of the renewal requirements (as further elaborated under the section headed “Regulatory Overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services”).

As advised by the Singapore Legal Adviser, subject to our Group continuing to meet the relevant renewal requirements and complying with the applicable laws and regulations under which the abovementioned registrations by our Group were obtained as confirmed by our Directors, it does not foresee, as at the Latest Practicable Date, any material legal impediment in the renewal of such registrations by our Group, although there is no guarantee that such registrations will be renewed or be renewed on the same terms and conditions, and may be revoked if the Manpower Services Companies are found to be in contravention of the terms, conditions and/or regulations under which the registrations were obtained.

Dormitory License of Woodlands Dormitory

The operation of foreign workers' dormitories has to comply with applicable laws and regulations, including but not limited to the Building Control Act, Chapter 29 of Singapore, the Control of Vectors and Pesticides Act, Chapter 59 of Singapore, the Environmental Public Health Act, Chapter 95 of Singapore, the Fire Safety Act, Chapter 109A of Singapore, the Planning Act, Chapter 232 of Singapore, and the Foreign Employee Dormitories Act 2015 (No. 3 of 2015) (the "Foreign Employee Dormitories Act") (in the case of dormitories housing 1,000 or more foreign workers).

From 1 January 2016, under the Foreign Employee Dormitories Act, operators of dormitories with a capacity to house 1,000 or more foreign workers are required to obtain a dormitory licence from the MOM ("Dormitory Licence"). Under the Dormitory Licence, the dormitory operators are required to comply with matters of various aspects including physical and structural safety, land use, hygiene and cleanliness. For further details, please refer to the section headed "Regulatory overview – B. Laws and regulations in Singapore in relation to the provision of dormitory services" in this prospectus.

As the Woodlands Dormitory (with a capacity to house up to 1,500 persons) falls under the ambit of the Foreign Dormitories Act (including the Dormitory Licence requirement effective from January 2016), Nichefield (being our subsidiary operating the Woodlands Dormitory) is required to obtain a Dormitory Licence from the MOM regarding the operations of the Woodlands Dormitory upon expiry of its previous written permission in respect of the operation of the Woodlands Dormitory in September 2016. The current term of the Dormitory Licence is from 5 September 2016 to 30 October 2018. In consideration for applications for issuance or renewal of the Dormitory Licence, the Commissioner of Foreign Employees shall have regard to, among others, the suitability of operator and its board of directors in the management or operation of the dormitory, the financial capacity of operator and the appropriateness of the premises to be used as a foreign employee dormitory. For further details, please refer to the section headed "Regulatory Overview – B. Laws and regulations in Singapore in relation to the provision of dormitory services" in this prospectus.

As advised by the Singapore Legal Adviser, subject to Nichefield continuing to meet the conditions under the current Dormitory Licence and complying with the applicable laws and regulations under which the Dormitory Licence was obtained, as confirmed by our Directors, it does not foresee, as at the Latest Practicable Date, any material legal impediment in the renewal of the current Dormitory Licence by Nichefield upon its expiry, although there is no guarantee that such Dormitory Licence will be renewed or be renewed on the same terms and conditions, and may be revoked if Nichefield is found to be in contravention of the terms, conditions and/or regulations under which the Dormitory Licence was obtained.

BUSINESS

Approvals for the Sungei Kadut Dormitory

Our rights to use the Sungei Kadut Dormitory as a temporary ancillary workers' dormitory for housing our foreign employees are subject to, among other things the approvals granted by the Jurong Town Corporation (“**JTC**”) and Urban Redevelopment Authority (URA) as described below.

Pursuant to a letter dated 10 September 2012 from JTC to KT&T Engineers, JTC (being the landlord of the Sungei Kadut Premises) had approved the increase of the number of workers to be housed at the Sungei Kadut Dormitory from 380 workers to 479 workers.

Pursuant to the grant of written permission (temporary) (“**Temporary Permission**”) issued by the URA dated 8 April 2014, the Sungei Kadut Premises has been approved for use as a temporary ancillary workers' dormitory for 479 foreign workers for a term of three years from 25 February 2014 to 25 February 2017.

We have submitted an application for the renewal of the Temporary Permission on 13 February 2017 and had received on 28 February 2017 the grant of renewed Temporary Permission issued by the URA which will expire on 25 February 2020.

The approved use of the Sungei Kadut Dormitory as an ancillary workers' dormitory is temporary in nature mainly because the Sungei Kadut Dormitory shall be used for industrial or warehouse purposes unless the Temporary Permission is renewed upon expiry of its current term.

Although the approved use of the Sungei Kadut Dormitory is temporary in nature, our Directors consider that we have a sustainable business operation in providing accommodation to our own foreign employees for the following reasons:

- (i) KT&T Engineers had successfully renewed the Temporary Permission in relation to the Sungei Kadut Premises upon the expiry of the first term. KT&T Engineers had not experienced any impediments or difficulties in applying for such renewal. Hence, assuming the conditions and requirements for renewal of the Temporary Permission remain the same, our Directors believe that KT&T Engineers will be eligible for renewing the Temporary Permission again in the future.
- (ii) As confirmed by our Directors, based on the latest information publicly available and to the best of our Directors belief and knowledge, there is no indication that the URA currently intends the Sungei Kadut Dormitory to be used only for industrial or warehouse purposes in the future.

BUSINESS

- (iii) During the Track Record Period, our Group has housed some of our foreign employees with other dormitory service providers. Our Directors are of the view that even if the Temporary Permission is not renewed upon expiry of current term, we may engage other dormitory service providers to house our then existing workers staying at the Sungei Kadut Dormitory, and that the estimated annual increase in our workers accommodation expenses will be approximately S\$1.7 million. Alternatively, our Group may also temporarily relocate part of those workers at the Sungei Kadut Dormitory to the Woodlands Dormitory. If necessary, Nichefield may spare some of the dormitory bed spaces which could have been otherwise rented out to third parties for housing our own employees.
- (iv) If the Temporary Permission is not renewed upon expiry of the current term, our Group will designate the entire premises of the Sungei Dakut Dormitory as warehouse and expand the scale of our warehousing service business. By doing so, our Directors believe that the additional income generated from our warehousing service may partly offset the extra workers accommodation expenses which we would have to incur for engaging other dormitory services providers for housing our foreign employees.
- (v) Pursuant to the Temporary Permission, the Sungei Kadut Dormitory is currently used by our Group for housing our foreign employees only and our dormitory service business is operated at our Woodlands Dormitory. As such, in case of non-renewal of the Temporary Permission upon expiry of the current term, our Group can continue to provide dormitory service for housing foreign workers employed by third parties at our Woodlands Dormitory.

OUR CUSTOMERS

Characteristics of our customers

In respect of our manpower outsourcing services, dormitory services and construction ancillary services, our customers are mainly building and construction contractors in Singapore during the Track Record Period. The projects to which our deployed workers are designated to work on include building and construction contracts from both public and private sectors. Our customers were involved in projects mainly including private residential development, public housing development, civil engineering construction works, industrial and commercial buildings development, and fitting works of school campuses. Our customers in the IT services segment include (i) a group member of a Japanese conglomerate engaged in production of products ranging from petrochemicals & plastics, IT-related chemicals, energy and functional materials and health and crop science; and (ii) an education company engaged in the childcare and tuition business in the Southeast Asia regions with which our business relationship started during the four months ended 30 April 2017.

BUSINESS

The percentage of our total revenue attributable to our five largest customers combined is less than 30% for each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017 respectively. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, we have a total number of 406, 466, 607 and 190 customers.

As our customers place job orders for our manpower deployment of considerably different scale, the revenue contribution from each customer to us varies significantly among our customers. Set out below are breakdown of the number of our customers by revenue contribution:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>For the four months ended 30 April 2017</u>
	<i>Number of customers</i>	<i>Number of customers</i>	<i>Number of customers</i>	<i>Number of customers</i>
Range of revenue contribution to us during the year/period				
Below S\$100,000	315	380	516	164
S\$100,000 to below S\$1,000,000	85	79	84	25
S\$1,000,000 or above	<u>6</u>	<u>7</u>	<u>7</u>	<u>1</u>
 Total number of customers with revenue contribution to us during the year/period	 <u>406</u>	 <u>466</u>	 <u>607</u>	 <u>190</u>

Our competitive edges over recruitment agencies

Our Directors believe that we possess the following competitive edges over recruitment agencies in sourcing labour for building and construction contractors in Singapore:

- We handle the recruitment and administrative matters in respect of our deployed workers. When building and construction contractors recruit foreign workers referred to them by recruitment agencies, they will have to divert resources and attention in selecting the candidates and dealing with the administration matters relating to the employment of foreign workers, including but not limited to, payrolls, employee contractual benefits, CPF and compliance with labour-related laws and regulations in Singapore. Our manpower outsourcing services allow our customers to have the required labour for performing construction works without having to handle the recruitment and administrative matters relating to the employment of foreign workers.

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- Given that we constantly maintain a pool of foreign workers available for deployment, we can deploy a sizeable team of skilled workers to building and construction contractors within short notice from them. When building and construction contractors hire foreign workers referred to them by recruitment agencies, there will normally be a lengthy and time-consuming process for the contractors to obtain the requisite prior approval and work permits for the relevant workers and for such workers to attend the ECSOC and other additional trainings. Therefore, we believe our manpower outsourcing services allow our customers to meet their needs for skilled labour from time to time.
- Our manpower outsourcing services give our customers greater flexibility in cost control. The labour demand of building and construction contractors is highly dependent on the progress of their ongoing projects and may vary from time to time. Our sizeable pool of deployable workers can allow these building and construction contractors to minimise the size of their own workforce and lower the associated overhead costs, while ensuring a stable source of labour supply when their needs for additional labour arise.

Principal terms of engagement

In relation to our manpower outsourcing and ancillary services

In respect of our manpower outsourcing and ancillary services, the formal contract between us and our customers typically contain terms and conditions relating to our pricing, the maximum number of workers available for deployment upon receipt of customers' job orders, the nationality of deployed workers, accommodation arrangements for the deployed workers, contract period and payment terms. The salient terms of our formal contracts are as follows:

Pricing

The formal contracts set out the charge-out rate of our foreign employees based on their skill types in respect of deployment during (i) weekday/weekend, and (ii) normal/overtime periods respectively.

Customers are not bound by any fixed or committed total contract sum under the formal contracts. The actual number of service hours rendered by our foreign workers are subject to the customers' job orders for our manpower deployment during the contract period, which are charged according to a pre-agreed schedule of rates as stated in the contracts. Although our customers have no obligations to place any job orders with us for manpower deployment during the contract period, once we have accepted job orders from our customers and deployed our workers to them, a minimum charge would apply for each deployed worker which is generally equivalent to the applicable charge-out rate for a prescribed number of days (typically 25 days) of work plus a prescribed number of hours of overtime work per day.

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Ancillary accommodation and transportation for deployed workers

In the formal contracts, we generally stipulate that our customers are responsible for the accommodation of our employees during their deployment. Some of our customers may make accommodation arrangements for the deployed employees on their own during the deployment period. Alternatively, if so requested by our customers, our Group also provides ancillary services to our customers for a fee during the deployment period, which include providing accommodation for the deployed employees at our self-operated dormitories or dormitories operated by third parties, and arranging transportation for the deployed employees to and from their respective work sites by using our lorries. We charge our customer for these ancillary accommodation and transportation services based on the daily rates set out in the formal contracts.

Contract duration and extension

The contract period is generally three months. During the contract period, our customers are entitled to place job orders with us for deployment of workers. The contract generally stipulates that if the parties intend to extend the deployment period of our employees beyond the specified contract period, they shall continue to be bound by the terms of the contract until variation or extension is made by the parties in writing.

Payment terms

We usually issue invoices to our customers on a bi-weekly basis. The credit term granted by us to our customers generally ranged from approximately seven to thirty days after the issue of our invoices.

Rights and obligations of our Group

If our customers fail to settle payment in full on time, we reserve our rights to remove all workers from our customers' work sites immediately without further notice and shall thereafter claim all amount due through legal means.

Any workers who are found to be insubordinate or unsuitable shall be replaced in the following day after we receive customer's request, subject to the availability of our manpower. The deployed hours rendered by such workers will still be charged to our customers.

Our Group will not be responsible for any losses incurred, accidents, thefts or damages to persons and properties where our workers are assigned to perform their services under our customers' supervision and direction.

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Our Group shall ensure that all our workers on site are holders of valid work passes. All work passes are held by our workers and other essential original documents are held by our work pass department for safekeeping purposes. The original documents will be made available to our customers upon their requests. Our Group is also responsible for the welfare of workers, including payment of wages, individual taxation and payment of levies.

Undertakings by our customers

We generally require our customers to undertake to us that they will perform the following obligations:

- ensure that our workers are not sent to work for any other person or business;
- supervise and ensure our workers perform only construction related activities approved by the MOM;
- notify and update our Group of the worksite address;
- return our workers to us once their services are no longer required and the contract shall be deemed terminated;
- inform us if our worker is missing; and
- not to retain the original work passes of our workers.

Grounds for termination

Either party can terminate the contract with written notice with a specified period. Any breach of the undertakings given by our customers shall be deemed a material breach of contract, and in such case we reserve our right to terminate the contract and charge our customers for all costs and any outstanding work done to date.

Insurance

In general, we require our customers to take out work injury compensation insurance for our deployed employees to the customers' sites. In some cases, our customers may instead require us to take out the work injury compensation insurance, for which we will charge the relevant customers separately.

BUSINESS

In relation to our dormitory services

In respect of our dormitory services, the formal contracts between us and our customers typically contain terms and conditions relating to the number of lodgers, duration of our dormitory services, the one-off administration fees, deposits and the monthly charges for the provision of dormitory space and, if required, our laundry services, rights and obligations of our customers and standard termination clauses. The salient terms of the formal contracts are as follows:

Scope of dormitory service

The formal contracts set out (i) the monthly rate of our dormitory space and, if required, our laundry services, and (ii) additional one-off service fees in the case of request for transfer of designated room or bed space etc.

Duration of the dormitory service

The duration of our dormitory service generally ranges from six months to one year. The contract generally stipulates that if the lodgers continue to make use of our dormitory services beyond the specified duration, our customers shall be deemed to be utilizing the designated dormitory spaces on a monthly basis, commencing on the day after the expiry of the specified duration at a revised service fees to be agreed between us and our customers.

Payment terms

We usually issue invoices to our customers on a monthly basis in advance. The credit term granted by us to our customers is generally seven days. Our customers are required to pay a two-month deposit of the service fees in respect of each lodger upon signing of the contracts.

If our customers commit a breach of the contracts, or if they terminate the contracts before the expiry of the specified duration, the deposit paid by such customers shall be forfeited.

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Obligations of our customers

We generally require our customers to undertake to us that they will perform the following obligations:

- use the dormitory spaces solely for residential purposes;
- ensure that all the lodgers are at all times holders of valid work passes in Singapore and shall be responsible for the infringement of any statute, regulation, policy or other legal requirements attributable to their lodgers;
- notify us if any lodger is legally not permitted to enter or remain in Singapore for any reason whatsoever; and
- pay us for any loss or damage to our property caused by the customers or their lodgers committing an offence under our in-house dormitory rules.

Rights of our Group

We shall not be held responsible or be liable for any damage, loss, injury or death whatsoever caused by our customers, their employees or agents, or the lodgers within the dormitory premises. We also reserve the right to evict or deny entry to our customers or their lodgers into the building if any amount due under the contracts is not received from the customers on the due date.

Grounds for termination

We can terminate the contracts in respect of the dormitory services (i) by immediate written notice in the event of non-performance of our customers' obligations under the contract, which, if applicable, is not remedied within a specified period, (ii) by immediate written notice if the customers are sued at court in Singapore, enter into arrangement with creditors, or enter into liquidation or commit an act of bankruptcy, and (iii) by serving a 30 days' written notice.

BUSINESS

In relation to our IT services

In respect of our IT services, the formal contracts entered into between us and our customer contain terms and conditions relating to the estimated unit of man-days required, fee schedule of man-days, expected duration of the project, the scope of works, the composition of our project team, and our standard terms of services. The salient terms of the formal contracts are as follows:

Scope and duration of services

We charge our customer based on the units of man-day utilised over a specified period. Man-day refer to the number of day in which services are rendered by each of our staff. The formal contracts set out the total man-day required for the services and the man-day rate of each role performed by our IT consultant. If we require to incur any additional man-day above the agreed total man-days in providing our services, we are generally required to seek prior written consent from our customer. Depending on the type of services provided, the duration of our services generally ranges from approximately six months to one year.

Payment of service fees

In respect of our support and maintenance services, we usually require our customers to pay us on a quarterly basis in advance during the term of service. For software upgrade, we will require our customers to pay us based on the progress of implementation in accordance with the schedule set out in the formal contracts. In general, we grant the customer of our IT services a credit term of 30 days after issue of our invoices.

In relation to our construction ancillary services

Warehousing services

In respect of our warehousing services, the letters of offer endorsed by our customers or the formal contracts between us and our customers typically set out the leased storage area/volume, monthly storage fees and initial deposits. Our warehousing services mainly include the leasing of warehouse spaces at our Sungei Kadut Dormitory for storage of construction-related materials such as steel bars, wooden boards and marble stones. The salient terms of the letters of offer or the formal contracts are as follows:

Payment terms

We charge our customers based on the weight or area taken up by the stored goods and materials on a monthly basis. For leasing of fixed storage area, our customers are typically required to provide a one-month deposit upon signing of the letters of offer/formal contracts. We generally grant our customers a credit term of three days after the issue of our invoices.

BUSINESS

Our in-house regulations

We impose a set of in-house regulations mainly regarding (i) the content of storage goods, (ii) prohibition of sub-leasing to third parties without our permission, and (iii) the responsibility of our customers in procuring necessary insurance for the stored goods. Under the letters of offer or formal contracts, we shall not be responsible for any theft and any damage to the goods and materials stored in our warehouse.

Cleaning services

The formal contracts for our cleaning services generally set out the location of the residential buildings, the number of interior units to be cleaned, the duration and work schedule of the projects, and our fee schedules. The salient terms of our formal contracts are as follows:

Basis of service fees

We usually charge our customers a fixed fee with reference to the number of interior units to be cleaned and our fee schedules.

Work schedule

The period of our cleaning services generally ranges from two weeks to three months. Our customers usually require us to perform two rounds of cleaning on the interior units.

Release and handover of interior units

The formal contracts will specify the minimum number of interior units required to be released to us by our customers for cleaning per day. The interior units are usually handed over to us based on a pre-agreed schedule between the customers and us.

Before we hand over the cleaned interior units to our customers, the responsible person of our customers will conduct inspection on the conditions of the interior units. In some cases, we may be required to hand over a minimum number of cleaned interior units to our customers per day.

Payment term

We usually issue invoices to our customers on a bi-weekly basis. The credit term granted by us to our customers generally ranged from approximately 15 to 30 days.

Obligations of our customers

Under the formal contracts, our customers are generally responsible for taking out work injury compensation insurance for our workers.

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OUR SUPPLIERS

Characteristics of our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) catering service providers, (ii) dormitory service providers, (iii) training course providers, (iv) providers of construction manpower in Singapore, and (v) suppliers of miscellaneous goods and services including overseas manpower consultants, individual recruitment agents in Bangladesh and supplier of diesel oil. The following table sets out a breakdown of our total purchases by type during the Track Record Period:

	FY2014		FY2015		FY2016		For the four months ended 30 April 2017	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Fees for catering service	1,079	30.6	1,363	29.9	1,302	43.9	378	29.2
Fees for dormitory service	7	0.2	140	3.1	829	27.9	505	39.0
Training course fees for workers	148	4.2	210	4.6	270	9.1	99	7.6
Fees to providers of construction manpower in Singapore	977	27.7	793	17.4	132	4.4	46	3.6
Other miscellaneous goods and services ^(Note)	<u>1,316</u>	<u>37.3</u>	<u>2,056</u>	<u>45.1</u>	<u>435</u>	<u>14.7</u>	<u>268</u>	<u>20.6</u>
Total	<u>3,527</u>	<u>100.0</u>	<u>4,562</u>	<u>100.0</u>	<u>2,968</u>	<u>100.0</u>	<u>1,296</u>	<u>100.0</u>

Note: These mainly include referral fees to individual recruitment agents in Bangladesh, general consultancy fees in relation to the India Project and the Myanmar Project, and costs of diesel oil for the daily operation of our lorries.

Please refer to the section headed “Financial information” in this prospectus for a discussion of the fluctuation in our purchases from our suppliers during the Track Record Period as shown in the above table as well as the relevant sensitivity analyses in this connection.

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

BUSINESS

Principal terms of engagement

Catering service providers

For our foreign employees staying at the Sungei Kadut Dormitory, they are required to pay for the catering service (which is offset against their wages), while our foreign employees staying at the Woodlands Dormitory have the option to either make use of our cooking facilities free of charge or pay for the catering service.

Where catering services are required by our foreign employees, we will provide them with daily meals prepared by catering service providers. During the Track Record Period, we have procured ready-made meals from Singapore-based catering service providers which serve Bangladesh and Indian food.

We have not entered into any long-term agreement or committed to any minimum purchase amount with catering service providers. We placed orders for meals with the catering service providers on a daily basis. In general, our catering service providers issue invoices to us on a bi-weekly basis and grant us a credit term ranging from seven to 15 days.

Dormitory service providers

During the Track Record Period, we have engaged certain Singapore-based dormitory service providers to house some of our foreign employees. Our Group generally houses our foreign employees in our two self-operated dormitories and also rents out part of the dormitory space at our Woodlands Dormitory to third parties for housing their foreign workers. Depending on the vacancies of our self-operated dormitories, we have engaged certain dormitory service providers for housing our foreign employees during the Track Record Period, due to the following reasons:

- (i) With an aim of diversifying our revenue streams, we have from time to time set aside a portion of our dormitory spaces at our Woodlands Dormitory for renting out to potential customers. In 2012, we obtained the tender for contract from BCA in relation the construction, management and operation of the Woodlands Dormitory as a commercial dormitory which can house up to 1,500 foreign workers employed by our Group as well as by third parties. As our workforce back then and during the Track Record Period did not fully occupy the dormitory space at our Woodlands Dormitory, our Directors intended to fully utilise its capacity by renting out the remaining dormitory space to third parties. During the Track Record Period, due to the new condition of our Woodlands Dormitory and depending on the level of demands for dormitory services from time to time, we were able to charge our customers a rental rate that was higher than the rental rate chargeable to us by other dormitory services providers. As such, we would rent out a greater portion of the dormitory space at our Woodlands Dormitory and house some of our foreign employees at dormitories operated by third parties instead. Our Directors believe that this enabled us to maximise our Group's benefits.

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- (ii) For certain periods while our two self-operated dormitories were close to being fully occupied, we had received requests from some customers for extension of our dormitory services to their workers at the Woodlands Dormitory. With a view to maintaining our relationship with such customers, instead of turning down their requests, we usually accepted such extension for our dormitory spaces. However, as some of the dormitory bed spaces occupied by our customers' workers were originally scheduled for housing the foreign employees of our own, we would therefore have to house some of our foreign employees at dormitories operated by third parties, due to the limited number of vacant bed spaces available at our self-operated dormitories.
- (iii) There were sometimes mismatch in the timing for arranging accommodation at our self-operated dormitories for our foreign employees after their deployment to our customers. Some of our customers have made accommodation arrangements for the deployed employees on their own during the deployment period. We would then usually rent out the dormitory space previously occupied by such deployed employees to third parties. In some cases, the deployment period of these employees may end earlier than expected due to changes in our customers' work schedule, and hence we would have to provide accommodation for them once their deployment was completed. As the dormitory space previously occupied by such deployed employees had already been rented out, if our two self-operated dormitories were close to being fully occupied, our Group would have to engage dormitory service providers for housing them until there is vacant dormitory space available in our self-operated dormitories.

We generally entered into lease agreements with the dormitory service providers, which generally include, among other things, (i) the unit of dormitory spaces rented, (ii) deposit and monthly rentals, (iii) term of the lease, and (iv) rules and regulations regarding the use of the dormitory by our employees. In general, our dormitory service providers issue invoices to us on a monthly basis and grant us a credit term for approximately seven to 30 days.

Training course providers

As discussed in the paragraph headed "Description of our services – (A) Manpower outsourcing and ancillary services" in this section, we have arranged some of our foreign employees to attend external training courses on specialised construction works such as scaffolding and welding. Upon successful completion of such courses by our foreign employees, these institutions will award them with relevant certificates. We generally enrolled in selected courses for our employees at a fixed fee per person on a case-by-case basis.

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Providers of construction manpower in Singapore

During the Track Record Period, we had, on occasions where our foreign employees were being fully utilised, sourced additional foreign workers from providers of construction manpower in Singapore (which included companies engaged in various segments of the construction industry) to enable us to fulfil our contracts from customers.

We have not entered into any long-term agreement or committed to any minimum purchase amount with our providers of construction manpower. They generally charged us based on the number of workers and the period of engagements required for fulfilling our contracts from customers. In general, our providers of construction manpower issue invoices to us on a monthly basis and grant us a credit term ranging from 30 to 60 days.

Overseas manpower consultant in India

During the Track Record Period, we have engaged an overseas manpower consultant based in India (being Supplier F as referred to in the paragraph headed “Our suppliers – Top suppliers” in this section) to provide general advices (including those on the relevant legal requirements and procedures) in relation to sourcing foreign workers from India (the India Project). During the Track Record Period, we have incurred a total of approximately S\$0.6 million to Supplier F in relation to the India Project. Based on the results of the advice, we have started recruiting foreign workers from India since early 2016.

Overseas manpower consultant in Myanmar

During the Track Record Period, we have engaged an overseas manpower consultant based in Myanmar (being Supplier C as referred to in the paragraph headed “Our Suppliers – Top suppliers” in this section) (i) to provide general advices (including those on the relevant requirements and procedures) in relation to sourcing foreign workers from Myanmar, and (ii) to undertake certain preliminary steps in relation to the set-up of training facilities in Myanmar for providing training for potential candidate workers (the Myanmar Project). After obtaining the advices, our Directors had decided not to proceed with the plan to recruit foreign workers from Myanmar due to the complexity in the relevant legal requirements and procedures in Myanmar and the Myanmar Project was ended in FY2015 and no further investment was made for the Myanmar Project. For further details, please refer to the paragraph headed “Loss making projects during the Track Record Period” in this section.

Diesel oil supplier

During the Track Record Period, we have purchased diesel oil from petroleum and lubricant products supplier in Singapore for the daily operations of our fleet of lorries. We placed purchase orders with the diesel oil supplier for replenishment on a regular basis.

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We have not entered into any long-term agreement or committed to any minimum purchase amount with our diesel oil supplier, which generally charged us based on the quantity of diesel oil we consumed. In general, our diesel oil supplier issues invoices to us on a monthly basis and grant us a credit term of 14 days.

Top suppliers

For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, the percentage of our total purchases from our largest supplier amounted to approximately 20.4%, 29.9%, 40.9% and 39.0% of our total purchases respectively, while the percentage of our total purchases from our five largest suppliers combined amounted to approximately 73.9%, 61.0%, 73.0% and 78.1% of our total purchases respectively.

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The following tables set out information of our five largest suppliers for each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017:

FY2014

Rank	Suppliers	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						SS'000	%
1	Supplier A	A private company in Singapore, the principal activities of which mainly include building and construction and provision of construction manpower	Construction manpower	Since 2008	60 days; by cheque	721	20.4
2	Supplier B	A private company in Singapore, the principal activities of which mainly include manufacturing of food products and provision of catering services	Catering services	Since 2013	15 days; by cheque	614	17.4
3	Supplier C	A private company in Myanmar, the principal activities of which mainly include provision of general advices in relation to sourcing foreign workers from Myanmar	General advices in relation to the Myanmar Project	Since 2012	30 days; by cheque	600	17.0
4	Supplier D	A private company in Singapore, the principal activities of which mainly include manufacturing of food products and provision of catering services	Catering services	Since 2014	7 days; by cheque	456	12.9
5	Supplier E	A private company in Singapore, the principal activities of which mainly include renting of civil engineering equipment and machinery and provision of construction manpower	Construction manpower	Since 2014	30 to 45 days; by cheque	217	6.2
Five largest suppliers combined						2,608	73.9
All other suppliers						<u>919</u>	<u>26.1</u>
Total purchases						<u><u>3,527</u></u>	<u><u>100.0</u></u>

BUSINESS

FY2015

Rank	Suppliers	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						SS'000	%
1	Supplier D	A private company in Singapore, the principal activities of which mainly include manufacturing of food products and provision of catering services	Catering services	Since 2014	7 days; by cheque	1,363	29.9
2	Supplier F	A private company in India, the principal activities of which mainly include provision of general advices in relation to sourcing foreign workers from India	General advices in relation to the India Project	Since 2015	30 days; by cheque	574	12.6
3	Supplier C	A private company in Myanmar, the principal activities of which mainly include provision of general advices in relation to sourcing foreign workers from Myanmar	General advices in relation to the Myanmar Project	Since 2012	30 days; by cheque	381	8.3
4	Supplier E	A private company in Singapore, the principal activities of which mainly include renting of civil engineering equipment and machinery and provision of construction manpower	Construction manpower	Since 2014	30 to 45 days; by cheque	235	5.1
5	Supplier A	A private company in Singapore, the principal activities of which mainly include building and construction and provision of construction manpower	Construction manpower	Since 2008	60 days; by cheque	234	5.1
Five largest suppliers combined						2,787	61.0
All other suppliers						1,775	39.0
Total purchases						4,562	100.0

BUSINESS

FY2016

Rank	Suppliers	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						SS'000	%
1	Supplier D	A private company in Singapore, the principal activities of which mainly include manufacturing of food products and provision of catering services	Catering services	Since 2014	7 days; by cheque	1,214	40.9
2	Supplier G	A private company in Singapore, the principal activities of which mainly include real estate services and provision of dormitory services	Dormitory services	Since 2016	30 days; by cheque	539	18.2
3	Supplier H	A private company in Singapore, the principal activities of which mainly include acting as general contractor and provision of dormitory services	Dormitory services	Since 2015	7 days; by cheque	184	6.2
4	Supplier I	A Singapore company being a wholly-owned subsidiary of a company listed in the Singapore Stock Exchange, the principal activities of which include building construction and provision of construction training courses	Construction training courses	Since 2016	Payment upon enrollment; by cheque	121	4.1
5	Supplier J	A private company in Singapore, the principal activities of which mainly include commercial and industrial real estate management and provision of dormitory services	Dormitory services	Since 2015	7 days; by cheque	107	3.6
				Five largest suppliers combined		2,165	73.0
				All other suppliers		803	27.0
				Total purchases		2,968	100.0

BUSINESS

For the four months ended 30 April 2017

Rank	Suppliers	Principal business activities	Types of goods or services purchased by us from the suppliers	Year of commencement of business relationship	Typical credit terms and payment method	Purchase by us from the suppliers	
						SS'000	%
1	Supplier G	A private company in Singapore, the principal activities of which mainly include real estate services and provision of dormitory services	Dormitory services	Since 2016	30 days; by cheque	505	39.0
2	Supplier D	A private company in Singapore, the principal activities of which mainly include manufacturing of food products and provision of catering services	Catering services	Since 2014	7 days; by cheque	322	24.9
3	Supplier K	A private company in Singapore, the principal activities of which mainly include sales and distribution of petroleum and lubricant products	Diesel oil	Since 2014	14 days; by cheque	65	5.0
4	Supplier I	A Singapore company being a wholly-owned subsidiary of a company listed in the Singapore Stock Exchange, the principal activities of which include building construction and provision of construction training courses	Construction training courses	Since 2016	Payment upon enrollment; by cheque	64	4.9
5	Supplier L	A private company in Singapore, the principal activities of which mainly include manufacturing of food products and provision of catering services	Catering services	Since 2016	7 days; by cheque	56	4.3
Five largest suppliers combined						1,012	78.1
All other suppliers						<u>284</u>	<u>21.9</u>
Total purchases						<u><u>1,296</u></u>	<u><u>100.0</u></u>

BUSINESS

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

Supplier concentration

Our top five suppliers accounted for approximately 73.9%, 61.0%, 73.0% and 78.1% of our total purchases for each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017 respectively. Despite such supplier concentration, our Directors consider that we are not overly reliant on any single supplier because:

- (i) Except for Supplier D (which remained as our top supplier for FY2015 and FY2016 and one of our top five suppliers for FY2014 and the four months ended 30 April 2017), the ranking and combination of our top five suppliers for each of the financial years/period during the Track Record Period were substantially different. In respect of the purchase of catering service from Supplier D, our Directors believe that there may be a higher reliance by Supplier D on us than the other way round because there are a number of catering service providers providing similar services in the market, while there are, in the opinion of our Directors, fewer foreign worker dormitories operated by manpower outsourcing service provider with a sizable pool of foreign workers. In order to diversify the source of supplies for catering service, our Group has sourced catering service from two additional catering service providers in FY2016. Further, according to the Ipsos Report, it is not difficult to source catering services for foreign employees in view of the number of market players in the this segment of the catering industry. This suggest that we did not place undue reliance on any particular one of them throughout the Track Record Period for our purchase.
- (ii) Our Group has demonstrated over the Track Record Period that we have the ability to source dormitory service and construction manpower from different suppliers. We have sourced dormitory service from over three different dormitories operated by third parties, while we have five different suppliers for providing construction manpower to us during the Track Record Period.
- (iii) Our Directors consider that we have generally established good working relationships with our suppliers. Throughout the Track Record Period and up to the Latest Practicable Date, our Directors are not aware of any material shortage of goods or services required by us in our ordinary course of business in the market nor any indication from our suppliers that they will not be able to continue to cater for our purchases of their goods and/or services.

BUSINESS

LOSS MAKING PROJECTS DURING THE TRACK RECORD PERIOD

(1) Myanmar Project

During the Track Record Period, we have engaged an overseas manpower consultant based in Myanmar (being Supplier C as referred to in the paragraph headed “Our Suppliers – Top suppliers” in this section) (i) to provide general advices (including those on the relevant requirements and procedures) in relation to sourcing foreign workers from Myanmar, and (ii) to undertake certain preliminary steps in relation to the set-up of training facilities in Myanmar for providing training for potential candidate workers (the Myanmar Project). After obtaining the advices, our Directors had decided not to proceed with the plan to recruit foreign workers from Myanmar due to the complexity in the relevant legal requirements and procedures in Myanmar and the Myanmar Project was ended in FY2015 and no further investment was made for the Myanmar Project.

During the Track Record Period, we have incurred costs of approximately S\$1.0 million in relation to the Myanmar Project without achieving our planned objective thereof.

Our Directors consider that our withdrawal from the recruitment plan in Myanmar does not have any material impact on our business operations because (i) our Group has started to recruit workers from India since 2016 as an alternative source of manpower supply; (ii) during the Track Record Period and up to the Latest Practicable Date, our foreign employees were predominantly workers recruited from Bangladesh and we have been able to operate profitably without sourcing workers from Myanmar; (iii) we did not receive any material complaint from our customers in relation to the performance of our foreign workers recruited from Bangladesh and India during the Track Record Period; and (iv) the amount incurred in the Myanmar Project is not recurring in nature and is not material as compared to our overall financial performance.

(2) School Dormitory Project undertaken in 2014

In June 2014, Kanon Global (as tenant), an indirect wholly-owned subsidiary of our Company, entered into a tenancy agreement with the Singapore Government (the “Tenancy Agreement”) for renting a building situated on Short Street, Singapore (the “Building”). It was the then intention of our Directors to transform the Building into a school dormitory so as to further diversify our Group’s businesses into the provision of dormitory services for students. However, the Tenancy Agreement was subsequently terminated on 31 December 2014 upon mutual agreement between Kanon Global and the Singapore Government as we came to a view that it was not in the interest of our Group to continue with the refurbishment of the Building, because certain facilities embedded in the Building were found to be insufficient during the refurbishment, and additional costs would be required to be incurred to install such facilities in order to obtain the approval from the relevant Singapore Government authorities in relation to the transformation of the Building into a school dormitory. Under the settlement letter mutually agreed between Kanon Global and the Singapore Government, no penalty and no further potential liability arose as a result of the termination of the Tenancy Agreement.

BUSINESS

A total of approximately S\$3.1 million and S\$0.4 million of project expenses including refurbishment of the Building, rental expenses and professional fees in relation to the School Dormitory Project were incurred for each of FY2014 and FY2015 respectively, without any income eventually derived from the School Dormitory Project.

Our Directors consider that our withdrawal from the School Dormitory Project does not have any material impact on our business operations because (i) the operation of school dormitory has historically not been one of our major business segments and the business performance of our major business segments (including manpower outsourcing and ancillary service and dormitory services in respect of foreign workers) are and will continue to be distinct from the School Dormitory Project; and therefore, the withdrawal from the School Dormitory Project will not have any impact on our major business segments; (ii) as the School Dormitory Project has not come into operation or provided any services by the time of its termination, our Directors believe that it will not have any adverse impact on our reputation for being a manpower outsourcing service provider in relation to the construction industry in Singapore; and (iii) there is no penalty or outstanding liabilities on our Group in relation to the School Dormitory Project.

UTILISATION RATE

Utilisation rate of our foreign employees

The table below sets out the historical utilisation rate of our foreign employees during the Track Record Period:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	For the four months ended 30 April 2017
	<u>'000 hours</u>	<u>'000 hours</u>	<u>'000 hours</u>	<u>'000 hours</u>
Number of hours of deployment billed by our Group for manpower outsourcing and ancillary services	3,962	3,968	3,875	1,261
Number of official work hours ^(Note 1)	2,812	2,821	2,839	996
Utilisation rate ^(Note 2)	<u>140.9%</u>	<u>140.7%</u>	<u>136.5%</u>	<u>126.6%</u>

BUSINESS

Notes:

- 1) Official work hours represent the total number of hours that our foreign employees are committed to our Group based on the employment contracts. For further details, please refer to the paragraph headed “Employee – Principal employment terms with our foreign employees” in this section.
- 2) Utilisation rate is computed by dividing the hours of deployment billed by our Group for manpower outsourcing and ancillary services by the official work hours.

During the Track Record Period, the utilisation rate of our foreign employees was over 100%, which was mainly attributable to the overtime works performed by our foreign employees on top of their official working hours. Our workers who work more than their official working hours are compensated with overtime payments in accordance with their employment contracts under relevant employment laws and regulations in Singapore.

The decrease in utilisation rate of our foreign employees from 140.7% in FY2015 to 136.5% in FY2016 was in line with the decrease in our revenue, which in the opinion of our Directors, is mainly attributable to the slowdown of the Singapore construction industry during FY2016 compared to FY2015. The decrease in utilisation rate of our foreign employees from 136.5% in FY2016 to 126.6% in the four months ended 30 April 2017 was in line with the decrease in our revenue, which in the opinion of our Directors, is mainly attributable to the rescheduling in the progress of several major infrastructure projects in Singapore as discussed in the section headed “Industry Overview” in this prospectus. For further details, please refer to the paragraph headed “Financial information – 7. Period-to-period comparison of results of operation” in this prospectus. Nevertheless, given that the utilisation rate of our foreign employees was maintained at above 100% in each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, our Directors consider that our foreign employees were fully utilised during the Track Record Period.

OCCUPANCY RATE OF OUR DORMITORIES

Average monthly occupancy rate <i>(Note)</i>	FY2014	FY2015	FY2016	For the four months ended 30 April 2017
Woodlands Dormitory	98.3%	98.2%	99.2%	99.4%
Sungei Kadut Dormitory	100%	100%	100%	100%

Note: The monthly occupancy rate is calculated by dividing the number of beds occupied as at the month end by the number of beds available at our dormitories as at the relevant month end. The average monthly occupancy rate for the year is calculated by dividing the sum of the monthly occupancy rates by the total number of months in that year.

BUSINESS

Based on the above table of historical occupancy rate, our self-operated dormitories were close to being fully occupied during the Track Record Period.

OCCUPATIONAL HEALTH AND WORK SAFETY

Our safety measures and management system

We place emphasis on occupational health and work safety and provide safety training to our staff covering topics such as our safety measures. Due to the nature of works in construction sites, risks of accidents or injuries to our deployed workers are inherent. As such, we have established a safety management system which follows the OHSAS 18001 standards in order to provide our employees with a safe and healthy working environment. Since 2009, the occupational health and safety management systems of KT&T Engineers and Tenshi Resources have been certified to be in accordance with the requirements of the OHSAS 18001:2007 standards.

Reporting of work accidents

We maintain an internal record of accidents. Pursuant to the Workplace Safety and Health (Incident Reporting) Regulations, a company is required to lodge the relevant incident report for any accident suffered by a workman within the period required by law. For further details, please refer to the section headed “Regulatory Overview” in this prospectus. Under the Workplace Safety and Health Act, a worker who is placed at the disposal and supervision of a third party to perform work is generally regarded as if he/she were an employee of that third party instead of his/her original employer, while the third party shall be regarded as if it were the employer of the deployed employee during the period that the deployed employee is at work for the third party.

Having considered that our deployed employees should be regarded as the employees of our customers during the period of deployment for reasons as further elaborated under the section headed “Regulatory Overview”, the Singapore Legal Adviser has advised that our Group should not be held legally liable or accountable by the relevant authorities for any delay in reporting work accidents which occurred when our employees were deployed to our customers.

Work injuries during the Track Record Period

We maintain an internal record of all accidents involving our employees during the course of employment. During the Track Record and up to the Latest Practicable Date, we recorded certain work accidents involving our employees, all of which have taken place while such employees were in the course of deployment to our customers, and hence they were under the direct supervision and control of our customers at the relevant time of the accidents.

BUSINESS

Further details of the aforesaid accidents that led to or may give rise to claims against us under the Work Injury Compensation Act and/or common law during the Track Record Period and up to the Latest Practicable Date are disclosed in the paragraph headed “Litigations” in this section.

Fatal accident during the Track Record Period

We recorded a fatal accident concerning one of our foreign employees during the Track Record Period. On 31 December 2015, a worker under the employment of KT&T Engineers (the “**Deceased Worker**”) was fatally injured during his deployment to our customer. At the relevant time of the accident, the Deceased Worker was tasked by our customer to install temporary plywood at a designated area in the work site. Our Group was later informed that the Deceased Worker had fallen from height outside the designated area and had been fatally injured.

Potential financial and legal impact on our Group

The aforesaid fatal accident was reported to the MOM in January 2016 and was settled through the adjudication process of the Work Injury Compensation Act.

As at the Latest Practicable Date, we have designated the insurance policy of the main contractor of the project where the fatal accident occurred for this claim. The Singapore Legal Adviser has also advised that based on the terms of the relevant insurance policy maintained by KT&T Engineers, we can seek full coverage of the claim if it is a claim under the WICA, or up to the maximum limit of S\$10 million per claim if the claim is commenced as a claim under common law.

As advised by the Singapore Legal Adviser, as the Deceased Worker should fall under the ambit of “loaned employees” as provided under section 6(4) of the WSHA for reasons as set out under the “Regulatory overview” section of this prospectus, it would be the relevant customer to whom the said Deceased Worker was deployed that would be deemed as the employer of the Deceased Worker on the occurrence of the accident and hence if the MOM alleges any breach of the WSHA in relation to such accident, the defendant likely to be sued would be such customer, and not KT&T Engineers.

Pursuant to the demerit point system implemented by the MOM for the construction industry, main contractors and subcontractors in the construction sector will be issued with demerit points for breaches or infringements under the WSHA and relevant subsidiary legislation in relation to accidents and injuries to workers occurring at work places. Depending on the number of demerit points, the relevant contractor will be imposed with fines or penalties and other sanctions.

BUSINESS

As the fatal accident took place while the Deceased Worker was under deployment, and hence was under the supervision and control of our customer, our Directors consider that the accident does not have any negative indication on the adequacy and effectiveness of our safety management system. In addition, having considered that the fatal accident took place in our customer's work site, our Directors are of the view that MOM will not issue demerit points to, or impose fines or penalties or sanctions on, KT&T Engineers in relation to the aforesaid accident.

As at the Latest Practicable Date, KT&T Engineers has not been imposed with any fines or other sanctions or accumulated any demerit points in respect of the aforesaid accident. Further, KT&T Engineers has not been notified of, and our Directors are not aware of the MOM taking or intending to take, any legal action against KT&T Engineers in relation to the aforesaid accident.

Having considered all of the above as well as the advice of the Singapore Legal Adviser, our Directors consider that the fatal accident will not potentially have any material financial and legal impact on our Group, and/or adversely impact the renewal of KT&T Engineers's registration under the Contractors Registration System of BCA.

Internal control in relation to our workers safety during their deployment period

In order to minimise the risk of occurrence of material incident in the future, we have implemented an internal demerit point system, where our customers will be issued with demerit point by us if our deployed worker was injured while working for them. If our customer accumulated demerit points above certain level based on our internal records, we would cease all manpower deployment to such customer and will not accept any new engagement from it.

Further, in our briefings and in-house trainings, we have regularly reminded our workers of the safety measures to be taken when performing construction works at our customers' work sites. We also encourage our foreign employees to report to us if they discover any potential safety hazards during their deployment to our customers.

In addition, before submitting quotation to a building and construction contractor, we perform a background check on the demerit points accumulated by such contractor based on the information published by MOM. In relation to contractor which has accumulated demerit points above certain level, we will refuse to provide any manpower outsourcing service to it in order to avoid exposing our workers to potential work accidents.

PRICING STRATEGY

Our pricing is generally determined based on certain markups over our estimated costs, as further discussed below.

BUSINESS

In respect of our manpower outsourcing services and ancillary services and other construction ancillary services such as cleaning services and building maintenance works, pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the salaries and recruitment costs of our foreign employees, (ii) the prevailing foreign worker levy, (iii) the estimated number and type of workers required, (iv) the availability of our manpower, (v) prices offered to the customer in the past, (vi) the overhead costs in relation to the operation of our dormitories and lorries for ancillary services, if applicable, and (vii) the prevailing market condition.

In respect of our dormitory services, pricing of our services is determined on a case-by-case basis based on various factors, which generally include (i) the estimated number of incoming lodgers, (ii) the estimated service periods, and (iii) the overhead costs in relation to the operation of our dormitories.

In respect of our IT services, pricing of our services is determined with reference to (i) the estimated number of IT consultants required, (ii) the salaries of our IT personnel, (iii) duration of the services, and (iv) complexity of the service types required.

In respect of our warehousing services, the storage fees are determined with reference to the weight or storage area of the goods and materials, depending on the nature of the relevant items.

SALES AND MARKETING

Our sales and marketing team is primarily responsible for the promotion of our business to building and construction contractors in Singapore. Our sales managers from time to time approach new potential customers by visiting building and construction work sites, and conducting marketing presentations at the offices of construction contractors. In order to identify potential customers, we regularly access certain online industry database for information regarding new major construction projects and the relevant responsible contractors. We also distribute brochures and other promotion materials to introduce our services and corporate profile to potential customers. We adopted a sales incentive scheme pursuant to which our sales managers will be entitled to sales commission based on the number of hours of deployment in respect of any manpower outsourcing contracts obtained by them from customers.

In addition, we display our Group's logo on our lorries for general promotional purpose.

During the Track Record Period, our Group had paid referral fees to our existing customers ("payees") in relation to the referral of new customers to us. As part of the Regulatory Overview section, the Singapore Legal Adviser has advised that, generally speaking, a payment of referral fees will not be in violation of the relevant Singapore laws and regulations if certain conditions have been fulfilled. For further details, please refer to the "Regulatory Overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services – IV. Referral fees" in this prospectus.

BUSINESS

Our Directors were aware of the aforesaid legal requirements in Singapore and we have put in place internal control measures in handling the payment of referral fees, mainly including:

- (i) enquiries were made by us to the payees for their relationships with the new customers referred by them;
- (ii) enquiries were made by us to such new customers in relation to their relationships with the payees;
- (iii) based on our enquiries with the payees and new customers, we would determine if the new customers and the payees have any principal-agent relationships. If we have reasonable grounds to believe that the new customers and the payees have principal-agent relationships, we would decline to enter into contracts with the new customers; and
- (iv) before entering into contract with the new customers, we have informed such new customers about the arrangements of referral fees between our Group and the payees and ensured that these customers have full knowledge and no objections thereto.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had strictly followed the aforesaid internal control measures, and hence consider that our payment arrangements for referral fees are not in violation of the relevant Singapore laws and regulations. Based on their industry knowledge, our Directors also confirm that it is an industry norm and a common commercial practice to pay existing customers for referral of new customers in Singapore.

SEASONALITY

Demand for our manpower outsourcing services is affected by seasonality. We typically record a relatively lower number of hours of deployment billed by us in the month of February. Our Directors believe this seasonal pattern is largely due to the decrease in construction activities during Chinese New Year, during which some of the building and construction projects of our customers are halted for the holidays.

BUSINESS

EMPLOYEE

Number of employees

As at the Latest Practicable Date, we had a total of 1,511 staff (including our two executive Directors but excluding our three independent non-executive Directors), all of whom were stationed in Singapore. The following table sets out a breakdown of our employees by function ^(Note 1):

	As at 31 December <u>2014</u>	As at 31 December <u>2015</u>	As at 31 December <u>2016</u>	As at the Latest Practicable Date
Management	5	5	6	6
Operation and administration staff				
– Accounts and finance	9	10	13	14
– Human resources	10	10	11	11
– IT	6	6	6	6
– Logistics	33	35	39	40
– Sales and marketing	15	18	24	25
– Operations	37	31	32	20
– Legal	0	0	0	1
– General administration	13	11	12	8
Foreign employees ^(Note 2)	<u>1,080</u>	<u>1,165</u>	<u>1,250</u>	<u>1,380</u>
Total	<u><u>1,208</u></u>	<u><u>1,291</u></u>	<u><u>1,393</u></u>	<u><u>1,511</u></u>

Notes:

- The number of local employees was based on the exact number of individuals employed by our Group and did not take into account the Dual Employment Arrangement (as defined and further discussed in the section headed “Regulatory overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services – Dual employment of local employees” in this prospectus) for some of our local employees.
- The number of foreign employees was based on exact number of foreign employees who had entered into formal employment contracts with us and did not take into account those foreign workers who had been granted prior approvals from the MOM but had not yet arrived in Singapore to formally commence employment.

BUSINESS

Principal employment terms with our foreign employees

The salient terms of our employment contracts with foreign employees are as follows:

Payment terms

We shall pay our foreign employee's wages and salaries on a bi-weekly basis, which include basic daily salary, site allowance and overtime payment (if any).

Employment period

The employment shall be for a period of one year commencing from the arrival date of the foreign employee, provided his work pass has been subsequently approved by the MOM.

We reserve the right to extend or terminate the services of the foreign employee based on our job availability and his job performance and individual discipline.

Working period

Our foreign employee is generally required to work for 5.5 days per week. The normal work hours will be eight hours for weekdays and four hours for weekend. Our foreign employee is entitled to annual leave, public holidays and sick leave.

Our foreign employee will be entitled to overtime pay if he work more than eight hours per day or 44 hours per week. In any event, the total overtime work hours should not exceed 72 hours a month.

Catering arrangements

If our foreign employee requires us to provide daily meals to him, we will charge him to pay for our catering services (which is offset against their wages). Alternatively, the foreign employee may make use of our cooking facilities free of charge to prepare his own meal.

Rules and discipline

Our foreign employee who refuses or fail to perform his official arrangement of job or duties will be referred to our management for appropriate disciplinary actions. Disobedient employees will be suspended from work and repatriated to their countries of origin.

Grounds for termination

Either the foreign employee or our Group can terminate the contract with two weeks' prior written notice or by paying salary in lieu of notice for the relevant period.

BUSINESS

The employment of foreign employee will be terminated when any of the following events occurs:

- the foreign employee has committed gross misconduct or breached any of the rules and regulations regarding discipline and work ethics;
- the foreign employee has been convicted of a crime under the Singapore laws;
- during the employment period, the foreign employee is caught working for any other person without our consent;
- the work pass of the foreign employee has been cancelled or not renewed for any reasons by the MOM or any other authorities of the Singapore Government; and
- the foreign employee is deemed unfit to carry out his official assignment or duties on the recommendation or instructions of our medical consultant or the Ministry of Health of the Singapore Government.

Training and recruitment policies

We generally recruit our operation and administration staff from the open market. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and determines whether additional personnel are required to cope with the business development of our Group from time to time. We provide on-the-job trainings to our administrative and executive staff tailored to their respective roles and specific needs.

In relation to the training and recruitment of our foreign employees for deployment, please refer to the paragraph headed “Description of our services – (A) Manpower outsourcing and ancillary services – Our recruitment and training process”.

Staff costs and remuneration policy

In general, our Group determines employee salaries based on employee’s qualifications, position and seniority. In order to attract and retain valuable employees, our Group reviews the performance of our employees annually which will be taken into account in annual salary review and promotion appraisal. We have also adopted a sales incentive scheme, details of which are set out in the paragraph headed “Sales and marketing” above in this section.

Our Group incurred staff costs (including directors, and chief executive’s remuneration, and salaries, wages and other benefits) of approximately S\$16.2 million, S\$16.3 million, S\$17.8 million and S\$5.5 million for FY2014, FY2015, FY2016 and the four months ended 30 April 2017 respectively.

BUSINESS

Employee relationship

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

Central Provident Fund

Our Group has participated in the Central Provident Fund for all of our local employees in accordance with the Central Provident Fund Act under the laws of Singapore. Our Group has paid the relevant contributions in accordance with the aforesaid laws and regulations. Our Group's contribution to the Central Provident Scheme for FY2014, FY2015, FY2016 and the four months ended 30 April 2017 were approximately S\$1.1 million, S\$0.9 million, S\$1.0 million and S\$0.3 million, respectively.

INSURANCE

During the Track Record Period, we have taken out the insurance policies as set out in the following paragraphs. Our Directors consider that our insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, our total insurance premiums incurred were approximately S\$0.3 million, S\$0.3 million, S\$0.3 million and S\$0.1 million, respectively.

Work injury compensation insurance

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

Our Group maintains work injury compensation policy for all of our employees pursuant to WICA. The insurance policy, which is renewed on annual basis, provides for a coverage of up to S\$10 million per claim.

Pursuant to our contracts in respect of our manpower outsourcing services, our customers are responsible for taking out work injury compensation insurance for our deployed employees deployed to our customers' sites. Therefore, in practice, the work injury claims against us from our deployed employees will be covered under the insurance policies taken out by the main contractors or subcontractors of the relevant job sites or the contractors to whom such employees were deployed.

BUSINESS

Foreign worker medical insurance

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

Our Group maintains a foreign worker medical policy in respect of any illness or injury suffered by our foreign employees with a coverage of up to S\$17,500 per worker.

Insurance for security bonds

For each of our foreign employees whom we were successfully granted with a work permit, a security bond of S\$5,000 in the form of a banker's guarantee or insurance guarantee is required to be furnished to the Controller of Work Passes under the Employment of Foreign Manpower Act. For further details, please refer to the paragraph headed "Regulatory overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services – Security bonds and foreign worker levy" in this prospectus.

Under the aforesaid requirement under the Employment of Foreign Manpower Act, we have taken out insurance in guarantee of our obligations to furnish security bonds for our foreign employees, pursuant to which insurance companies would issue guarantees to MOM in security for our payment obligations for the security bonds in respect of the relevant workers. The insurance companies typically charge us an insurance premium of S\$80 for each security bond of S\$5,000 to be furnished to the Controller of Work Passes.

Public liability insurance

We have taken out public liability insurance which covers bodily injury or damage to property in connection with our business. We have also maintained public liability insurance policies which cover the legal liability of our Group in respect of, among other things, death, bodily injury or loss of or damage to property on the Woodlands Dormitory and Sungei Kadut Dormitory.

Other insurance coverage

We have secured insurance coverage against general office risks including loss of or damage to office contents occurring on our office premises. We have also maintained third party liability insurance on our lorries.

BUSINESS

Uninsured risks

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

PROPERTIES

In addition to certain dormitory space we may rent from dormitory service providers from time to time for housing our foreign employees, our Group had the following property interests as at the Latest Practicable Date:

Address	Lessor	Lessee	Approximate gross floor area <i>(sq. m.)</i>	Usage	Current term of tenancy	Rights of renewal
1. The Sungei Kadut Premises (31 Sungei Kadut Avenue, Singapore 729660) <i>(Note 1)</i>	JTC	KT&T Engineers	8,361.3	Ancillary workers' dormitory and warehouse	A period of 30 years commencing from 1 January 1993 <i>(Note 2)</i>	N/A
2. The Woodlands Premises (Woodlands Industrial Park E4 on State Land Lot 5817N PT MK 13 Singapore)	The BCA	Nichefield	10,950	Foreign employee dormitory	Monthly rental of S\$242,250 with tenancy period of three years from 1 November 2015 up to 30 October 2018	The BCA may at its absolute discretion, subject to the (i) granting of a renewed tenancy by the Singapore Government, and (ii) on the written request of Nichefield made at least six months but not more than eight months before the expiry of the sub-tenancy contract with Nichefield, grant a renewed sub-tenancy for a further term of three years subject to such new terms and conditions and revision of the rent to be agreed upon
3. 750 Chai Chee Road, #03-10/14, Viva Business Park, Singapore 469000 (“Office Headquarters”)	An independent third party	Accenovate Consulting	1,019	Office headquarters	A tenancy period of three years from 1 October 2016 up to 30 September 2019 with monthly rental of: (i) S\$25,281 during the first year, (ii) S\$21,633 during the second year, and (iii) S\$27,472 during the third year	The parties may renew the tenancy for a term of three years commencing on the day after the expiry of the current term, at a revised rent based on the then prevailing market rent and on such other terms as may be determined by the lessor.

Notes:

- Private Lot A 1618100 being part of the Government Resurvey Lot 1597W of Mukim 11.
- Pursuant to a deed of assignment entered into with an independent third party on 1 December 2010, such independent third party had assigned its interests in relation to the Sungei Kadut Premises to KT&T Engineers for a consideration of S\$4,100,000, and concurrently, KT&T Engineers was granted the relevant leasehold interest in respect of the land by JTC pursuant to the instrument (ID/31060D) dated 24 September 2012 which was lodged with the Singapore Land Authority on 14 November 2012 and registered on 8 January 2013.

BUSINESS

JTC is granted tenure to the Sungei Kadut Premises in the form of leasehold estate (which is a form of property ownership in Singapore) for a lease duration of 99 years up to 14 April 2075. JTC is the lead governmental agency in Singapore which plans, promotes and develops industrial facilities in Singapore, and it takes on the role of “landlord” in respect of the properties managed by it.

Our Group’s interests in the Sungei Kadut Premises arise under a private leasehold of 30 years commencing from 1 January 1999 granted by JTC to KT&T Engineers, after we acquired the interests in the Sungei Kadut Premises from the aforesaid independent third party by way of assignment for a consideration of S\$4,100,000 on 1 December 2010. Since our Group’s interests arise under a private leasehold granted by JTC (being the registered proprietor of the Sungei Kadut Premises), we are technically considered as a lessee of the Sungei Kadut Premises.

Nevertheless, despite the classification of our Group as a lessee in respect of the Sungei Kadut Premises, the Singapore Legal Adviser advised that: (i) our property interests in the Sungei Kadut Premises are capable of being further sold and transferred by us to third parties by way of assignment (subject to, among other things, the relevant confirmation and approval from JTC) and (ii) our property interests in the Sungei Kadut Premises are capable of being registered, and have been duly registered, with the Singapore Land Registry.

As advised by the Singapore Legal Adviser, we have legal and valid rights to (i) the lease of the Sungei Kadut Premises pursuant to and in accordance with the terms of the relevant lease, (ii) the lease of the Woodlands Premises pursuant to and in accordance with the terms of the relevant sub-tenancy agreement, and (iii) the lease of the Office Headquarters pursuant to and in accordance with the terms of the Office Headquarters tenancy agreement respectively.

In relation to the Woodlands Premises, in October 2012, Nichefield was first awarded the tender for the contract in relation to the construction, management and operation of the Woodlands Dormitory by the BCA for a term of three years up to October 2015. In February 2013, we obtained the written permission from the Urban Redevelopment Authority to erect the Woodlands Dormitory as a foreign worker dormitory. Subsequently, Nichefield had entered into an agreement with the BCA to sub-lease the Woodlands Premises for another term of three years from 1 November 2015 up to 30 October 2018.

As at 31 December 2016, our Group had no single property with a carrying amount of 15% or more of our Group’s total assets. On this basis, our Group is not required by Rule 5.01A of the Listing Rules to include any valuation report in this prospectus. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance in respect of the requirements for a valuation report with respect to all interests in land or buildings.

BUSINESS

RESEARCH AND DEVELOPMENT

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

INTELLECTUAL PROPERTY

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

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

LITIGATION

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

Ongoing claims

As at the Latest Practicable Date, we were involved in 11 ongoing claims, including:

- (a) four claims commenced by us against our customers for payments involving approximately S\$0.1 million;
- (b) five common law claims filed by injured workers against us (as their employer) in relation to workplace accidents that took place while they were deployed to our customers during the Track Record Period. The five aforesaid claims involved an aggregate sum of approximately S\$0.6 million, and the conduct of the matters are being taken over by our insurer or the relevant insurers of the main contractors as at the Latest Practicable Date; and
- (c) two negligence claims commenced by independent third parties in relation to two motor vehicle accidents which involved the alleged negligence of our workers while driving our motor vehicles.

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The following table sets forth a breakdown of the claim amount and insurance coverage of the aforesaid five on-going common law claims against us:

	<u>Claim amount</u>	<u>Insurance coverage</u>
1	S\$100,000	Our customer's insurance policy
2	S\$200,000	Our customer's insurance policy
3	S\$100,000	Our customer's insurance policy
4	S\$164,907.5	Our customer's insurance policy
5	Damages to be assessed	Our Group's insurance policy

All the five on-going common law claims are being claimed under the relevant insurance policies maintained by our Group or our customers.

As advised by the Singapore Legal Advisers, based on the terms of the relevant insurance policy maintained by KT&T Engineers, we can seek full coverage of the claim if it is a claim under the WICA, or up to the maximum limit of S\$10 million per claim if the claim is commenced as a claim under common law. Therefore, the insurance policy maintained by our Group would have been able to cover these five on-going common law claims even if they had been claimed under our own insurance policy.

Given that the five on-going common law claims are being claimed under the relevant insurance policies maintained by our Group or our customers, our Directors consider that there will be no material adverse impact on the operational and financial performance of our Group as a result of such claims.

Potential claims

As at the Latest Practicable Date, there were 35 incidents involving the injury of workmen that may give rise to potential claim against our Group. All of these incidents occurred while our workers were deployed to our customers' work sites. The injured workers have the option of making a claim either under the WICA or common law. As advised by the Singapore Legal Adviser, said injured workmen have 1 year from the date of the accident or diagnosis of illness to decide whether to file a WICA claim or a common law claim. They may also withdraw their claim under the WICA at any time before MOM issues a notice of assessment ("NOA") to commence a claim under common law or within 14 days from the date of service of the NOA, if there are no disputes relating to the claim, or within 28 days from the date of service of the NOA, if there are disputes relating to the claim.

Of the aforesaid incidents, 29 are currently being processed under the adjudication process of the WICA, and the injured workers of these 29 incidents may withdraw from the adjudication process and file a common law claims against our Group. The remaining 6 were recently withdrawn from the adjudication process of the WICA, and as at the Latest Practicable Date, it is not known if the injured workers may proceed to commence a claim under common law in relation thereto.

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Out of the aforesaid 35 potential claims as at the Latest Practicable Date, 18 of such claims are to be claimed under our Group's insurance policy and the remaining 17 claims are to be claimed under the relevant insurance policies of our customers.

In general, we require our customers to take out work injury compensation insurance for our deployed employees. Nevertheless, our Group has sought to rely on our own insurance policies to cover 18 of the potential claims in relation to our deployed employees because (i) in some occasions, our Group and our customers had not been able to fully agree on the medical treatment sought by the injured workers, and hence our Group had opted to cover such potential claims under our own insurance policies in order to provide timely medical treatments to the injured workers; and (ii) in the other cases, as discussed in the paragraph headed "Our customers – Principal terms of engagement", our customers had required us to take out the relevant work injury compensation insurance, for which we will charge the relevant customers separately. As such, if our foreign employees suffered any injuries while being deployed to such customers, we would seek to cover their claims under our insurance policy.

As advised by the Singapore Legal Advisers, based on the terms of the relevant insurance policy maintained by KT&T Engineers, we can seek full coverage of the claim if it is a claim under the WICA, or up to the maximum limit of S\$10 million per claim if the claim is commenced as a claim under common law.

Given that all of the aforesaid potential claims are expected to be covered by insurance, our Directors consider that the aforesaid potential claims will not lead to any material adverse impact on our operational and financial performance.

Concluded cases

During the Track Record Period and up to the Latest Practicable Date, we were involved in a number of concluded legal cases, including:

- (a) seven common law claims filed against us in relation to workplace and other accidents; and
- (b) 46 cases commenced by us against our customers in relation to recovery of payments and/or enforcement of related court orders involving claimed amounts ranging from approximately S\$1,300 to S\$0.5 million, among which (i) we had obtained judgement in our favour for 27 cases, (ii) 15 cases were concluded by settlement or discontinuance, and (iii) the remaining cases were concluded mainly because the defendants were either wound up or closed down. As at the Latest Practicable Date, we have recovered payment of approximately S\$1.0 million in relation to the aforesaid cases.

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The following table sets forth a breakdown of the claim amount and insurance coverage of the seven concluded common law claims filed against us:

	<u>Claim amount</u>	<u>Insurance coverage</u>
1	S\$89,262.20	Claimed and covered by our customer's insurance policy
2	Not available <i>(Note)</i>	Claimed and covered by our customer's insurance policy
3	S\$5,811.60	Claimed and covered by our customer's insurance policy
4	S\$100,000	Claimed and covered by our customer's insurance policy
5	S\$60,000	Claimed and covered by our insurance policy
6	S\$7,050	Claimed and covered by our insurance policy
7	S\$10,000	Claimed and covered by our insurance policy

Note: The claim amount in respect of the concluded common law case is not provided in the court documents at the initial stage of the proceedings. As the relevant insurer of our customer had subsequently taken over the conduct of the case, we are therefore unaware of the relevant claim amount.

Given that the aforesaid seven concluded common law claims were all covered by insurance, our Directors consider that there has been no material adverse impact on our operational and financial performance as a result of such claims.

No provision for ongoing and potential litigation claims in relation to work-related injuries

Insurance policies have been taken out in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, the work accidents concerning our employees did not and are not expected to have a material impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Insurance" in this section.

Regarding the potential claims under the Work Injury Compensation Act and common law, no provision was made in the financial statements of our Group having considered (i) the uncertainties as to whether such claims will be commenced, (ii) the coverage of insurance policy, (iii) the uncertainties in the total amount that will be involved for such claims, if any, and (iv) the indemnity given by our Controlling Shareholders as mentioned below.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any litigation, claims and/or legal proceedings against our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the section headed "D. Other information – Tax and other indemnities" in Appendix IV to this prospectus.

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NON-COMPLIANCE

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

(i) Risks relating to our ability to maintain a sufficient pool of deployable foreign workers

During the Track Record Period, we have diversified the sources of our foreign employees as we started to source foreign workers from India since early 2016 in addition to Bangladesh. For details, please refer to the paragraph headed “Our suppliers – Principal terms of engagement – Overseas manpower consultant in India”.

Further, our Group keeps abreast of any changes in Singapore Government policies, regulations and other regulatory requirements in relation to recruitment of foreign employees in Singapore and we are aware that any material change of the above may have an adverse impact on our operation and business. We will ensure that all such change in Singapore Government policies, regulations and other regulatory requirements are closely monitored and communicated to our senior management team for proper implementation and response.

(ii) Credit risk relating to the collection trade receivables

We face risks in relation to the collectability of our trade receivables. For details of our credit risk in this connection, please refer to the section “Risk factors – We are subject to credit risk in respect of our trade receivables”.

In order to mitigate our exposure to credit risk, our accounting staff are responsible for conducting individual credit evaluations on our customers. Before accepting any new customer, we have assessed the potential customer’s credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year. In addition, we also (i) review the payment history and years of business relationship with us of our recurring customers according to our internal record; (ii) conduct background search on new customers in respect of their corporate history, reputation in the industry, winding-up and litigation records and job references; and (iii) take into account the current economic environment.

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We generally grant our customers a credit term of seven to 30 days from the invoice date. As at 31 December 2014, 2015, 2016 and 30 April 2017, we recorded trade receivables (net of allowance for doubtful debts and excluding unbilled revenue) of approximately S\$6.9 million, S\$5.3 million, S\$4.9 million and S\$5.8 million respectively, of which approximately S\$3.6 million, S\$2.0 million, S\$1.7 million and S\$2.3 million respectively have been past due but not impaired. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, our trade receivables turnover days in respect of our manpower outsourcing and ancillary services were approximately 66.3 days, 55.3 days, 47.9 days and 51.5 days, respectively.

To ensure timely identification of doubtful or irrecoverable debts, our financial staff would report to our chief financial officer on the collection status and ageing analysis of outstanding payments. Our accounts and finance department would conduct follow up calls with our customers for any overdue payment. Trade receivables overdue for 90 days are identified as doubtful which will have to be reviewed by our chief financial officer and, if appropriate, provisions for impairment of trade receivables will be made accordingly.

As at the Latest Practicable Date, there are four ongoing claims initiated by us against our customers for payment involving approximately S\$0.1 million. During the Track Record Period, we had commenced 46 cases against our customers in relation to recovery of payment and/or enforcement of related court orders involving claimed amounts ranging from S\$1,300 to S\$0.5 million, which were all concluded as at the Latest Practicable Date. Please refer to the paragraph headed “Litigations” in this section for further details.

(iii) Liquidity risk management

When we provide manpower outsourcing and ancillary services to customers, there are often time lags between making payments to our deployed workers and receiving payments from our customers, resulting in possible cash flow mismatch. We are normally required to settle our workers’ wages on a bi-weekly basis, while we usually issue invoices to our customers on a bi-weekly basis with a credit term granted ranging from approximately seven to 30 days after the issue of our invoices. Further, there are other costs which are typically incurred before we receive payments from customers which are therefore required to be paid from our available financial resources, such as the requisite foreign work levy and security bond as well as workers’ accommodation expenses. We also have to pay salaries to our administrative staff on a monthly basis. With our workforce of 1,455 employees as at the Latest Practicable Date and our annual aggregate staff cost (including Directors’ and chief executive’s remuneration and other staff cost) of approximately S\$28.6 million for FY2016 as well as our current liabilities of approximately S\$8.3 million as at 30 April 2017, this requires careful monitoring of our cash flows and liquidity positions in order to avoid running into any potential liquidity problem.

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For the recruitment of foreign employees, we will manage our cash outflow by ensuring that we have sufficient ongoing manpower outsourcing contracts on hand and expected job orders from customers before making any substantial recruitment.

We will also monitor our working capital to ensure that our financial obligations can be met when due, by, among other things (i) ensuring a healthy bank balances and cash for payment of our short-term working capital needs; and (ii) monitoring our trade receivables and its ageing on a monthly basis, and taking appropriate follow-up actions to ensure prompt receipt of amounts due from our customers.

(iv) Occupational health and work safety

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

(v) Quality control system

KT&T Engineers obtained the ISO 9001 certification in 2009 certifying its quality management to be in accordance with the requirements of the ISO 9001 standards.

In conformity with the ISO 9001 standards, our Group has developed and implemented a quality manual which stipulates procedures and control in relation to quality management system, communication with customers, revision on quality manual and procedures, management review meeting, employees’ training, internal and external audits, evaluation and procurement of supplies and non-conforming works management.

Key personnel responsible for our overall quality assurance is Mr. Kuah, our executive Director and our chief executive officer. For details of his biographical information, please refer to the section headed “Directors and Senior Management” in this prospectus.

The quality control measures adopted by our Group in respect of our foreign employees include the following:

Service quality

We conduct regular evaluation on our foreign employees’ performance. Our site operations team conducts routine inspection at the relevant work sites to ascertain our customers’ satisfaction with the service quality of our deployed employees. Further, our sales manager will usually make follow-up telephone calls to our customers shortly after the deployment to obtain their feedbacks, and attend to the complaints received from our customers, if any. Based on the evaluation results, we will determine whether we will terminate and/or renew the employments of our foreign employees upon their expiry.

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Daily management

While our foreign employee are under the supervision and control of our customers during their deployment, we generally require our customers to give a series of undertakings to us regarding the management of our deployed workers. For details, please refer to the paragraph headed “Our customers – Principal terms of engagement – In relation to our manpower outsourcing and ancillary services” in this section. Further, in the employment contracts with our foreign employees, we typically require them to closely follow our in-house dormitory rules, report to work on time as required by us and accept our assignment of jobs at different work sites of our customers from time to time.

Trainings

We provide in-house trainings to our foreign employees on rebarring and other general construction works and arrange some of them to attend external training courses on specialised construction works. We also provide briefings to our deployed employees on their service standard and work safety measures before the commencement of works.

(vi) Environmental compliance

Our business operation is subject to certain environmental requirements pursuant to the laws in Singapore, including primarily those in relation to water pollution of our self-operated dormitories and the cleanliness of our workplace under the Environmental Public Health Act. For details of the regulatory requirements, please refer to the section “Regulatory overview” in this prospectus.

We are committed to minimise any adverse impact on the environment resulting from our business activities. In November 2016, Nichefield received an award from the Water Supply (Network) Department of Singapore’s National Water Agency for running the Woodlands Dormitory as a water efficient (basic) building. Further, in order to comply with the applicable environmental protection laws, we have established an environmental management system, which includes measures and work procedures governing environmental protection compliance that are required to be followed by our employees, including but not limited to, (i) classification of waste materials, (ii) packing of waste materials with fitting covers which are in line with National Environmental Agency’s recommendations, and (iii) internal policies on water and energy conservation. In addition, we have engaged third party service providers to perform pest control at our self-operated dormitories from time to time during the Track Record Period.

For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, we incurred approximately S\$10,000, S\$18,000, S\$26,000 and S\$14,000, respectively, in relation to compliance with applicable environmental rules and regulations, which primarily

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consisted of waste disposal charges. We estimate that our annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with our business growth.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

(vii) Supplier concentration risk

Please refer to the paragraph headed “Our Suppliers – Supplier concentration” in this section.

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

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

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

We have our two self-operated dormitories and our own lorries, which enable us to house some of our foreign workers and arranges transportation for them to and from their respective work sites. This enables us to be closely informed about the whereabouts and conduct of our foreign employees from time to time. Further, in our manpower outsourcing contracts, we generally require our customers to undertake to us that they will (i) return our workers to us once their services are no longer required, and (ii) inform us if our workers are missing. In addition, all individuals entering or exiting our self-operated dormitories are required to register with our dormitory staff.

In addition, under our typical employment contracts, we forbid our foreign employees from committing any gross misconduct and working for anyone other than our Group without our consent, failing which their employments will be determined.

(ix) Corporate governance measures

Our Company will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely, the audit committee, the nomination committee and the remuneration committee, with

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respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors and senior management – Board committees” in this prospectus. In particular, one of the primary duties of our audit committee is to review the effectiveness of our Company’s internal audit activities, internal controls and risk management systems. Our audit committee consists of all three of our independent non-executive Directors, whose backgrounds and profiles are set out in the section headed “Directors and senior management” in this prospectus.

In addition, to avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with Controlling Shareholders – Corporate governance measures” in this prospectus.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after Listing.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The following table sets out the information regarding our Directors:

Name	Age	Present Position	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. KUAH Ann Thia (柯安錠)	44	Chairman of the Board, executive Director and chief executive officer	14 February 2017	16 May 2006	Overall business development as well as financial and strategic planning of our Group	Spouse of Ms. Akiko Koshiishi
Ms. Dolly HWA Ai Kim (Dolly KE Aijin)(柯愛金)	44	Executive Director and general manager	31 March 2017	1 September 2007	Overall management of our business operation and supervision	Nil
Mr. ONG Shen Chieh (WANG Shengjie) (王聖潔)	40	Independent non-executive Director	26 September 2017	26 September 2017	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil
Mr. LAU Kwok Fai Patrick (劉國輝)	44	Independent non-executive Director	26 September 2017	26 September 2017	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil
Mr. LAM Raymond Shiu Cheung (林兆昌)	51	Independent non-executive Director	26 September 2017	26 September 2017	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil

Executive Directors

Mr. KUAH Ann Thia (柯安錠), aged 44, is the chairman of our Board, an executive Director, our chief executive officer and a Controlling Shareholder. He is responsible for the overall business development as well as financial and strategic planning of our Group. He is also a director of each of Real Value, Harbour Gold, Leading Elite, Priceless Developments, Promising Elite, Accenovate Consulting, Accenovate Engineering, Kanon Global, Keito Engineering, KT&T Engineers, KT&T Global, KT&T Resources, Nichfield and Tenshi Resources.

Prior to founding our Group, Mr. Kuah had worked as a managing director in two construction companies and had five years of experience in the building and construction industry in Singapore. Since becoming a director of Accenovate Consulting on 16 May 2006, Mr. Kuah has been managing our business for more than 10 years.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kuah obtained a degree of Bachelor of Science from the State University of New York at New Paltz in December 1997. He further obtained a degree of Master of Business Administration (Business Administration) from the California State University, Hayward in June 2002 through a distance-learning programme.

Mr. Kuah was previously a director of each of the following companies prior to their respective dissolution and such companies were solvent at the time of dissolution:

Name of company	Place of incorporation	Date of dissolution	Means and reason of dissolution
Accenovate Consulting (M) Sdn. Bhd.	Malaysia	22 August 2017	Dissolved by Registrar due to cessation of business
Accenovate Technology Sdn. Bhd.	Malaysia	24 February 2017	Dissolved by Registrar due to cessation of business
B-Products Trading (S) Pte. Ltd.	Singapore	12 March 2014	Striking off by voluntary application due to cessation of business (<i>Note</i>)
Jda Construction Pte Ltd	Singapore	12 January 2012	Striking off by voluntary application due to cessation of business (<i>Note</i>)
Kenta Training & Testing Services Pte. Ltd.	Singapore	7 August 2017	Striking off by voluntary application due to cessation of business (<i>Note</i>)
Labour Solutions Pte. Ltd.	Singapore	7 August 2017	Striking off by voluntary application due to cessation of business (<i>Note</i>)
Tegar Gemilang Sdn Bhd	Malaysia	15 March 2011	Dissolved by Registrar due to cessation of business
Tiara Construction Pte Ltd	Singapore	9 May 2011	Striking off by voluntary application due to cessation of business (<i>Note</i>)
Tiara Global Pte. Ltd.	Singapore	4 September 2017	Striking off by voluntary application due to cessation of business (<i>Note</i>)
Tiara Projects International Pte. Ltd.	Singapore	18 June 2005	Striking off by voluntary application due to cessation of business (<i>Note</i>)
Tiara Recruitment Pte. Ltd.	Singapore	9 May 2011	Striking off by voluntary application due to cessation of business (<i>Note</i>)

DIRECTORS AND SENIOR MANAGEMENT

Note: The Companies Act provides that the Registrar of Companies in Singapore has the powers to strike a company off the register maintained by the Registrar, if the Registrar has reasonable cause to believe that a company is not carrying out business or is not in operation or on voluntary application by the company or its directors.

Mr. Kuah was previously the owner of each of the following entities prior to their respective dissolution and such entities were solvent at the time of dissolution:

Name of entity	Place of registration	Date of dissolution	Means and reasons of dissolution
Vic3.Com	Singapore	14 September 2001	Cancelled due to cessation of business (<i>Note 1</i>)
Haku Ryu Holdings	Singapore	21 September 2005	Terminated due to cessation of business (<i>Note 2</i>)

Notes:

1. Vic3.com did not renew its business registration and its status of business registration was accordingly cancelled.
2. Haku Ryu Holdings gave notice of termination of business to the Registrar and its status of business registration was accordingly terminated.

Mr. Kuah confirmed that there is no wrongful act on his part leading to the above dissolution of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of the abovementioned companies.

Mr. Kuah is the spouse of Mrs. Kuah, who is a member of our senior management. Save as disclosed above, Mr. Kuah has no relationship with any Directors, senior management, Substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date.

Mr. Kuah has not held any directorship in any publicly listed company in the past three years preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Dolly HWA Ai Kim (also known as Ms. Dolly KE Aijin)(柯愛金), aged 44, is an executive Director and our general manager. Ms. Hwa is mainly responsible for the overall management of our business operation and supervision.

Prior to joining our Group, Ms. Hwa had worked as a sales representative in various construction companies for over five years. Since joining our Group as the general manager of KT&T Engineers in September 2007, she has accumulated more than 10 years of experience in our business and operations.

Ms. Hwa obtained a diploma in mechanical engineering from Ngee Ann Polytechnic in Singapore in August 1993.

Ms. Hwa has not held any directorship in any publicly listed company in the past three years preceding the Latest Practicable Date.

Independent non-executive Directors

Mr. ONG Shen Chieh (also known as Mr. WANG Shengjie)(王聖潔), aged 40, was appointed as our independent non-executive Director on 26 September 2017. Mr. Ong is the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee. He obtained a degree of Bachelor of Science (Real Estate) from the National University of Singapore in July 2001.

Mr. Ong has over 10 years of experience in corporate finance, private equity and merger and acquisitions. From May 2006 to August 2008, Mr. Ong worked at Provenance Capital Pte Ltd at which his last position was manager. From August 2008 to February 2012, Mr. Ong worked at EV Capital Pte Ltd at which his last position was vice-president. From March 2012 to February 2016, Mr. Ong worked as a senior manager and the head of new business development department of ORIX Leasing Singapore Limited. He is currently a director of Sakal Investments Limited.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ong was previously a director of each of the companies shown in the table below prior to their respective dissolution and such entities were solvent at the time of dissolution:

Name of entity	Place of incorporation	Date of dissolution	Means and reasons of dissolution
Apec Business Centre Pte. Ltd.	Singapore	29 December 2008	Striking off by voluntary application due to cessation of business (<i>Note 1</i>)
Global School of Professional Training Pte. Ltd.	Singapore	28 July 2006	Striking off by voluntary application due to cessation of business (<i>Note 1</i>)
Quickfix Machinery And Trading Pte. Ltd.	Singapore	29 December 2011	Striking off by voluntary application due to cessation of business (<i>Note 1</i>)
TJZ Holdings Pte. Ltd.	Singapore	21 April 2015	Striking off by voluntary application due to cessation of business (<i>Note 1</i>)

Note:

- The Companies Act provides that the Registrar of Companies in Singapore has the powers to strike a company off the register maintained by the Registrar, if the Registrar has reasonable cause to believe that a company is not carrying out business or is not in operation or on voluntary application by the company or its directors.

Mr. Ong was previously the owner of the following entity prior to its dissolution and such entity was solvent at the time of dissolution:

Name of entity	Place of registration	Date of dissolution	Means and reasons of dissolution
Ace Line Investments	Singapore	3 May 2010	Cancelled due to cessation of business (<i>Note 1</i>)

Note:

- Ace Line Investments did not renew its business registration and its status of business registration was accordingly cancelled.

Mr. Ong confirmed that there is no wrongful act on his part leading to the above dissolution of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of the abovementioned companies.

Mr. Ong is currently an executive director of P99 Holdings Limited, the shares of which are listed on the Catalist of the Singapore Exchange Securities Trading Limited (stock code: 5UV.SI). He is also currently an independent non-executive director of Eindex Corporation Limited, the shares of which are listed on the Catalist of the Singapore Exchange Securities

DIRECTORS AND SENIOR MANAGEMENT

Trading Limited (stock code: 42Z.SI), and Elec & Eltek International Company Limited, the shares of which are dually listed on the Main Board of the Stock Exchange (stock code: 1151) and on the main board of the Singapore Exchange Securities Trading Limited (stock code: E16.SI). Save as disclosed above, Mr. Ong has not held any directorship in any publicly listed company in the past three years preceding the Latest Practicable Date.

Mr. LAU Kwok Fai Patrick (劉國輝), aged 44, was appointed as our independent non-executive Director on 26 September 2017. He is also the chairman of the audit committee and a member of each of the nomination committee and the remuneration committee.

Mr. Lau obtained a diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He later obtained a degree in Master of Science in Corporate Governance and Directorship from Hong Kong Baptist University in November 2014. Mr. Lau has been a member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since 31 December 2002 and July 2003, respectively. He also obtained a HKICPA diploma in insolvency awarded by the Hong Kong Institute of Certified Public Accountants in November 2004.

Mr. Lau has more than 15 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. From December 1997 to April 1999, Mr. Lau served as an associate in Pricewaterhouse Coopers Ltd. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager. From July 2011 to June 2016, Mr. Lau served in various positions, including deputy general manager, financial controller and company secretary, in China City Railway Transportation Technology Holdings Company Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange during May 2012 to December 2013 (stock code: 8240) and the listing of the shares was transferred to the Main Board since December 2013 (stock code: 1522).

Mr. Lau has not held any directorship in any publicly listed company in the past three years preceding the Latest Practicable Date.

Mr. LAM Raymond Shiu Cheung (林兆昌), aged 51, was appointed as our independent non-executive Director on 26 September 2017. Mr. Lam is the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee.

Mr. Lam obtained a Master's Degree in Applied Finance from Macquarie University of Australia in September 1994. Mr. Lam has over 7 years of experience in business development. From 2009 to 2012, he was the deputy chief executive officer of China Eco-Farming Limited (Stock Code: 8166), a company listed on Growth Enterprise Market of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam was previously a director of each of the following companies prior to the respective dissolution and such companies were solvent at the time of dissolution:

Name of company	Place of incorporation	Date of dissolution	Means and reasons of dissolution
Asia Linkage Limited	Hong Kong	29 April 2005	Deregistration due to cessation of business (<i>Note 1</i>)
Linefan Technology Holdings Limited	Hong Kong	3 December 2010	Deregistration due to cessation of business (<i>Note 1</i>)

Note:

1. The Predecessor Companies Ordinance provides that the Registrar of Companies in Hong Kong has the Powers to deregister a company on application, if the company has ceased to carry on business or ceased operation for at least 3 months prior to the application.

Mr. Lam confirmed that there is no wrongful act on his part leading to the above dissolutions of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of the abovementioned companies.

Mr. Lam is currently an executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Lam is currently an independent non-executive director of Chinese Strategic Holdings Limited (Stock Code: 8089), China Assurance Finance Group Limited (Stock Code: 8090) and Yin He Holdings Limited (previously known as Zebra Strategic Holdings Limited) (stock code: 8260), all of which are listed on Growth Enterprise Market of the Stock Exchange. He also was an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145), a company listed on the Main Board of the Stock Exchange, for the period from February 2012 to June 2014. Save as disclosed above, Mr. Lam has not held any directorship in any publicly listed company in the past three years preceding the Latest Practicable Date.

Composition of our independent non-executive Directors in the Board

Having considered the background and qualifications of our independent non-executive Directors (“INEDs”), our executive Directors are of the view, and the Sponsor concurs, that although the INEDs do not possess any prior experience in the foreign construction manpower outsourcing service industry in Singapore, this would not affect their ability to contribute to our Group upon Listing based on the following factors:

- (i) each of the INEDs has taken up service on the audit committee, nomination committee and remuneration committee, which indicates their commitment to contribute to the supervision of our Group’s overall management;

DIRECTORS AND SENIOR MANAGEMENT

- (ii) each of the INEDs possesses prior experience in the management of listed companies in Hong Kong and/or Singapore as mentioned above. Our executive Directors consider that the appointment of the INEDs will enable our Group to tap into the insight and experience from their positions in other listed companies and strengthen our internal control and corporate governance; and
- (iii) each of the INEDs has extensive knowledge and experience in their own fields of business as mentioned above. Mr. Ong Shen Chieh has over 10 years of experience in corporate finance, private equity and merger and acquisition. Mr. Lau Kwok Fai Patrick has more than 15 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. Mr. Lam Raymond Shiu Cheung has over 7 years of experience in business development. Our executive Directors consider that the appointment of the INEDs will contribute to the performance function of the Board by bringing in their general and/or specialist knowledge, experience, expertise, insights and their access to relevant information from their parties and/or their personal and professional connection. Therefore, our executive Directors are of the view that their knowledge and experience will assist our Group in strategy formulation, business development and risk management.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; and (ii) had no other relationship with any Directors, senior management, Controlling Shareholders or Substantial Shareholders of our Company as at the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed “Substantial Shareholders” and the section headed “C. Further information about Substantial Shareholders, Directors and experts – 1. Disclosure of Interests” in Appendix V to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out certain information concerning the senior management of our Group:

Name	Age	Position	Date of joining our Group	Roles and responsibilities	Relationship with Director(s)/or other senior management
Ms. Akiko KOSHIISHI	40	Head of administrative department	May 2006	Overseeing our Group's administrative matters	Spouse of Mr. Kuah
Mr. Kelvin HO Kim Leng (Kelvin HE Jinlong) (何金龍)	41	Chief financial officer	December 2016	Overseeing our Group's financial reporting, financial planning, treasury and financial control matters	Nil
Mr. GOH Wee How Stephen (WU Weihao)(吳偉豪)	35	Head of sales and business development department	August 2013	Overseeing our Group's sales and business development department and responsible for strategic deployment of employees	Nil
Ms. TEO Hong Eng (張鳳英)	49	Dormitory and transport Manager	October 2008	Overseeing our Group's operation of dormitory and logistic arrangement	Nil

Ms. Akiko KOSHIISHI, aged 40, is the head of administrative department of our Group and is responsible for overseeing our Group's administrative matters. She is also a director of each of Accenovate Engineering, Kanon Global, KT&T Engineers and Nichefield. Since joining our Group in May 2006, Mrs. Kuah has accumulated more than 10 years of experience in our Group's operations. Mrs. Kuah obtained an associate degree from the Department of English Language and Literature of Komazawa Women's Junior College in March 1997.

Mrs. Kuah was previously a director of the following company prior to its dissolution and such company was solvent at the time of dissolution:

Name of company	Place of incorporation	Date of dissolution	Means and reasons of dissolution
Tiara Global Pte Ltd	Singapore	4 September 2047	Striking off pursuant to voluntary application due to cessation of business (Note)

DIRECTORS AND SENIOR MANAGEMENT

Note: The Companies Act provides that the Registrar of Companies in Singapore has the powers to strike a company off the register maintained by the Registrar, if the Registrar has reasonable cause to believe that a company is not carrying out business or is not in operation or on voluntary application by the company or its directors.

Mrs. Kuah confirmed that there is no wrongful act on his part leading to the above dissolution and she is not aware of any actual or potential claim which has been or will be made against her as a result of the dissolution of the abovementioned company.

Mrs. Kuah has not held any directorship in any publicly listed company in the past three years preceding the Latest practicable Date. Mrs. Kuah is the spouse of Mr. Kuah, who is a Controlling Shareholder, an executive Director, chief executive officer and chairman of our Board.

Mr. Kelvin HO Kim Leng (also known as Mr. Kelvin HE Jinlong)(何金龍), aged 41, is the chief financial officer of our Group, and is responsible for overseeing our group's financial reporting, financial planning, treasury and financial control matters. He joined our Group as the chief financial officer in December 2016.

Mr. Ho graduated from Royal Melbourne Institute of Technology with a degree in Bachelor of Business (Accountancy) in August 2002 through a distance-learning programme. He was admitted as an associate of the CPA Australia in September 2003.

Mr. Ho has over 10 years working experience in accounting and finance field. He joined Genesis Capital Pte. Ltd. as an associate in December 2006 and left the company in March 2010 as an assistant manager. He joined at Daiwa Capital Markets Singapore Limited as a manager of the investment banking department in April 2010 and he left the company in June 2011. Mr. Ho was subsequently employed by Powerland AG, a company listed on Prime Standard of Frankfurt Stock Exchange as deputy chief financial officer in July 2012 and left the company in March 2013 at which his last position was chief financial officer. Mr. Ho worked as the investor relations officer* (投資者公共關係官) for Yamada Green Resources Limited, a company listed on the main board of Singapore Exchange Securities Trading Limited (stock code: BJV.SI), from January 2014 to June 2014. He was employed by Changjiang Fertiliser Holdings Limited, a company listed on the main board of Singapore Exchange Securities Trading Limited (stock code: JA9.SI), as chief financial officer from July 2014 to November 2015. Immediately prior to joining our Group, Mr. Ho served as chief financial officer for Attilan Group Limited, a company listed on the main board of Singapore Exchange Securities Trading Limited (stock code: 5ET.SI), from November 2015 to December 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho was previously a director of the following company prior to its dissolution and such company was solvent at the time of dissolution:

Name of company	Place of incorporation	Date of dissolution	Means and reasons of dissolution
Ripple Solution Pte. Ltd.	Singapore	6 November 2009	Striking off by voluntary application due to cessation of business (<i>Note 1</i>)

Note:

1. The Companies Act provides that the Registrar of Companies in Singapore has the powers to strike a company off the register maintained by the Registrar, if the Registrar has reasonable cause to believe that a company is not carrying out business or is not in operation or on voluntary application by the company or its directors.

Mr. Ho was previously the owner of the following entity prior to its dissolution and such entity was solvent at the time of dissolution:

Name of entity	Place of registration	Date of dissolution	Means and reasons of dissolution
Crooked Line	Singapore	3 February 2013	Cancelled due to cessation of business (<i>Note 1</i>)

Note:

1. Crooked Line did not renew its business registration and its status of business registration was accordingly cancelled.

Mr. Ho confirmed that there is no wrongful act on his part leading to the above dissolution of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of the abovementioned companies.

Mr. Ho has not held any directorship in any publicly listed company in the past three years preceding the Latest Practicable Date.

Mr. GOH Wee How Stephen (also known as Mr. WU Weihao)(吳偉豪), aged 35, is the head of sales and business development department of our Group, and is responsible for strategic deployment of employees and overseeing our Group's sales and business development department. Mr. Goh joined our Group as an accounts manager in August 2013 and has been promoted to the position of the head of sales and business development department in March 2016.

Mr. Goh obtained his degree of Bachelor of Science (Education) from Nanyang Technological University in June 2007.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Goh has not held any directorship in any publicly listed company in the past three years preceding the Latest Practicable Date.

Ms. TEO Hong Eng (張鳳英), aged 49, is the dormitory and transport manager of our Group, and is responsible for overseeing our Group's operation of dormitory and logistic arrangement. She joined our Group as an accounts manager in October 2008, and has been promoted to the position of dormitory and transport manager in January 2015.

Ms. Teo graduated from Ngee Ann Polytechnic obtaining a diploma in accountancy in August 1990.

Ms. Teo has not held any directorship in any publicly listed company in the past three years preceding the Latest Practicable Date.

COMPANY SECRETARY

Mr. KWOK Siu Man (郭兆文) was appointed as the company secretary of our Company on 26 September 2017. Mr. Kwok is a director of Boardroom Corporate Services (HK) Limited and Boardroom Share Registrars (HK) Limited and is responsible for providing corporate secretarial services to listed company clients. He has over 25 years of experience in corporate secretarial field.

Mr. Kwok is a fellow member of each of The Institute of Chartered Secretaries and Administrators, The Institute of Financial Accountants, The Hong Kong Institute of Chartered Secretaries (previously known as The Hong Kong Institute of Company Secretaries) and The Hong Kong Institute of Directors. Mr. Kwok obtained a degree of Bachelor of Arts in Accountancy from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in November 1994.

Mr. Kwok was an independent non-executive director of Grand Ocean Advanced Resources Company Limited (previously known as DeTeam Company Limited) (stock code: 65), a company listed on the Main Board of the Stock Exchange, for the period from February 2015 to February 2016, and has been an independent non-executive director of Tak Lee Machinery Holdings Limited (stock code: 8142), a company listed on the Growth Enterprise Market of the Stock Exchange since 27 July 2017. Save as disclosed above, Mr. Kwok has not held any directorship in any public listed company in the past three years preceding the Latest Practicable Date.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of director fees, salaries and discretionary bonuses with reference to those paid by comparable companies, their time commitment and the performance of our Group. Our Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of remuneration paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

After Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, time devoted to our Group and the performance of our Group.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

For FY2014, FY2015, FY2016 and the four months ended 30 April 2017, the aggregate emoluments (including fees, salary, discretionary bonus, benefits in kind and retirement benefit scheme contributions) paid or payable by our Group to our Directors were S\$1,069,843, S\$1,054,066, S\$977,574 and S\$313,104, respectively.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
Executive Directors	
Mr. KUAH Ann Thia	4,776,000
Ms. Dolly HWA Ai Kim	577,000
Independent non-executive Directors	
Mr. ONG Shen Chieh	120,000
Mr. LAU Kwok Fai Patrick	120,000
Mr. LAM Raymond Shiu Cheung	120,000

The remuneration in respect of our Group's five highest paid individuals (excluding our two executive Directors) during the Track Record Period are as follows:

	FY2014	FY2015	FY2016	For the four months ended 30 April 2017
	S\$	S\$	S\$	S\$
Salaries and allowances	803,337	717,151	698,814	124,188
Discretionary bonus	24,825	28,121	24,501	4,436
Contribution to retirement benefits scheme	<u>98,436</u>	<u>105,552</u>	<u>111,620</u>	<u>17,074</u>
Total	<u><u>926,598</u></u>	<u><u>850,824</u></u>	<u><u>834,935</u></u>	<u><u>145,698</u></u>

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no emoluments/remuneration were paid by our Group to any of our Directors or any of the above five highest paid individuals as (i) an inducement to join or upon joining our Group or (ii) as compensation for loss of office as a director or management of any members of our Group.

There was no arrangement under which any of our Directors waived or agreed to waive any remuneration during the Track Record Period.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Articles and the Listing Rules, we have formed three board committees, namely the audit committee, the nomination committee and the remuneration committee.

Audit committee

Our Company established an audit committee on 26 September 2017 in compliance with Rule 3.21 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our audit committee are (i) to make recommendations to our Board on the appointment and removal of external auditors; (ii) to review the financial statements; (iii) to review the effectiveness of our Company's internal audit activities, internal controls and risk management systems; and (iv) to develop and implement policy on engaging external auditor to supply non-audit services.

Our audit committee currently consists of all three of our independent non-executive Directors, namely Mr. Lau Kwok Fai Patrick, Mr. Ong Shen Chieh and Mr. Lam Raymond Shiu Cheung. Mr. Lau Kwok Fai Patrick is the chairman of our audit committee.

Remuneration committee

Our Company established a remuneration committee on 26 September 2017 in compliance with Rule 3.25 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our remuneration committee are (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) to review and make recommendations to our Board on other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) to review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration.

Our remuneration committee currently consists of all three of our independent non-executive Directors, namely Mr. Lau Kwok Fai Patrick, Mr. Ong Shen Chieh and Mr. Lam Raymond Shiu Cheung. Mr. Ong Shen Chieh is the chairman of our remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination committee

Our Company established a nomination committee on 26 September 2017 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The primary duties of our nomination committee are (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors; and (v) to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our nomination committee currently consists of all three of our independent non-executive Directors, namely Mr. Lau Kwok Fai Patrick, Mr. Ong Shen Chieh and Mr. Lam Raymond Shiu Cheung. Mr. Lam Raymond Shiu Cheung the chairman of our nomination committee.

CORPORATE GOVERNANCE

Our Company is committed to high standards of corporate governance with a view to safeguarding the interest of the Shareholders. To accomplish this, our Company will comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules after Listing, save and except for code provision A.2.1 in relation to the segregation of the roles of chairman and chief executive, as further explained in the paragraph headed “Non-segregation of the roles of chairman and chief executive” below in this section.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports after Listing.

COMPLIANCE ADVISER

We have agreed to appoint Dakin Capital Limited to be our compliance adviser upon Listing on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance adviser’s agreement with the compliance adviser, the material terms of which are as follows:

- the term of appointment of the compliance adviser will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 December 2018), or until the agreement is terminated, whichever is earlier;

DIRECTORS AND SENIOR MANAGEMENT

- the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- our Company will consult with and, if necessary, seek advice from Dakin Capital Limited as our compliance adviser in the following circumstances:
 - (1) before the publication of any regulatory announcement, circular or financial report;
 - (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (3) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our company deviate from any forecast, estimate, or other information in this prospectus; and
 - (4) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules; and
- the compliance adviser will serve as a channel of communication with the Stock Exchange.

NON-SEGREGATION OF THE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

Mr. Kuah has been managing our Group's business and our overall financial and strategic planning since May 2006. The Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Kuah is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three independent non-executive Directors which represents over half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, our Company has not segregated the roles of our chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 14 to the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, each of Mr. Kuah and Mighty One will control more than 30% of our issued share capital, irrespective of whether the Over-allotment Option is exercised partially or fully, or at all. For the purpose of the Listing Rules, Mr. Kuah and Mighty One are our Controlling Shareholders. Mighty One is an investment holding company and has not commenced any substantive business activities as at the Latest Practicable Date. Each of Mr. Kuah and Mighty One confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. The non-trade and trade related amounts due to or from our Controlling Shareholder, Mr. Kuah, or companies controlled by him, will be fully settled before Listing. Our Group has procured the release of all guarantees provided to us by Mr. Kuah and his associates before the Listing. Our Group has sufficient capital to operate our business independently, and has adequate internal resources and credit profile to support our daily operations.

(ii) Operational independence

On the basis of the following reasons, our Directors consider that our Group will continue to be operationally independent from our Controlling Shareholders or other companies controlled by our Controlling Shareholders:

- (a) our Group has established our own organisational structure made of individual departments, each with specific areas of responsibilities;
- (b) our Group did not share our operational resources, such as suppliers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates during the Track Record Period;
- (c) our Group has also established a set of internal control measures to facilitate the effective operation of our business;
- (d) our Group's customers and suppliers are all independent from our Controlling Shareholders;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (e) our Group does not rely on our Controlling Shareholders or their close associates and has our independent access to customers and suppliers; and
- (f) our Group is the holder of all relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently.

(iii) Independence of management

On the basis of the following reasons, our Directors consider that our Directors and members of the senior management of our Group are able to manage the business independently from our Controlling Shareholders:

- (a) with three independent non-executive Directors out of a total of five Directors in our Board, which complies with the requirements under the Listing Rules, there will be a sufficiently robust and independent voice within the Board to counterbalance any situation involving a conflict of interest and protect the interests of the independent Shareholders;
- (b) all of our senior management members are full-time employees of our Group and most of them have, during the entire or most of the Track Record Period, undertaken senior management supervisory responsibilities in our business. The responsibilities of the senior management team include managing operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategies of our Group. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders;
- (c) each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Shareholders and our Company as a whole and does not allow any conflict between his/her duties as a Director and his personal interests to affect the performance of his/her duties as a Director;
- (d) connected transactions (if any) between our Company and companies controlled by our Controlling Shareholders are subject to the rules and regulations under the Listing Rules including rules relating to announcement, reporting and independent Shareholders' approval requirements (where applicable); and
- (e) a number of corporate governance measures is in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders, and to safeguard the interests of the independent Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Having considered the aforesaid factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates.

(iv) Independence of major suppliers

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

(v) Independence of major customers

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

RULE 8.10 OF THE LISTING RULES

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

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group, the Covenantors have executed the Deed of Non-Competition on 26 September 2017 in favour of our Company (for itself and for the benefit of each other member of our Group). Pursuant to the Deed of Non-Competition, during the period that the Deed of Non-Competition remain effective, each of the Covenantors irrevocably and unconditionally undertakes to our Company (for itself and for the benefit of each other member of our Group) that he/it shall not, and shall procure his or its close associates (other than the members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group and such other business activity our Group may engage in from time to time.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective close associates to, give our Company notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal. Within 30 days after receipt of written notice concerning offer of such business opportunities from the Covenantor(s) or his/its close associate(s), we shall notify the Covenantor(s) whether we intend to accept the offer. If we decline any such offer, the Covenantor(s) and/or his/its close associate(s) shall then be allowed to acquire the business opportunities offered on terms no more favorable than those offered to us.

The Deed of Non-Competition is conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares; and
- (ii) the fulfilment of the conditions precedent under the Underwriting Agreements (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreements not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deed of Non-Competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-Competition.

The Deed of Non-Competition shall terminate when (i) a Covenantor whether individually or taken together with his or its close associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Each of the Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and our Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-Competition for inclusion in the annual report of our Company;
- (ii) the Board is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that the independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of the independent non-executive Directors are set out in the section headed “Directors and senior management” in this prospectus;
- (iii) our Company has appointed Dakin Capital Limited as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls;
- (iv) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition; and
- (v) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-Competition; and (ii) all the decisions taken in relation to whether to pursue new opportunity under the Deed of Non-Competition. Findings of such review will be disclosed in our annual report after the Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the arrangements under the Stock Borrowing Agreement), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares held/ Interested in immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of Shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mighty One	Beneficial owner	922,500,000	75%
Mr. Kuah	Interest of a controlled corporation (<i>Note 1</i>)	922,500,000	75%
Mrs. Kuah	Interest of spouse (<i>Note 2</i>)	922,500,000	75%

Note:

1. Mr. Kuah beneficially owns 100% of the issued share capital of Mighty One. Therefore, Mr. Kuah is deemed, or taken to be, interested in all our Shares held by Mighty One for the purpose of the SFO. Mr. Kuah is the sole director of Mighty One.
2. Mrs. Kuah is the spouse of Mr. Kuah. Accordingly, Mrs. Kuah is deemed, or taken to be, interested in all our Shares in which Mr. Kuah is interested.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the arrangements under the Stock Borrowing Agreement), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

SHARE CAPITAL

SHARE CAPITAL

Assuming that the Over-allotment Option is not exercised, the share capital of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>	<i>HK\$</i>
<u>1,000</u> Shares in issue at the date of this prospectus	<u>10</u>
<u>1,029,999,000</u> Shares to be issued pursuant to the Capitalisation Issue	<u>10,299,990</u>
<u>200,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
<u>1,230,000,000</u> Total	<u>12,300,000</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>	<i>HK\$</i>
<u>1,000</u> Shares in issue at the date of this prospectus	<u>10</u>
<u>1,029,999,000</u> Shares to be issued pursuant to the Capitalisation Issue	<u>10,299,990</u>
<u>200,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
<u>46,125,000</u> Shares to be issued pursuant to the Over-allotment Option	<u>461,250</u>
<u>1,276,125,000</u> Total	<u>12,761,250</u>

SHARE CAPITAL

RANKING

The Offer Shares will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 26 September 2017, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 1,029,999,000 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the close of business on 27 September 2017 (or as they may direct) in proportion to their/its/his/her shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$10,299,990 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer – Conditions of the Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate number of our Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
- (b) the aggregate number of our Shares repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the Over-allotment Option. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;

SHARE CAPITAL

- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company – 3. Written resolutions of our Sole Shareholder passed on 26 September 2017” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognized by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the number of our Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed “A. Further information about our Company – 3. Written resolutions of our Sole Shareholder passed on 26 September 2017” and headed “A. Further information about our Company – 4. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE OPTIONS

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

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.

FINANCIAL INFORMATION

The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's combined financial information as at and for each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, including the notes thereto, included in Appendix I to this prospectus. The financial statements have been prepared in accordance with IFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this prospectus.

1. OVERVIEW

We mainly provide manpower outsourcing and ancillary services to building and construction contractors in Singapore, which involves (i) recruiting, employing, training and remunerating foreign workers from Bangladesh and India as our employees in Singapore, and (ii) deploying them to perform various construction works of different construction trades at the work sites designated by our customers in Singapore. To a lesser extent, we also provide dormitory services, IT services and construction ancillary services in Singapore.

Our revenue represents income derived from providing manpower outsourcing and ancillary services, rental income derived from the operation of our Woodlands Dormitory, and other service income derived from providing IT services and construction ancillary services. During the Track Record Period, over 80% of our Group's revenue was derived from our business of providing manpower outsourcing and ancillary services.

Our cost of services mainly include foreign workers' wages and salaries, foreign workers levy, rental cost for the land in relation to the Woodlands Dormitory, and staff salaries, bonuses and allowances for staff (other than foreign workers) who are directly involved in the provision of our services. In respect of our business of providing manpower outsourcing and ancillary services, we recruited most of our foreign employees through candidate referrals from certain Overseas Testing Centres in Bangladesh and India. As stated in the Ipsos Report, it is an industry practice that the Overseas Testing Centres charge each successful candidate a fixed referral fee, while employers (such as our Group) are not required to pay any referral fee or commission to the Overseas Testing Centres.

FINANCIAL INFORMATION

2. KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations may be affected directly or indirectly by a number of factors which include those discussed below.

2.1 The condition and outlook of the construction industry in Singapore

We mainly provide manpower outsourcing and ancillary services to building and construction contractors in Singapore. As disclosed in the section headed “Industry Overview” in this prospectus, the demand for manpower outsourcing service providers in Singapore is affected by developments in the Singapore construction industry. When the construction industry in Singapore is growing and prospects of the construction industry strengthens, construction contractors in Singapore (i.e. our customers) will generally require more manpower to meet the increasing demand for construction activities. When the construction industry is declining, demand for foreign manpower by our customers may decrease.

For instance, the revenue, gross profit and gross profit margin of our manpower outsourcing and ancillary services business decreased from approximately S\$39.8 million, S\$13.1 million and 33.1% respectively in FY2015 to approximately S\$38.0 million, S\$12.2 million and 32.2% respectively in FY2016, mainly as a result of, in the opinion of our Directors, the slowdown of the construction industry in Singapore. Any significant slowdown or material adverse development of the Singapore construction industry may adversely affect the demand for foreign workers from our customers and/or the prevailing market rate for manpower outsourcing services in respect of foreign construction workers in Singapore, which, in turn, may affect our Group’s business, financial condition and results of our operations.

2.2 Foreign workers’ wages and salaries

Foreign workers’ wages and salaries is one of the most significant components of our cost of services. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, our foreign workers’ wages and salaries amounted to approximately S\$8.4 million, S\$8.4 million, S\$8.7 million and S\$3.0 million respectively, representing 29.8%, 27.4%, 29.4% and 29.7% of our cost of services for the respective years/period.

Our foreign workers’ wages and salaries may be affected by a number of factors, such as the general labour market conditions and labour supply in Bangladesh and India, the general economy and the construction industry environment in Singapore, and the demand for foreign construction workers from Bangladesh and India by contractors based in Singapore and in other places.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our foreign workers' wages and salaries on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 1.2% and 15.7%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average monthly basic wages of foreign workers in the construction industry in Singapore as shown in the Ipsos Report (see the paragraph headed "Industry Overview – Wages in the construction industry in Singapore" in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

**Hypothetical fluctuations in
our foreign workers' wages
and salaries**

	-1.2%	-15.7%	+1.2%	+15.7%
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>

**Increase/(decrease) in profit
before taxation (Note 1)**

FY2014	101.4	1,326.0	(101.4)	(1,326.0)
FY2015	101.3	1,324.8	(101.3)	(1,324.8)
FY2016	104.4	1,365.6	(104.4)	(1,365.6)
Four months ended 30 April 2017	35.7	467.4	(35.7)	(467.4)

**Increase/(decrease) in profit
after taxation (Note 2)**

FY2014	84.1	1,100.6	(84.1)	(1,100.6)
FY2015	84.0	1,099.6	(84.0)	(1,099.6)
FY2016	86.6	1,133.4	(86.6)	(1,133.4)
Four months ended 30 April 2017	29.7	388.0	(29.7)	(388.0)

Notes:

1. Our profit before taxation was approximately S\$4,828,000, S\$7,413,000, S\$7,582,000 and S\$1,785,000 for each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, respectively.
2. Our profit after taxation was approximately S\$4,158,000, S\$6,324,000, S\$6,620,000 and S\$1,455,000 for each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, respectively.

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2.3 Singapore Government policies regarding employment of foreign workers

Our business operations are governed by the various laws and regulations in Singapore, as summarized in the section headed “Regulatory overview” in this prospectus. Any changes in laws and regulations governing our business may affect our profitability and financial performance. For instance, there have been increases in the foreign workers levy rates imposed by the MOM during the Track Record Period, which increased our cost of services.

Foreign workers levy is one of the most significant components of our cost of services. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, foreign workers levy incurred by us amounted to approximately S\$7.0 million, approximately S\$8.7 million, approximately S\$10.0 million and approximately S\$3.5 million respectively, representing 24.6%, 28.3%, 33.7% and 34.5% of our cost of services for the respective years.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our foreign workers levy on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 4.5% and 22.2%, which correspond to the approximate minimum and maximum year-on-year fluctuations in average foreign workers levy rate in relation to NTS construction workers in Singapore that are applicable to our Group over the Track Record Period and are therefore considered reasonable for the purpose of this sensitivity analysis:

**Hypothetical fluctuations in
our foreign workers levy
expenses**

	-4.5%	-22.2%	+4.5%	+22.2%
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>

**Increase/(decrease) in profit
before taxation (Note 1)**

FY2014	314.2	1,550.2	(314.2)	(1,550.2)
FY2015	392.4	1,935.8	(392.4)	(1,935.8)
FY2016	447.8	2,209.1	(447.8)	(2,209.1)
Four months ended 30 April 2017	155.9	769.2	(155.9)	(769.2)

**Increase/(decrease) in profit
after taxation (Note 2)**

FY2014	260.8	1,286.7	(260.8)	(1,286.7)
FY2015	325.7	1,606.7	(325.7)	(1,606.7)
FY2016	371.7	1,833.6	(371.7)	(1,833.6)
Four months ended 30 April 2017	129.4	638.4	(129.4)	(638.4)

FINANCIAL INFORMATION

Notes:

1. Our profit before taxation was approximately S\$4,828,000, S\$7,413,000, S\$7,582,000 and S\$1,785,000 for each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, respectively.
2. Our profit after taxation was approximately S\$4,158,000, S\$6,324,000, S\$6,620,000 and S\$1,455,000 for each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, respectively.

2.4 Dormitory operations

Nichefield was licenced by the MOM to operate the Woodlands Dormitory for the period up to 30 October 2018, while KT&T Engineers has obtained the grant of temporary permission for using Sungei Kadut Dormitory as a temporary ancillary workers' dormitory for the period up to 25 February 2020.

We rely on these two self-operated dormitories for housing our foreign employees, and rely on our Woodlands Dormitory for providing dormitory services to workers employed by third parties. Renewal of the aforesaid licence and permission is required approximately every two or three years and is generally subject to certain legal requirements. Further, our aforesaid license and permission may be subject to revocation by the relevant authorities if we fail to comply with relevant terms and conditions therein. In the event of nonrenewal or revocation of such licence and permit, we will have to relocate our foreign employees to dormitories operated by third parties and to cease our business of providing dormitory service to third parties' workers at the Woodlands Dormitory. These may result in (i) a significant increase in our workers' accommodation expenses, (ii) a decrease in our revenue derived from our dormitory service segment, and (iii) a decrease in our ability to hire additional foreign workers as employers are responsible for providing acceptable accommodation for foreign workers in Singapore. As a result, our business and financial positions and prospects could be materially and adversely affected.

2.5 Collection of payments from customers

For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, we made a provision for impairment of trade receivables in the amount of approximately S\$0.5 million, S\$0.4 million, S\$0.2 million and nil, respectively. For the same periods, approximately nil, nil, S\$0.2 million and S\$0.2 million of doubtful debts were written off. In addition, as at 31 December 2014, 2015, 2016 and 30 April 2017, we recorded trade receivables (net of allowance for doubtful debts and excluding unbilled revenue) of approximately S\$6.9 million, S\$5.3 million, S\$4.9 million and S\$5.8 million respectively, of which approximately S\$3.6 million, S\$2.0 million, S\$1.7 million and S\$2.3 million respectively have been past due but not impaired. As at the Latest Practicable Date, there was four ongoing claims initiated by us against our customers for payment involving approximately S\$0.1 million. During the Track Record Period, we had commenced 46 cases

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against our customers in relation to recovery of payment and/or enforcement of related court orders involving claimed amounts ranging from S\$1,300 to S\$0.5 million, which were all concluded as at the Latest Practicable Date. Please refer to the paragraph headed “Business – Litigation” in this prospectus for further details about these claims. For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2017, our trade receivables turnover days in respect of manpower outsourcing and ancillary services were approximately 66.3 days, 55.3 days, 47.9 days and 51.5 days respectively.

Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows, operating performance and financial positions.

3. BASIS OF PREPARATION

Please refer to Note 2 of the Accountant’s Report in Appendix I to this prospectus.

4. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group’s financial statements have been prepared in accordance with IFRSs. The significant accounting policies adopted by our Group are set forth in details in the Accountants’ Report set out in Appendix I to this prospectus. Some of the accounting policies involve subjective judgements, estimates and assumptions made by our management, all of which are subject to inherently uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be reasonable under the circumstances.

The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group’s combined financial statements.

4.1. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

- (i) *Revenue from provision of services, including manpower outsourcing services, IT services and construction ancillary services*

Revenue from provision of these services is recognized upon rendering of such services.

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(ii) *Revenue from dormitory services*

Revenue from the leasing of dormitory bed spaces and related ancillary services is recognized, on a straight-line basis, over the terms of the respective contracts.

4.2. Impairment of trade and other receivables

Management assesses at the end of each reporting period whether there is any objective evidence that trade and other receivables are impaired. If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The amount of the loss is recognized in profit or loss. Where the loss subsequently reverses, the reversal is recognized in profit or loss.

5. SUMMARY OF RESULTS OF OPERATIONS

The combined statements of profit or loss during the Track Record Period are summarised below, which have been extracted from the accountant's report set out in Appendix I to this prospectus:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>For the four months ended 30 April 2016</u>	<u>For the four months ended 30 April 2017</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
				(unaudited)	
Revenue	45,095	46,091	45,051	14,693	15,039
Cost of services	<u>(28,351)</u>	<u>(30,803)</u>	<u>(29,538)</u>	<u>(9,435)</u>	<u>(10,030)</u>
Gross profit	16,744	15,288	15,513	5,257	5,009
Other income and gains	431	523	824	473	312
Selling expenses	(284)	(50)	(52)	(16)	(9)
Administrative expenses	(8,420)	(7,551)	(7,895)	(2,825)	(2,326)
Other losses	(554)	(383)	(141)	(59)	(18)
Other expenses	(3,036)	(382)	(650)	–	(1,182)
Finance costs	<u>(54)</u>	<u>(32)</u>	<u>(17)</u>	<u>(6)</u>	<u>(1)</u>
Profit before taxation	4,828	7,413	7,582	2,825	1,785
Income tax expense	<u>(670)</u>	<u>(1,089)</u>	<u>(962)</u>	<u>(319)</u>	<u>(330)</u>
Profit for the year/period	<u><u>4,158</u></u>	<u><u>6,324</u></u>	<u><u>6,620</u></u>	<u><u>2,506</u></u>	<u><u>1,455</u></u>

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6. PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

6.1. Revenue

During the Track Record Period, our revenue was derived from providing (i) manpower outsourcing and ancillary services, (ii) dormitory services, (iii) IT services, and (iv) construction ancillary services comprising warehousing services, cleaning services and building maintenance works. For detailed breakdowns of our revenue during the Track Record Period by reference to our business operations, please refer to the section “Business – Business Overview” in this prospectus.

Please refer to paragraph “7. Period-to-period comparison of results of operations” below for a discussion of the fluctuations in our revenue.

6.2. Cost of services

The table below sets forth a breakdown of our cost of services during the Track Record Period:

	FY2014		FY2015		FY2016		For the four months ended 30 April 2016		For the four months ended 30 April 2017	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
	(unaudited)									
Foreign workers' wages and salaries	8,446	29.8	8,438	27.4	8,698	29.4	2,786	29.5	2,977	29.7
Foreign workers levy	6,983	24.6	8,720	28.3	9,951	33.7	3,056	32.4	3,465	34.5
Staff salaries, bonuses and allowances	2,582	9.1	2,940	9.6	2,941	10.1	864	9.2	620	6.2
Depreciation	1,833	6.5	1,620	5.3	596	2.0	181	1.9	215	2.1
Rental cost	3,024	10.7	3,025	9.8	3,024	10.2	1,008	10.7	1,008	10.0
Workers' living related costs	1,301	4.6	1,770	5.7	2,399	8.1	578	6.1	962	9.6
Other workers' related costs	763	2.7	842	2.7	993	3.4	587	6.2	397	4.0
Fees to providers of construction manpower	938	3.3	964	3.1	132	0.4	52	0.6	46	0.5
Motor vehicles	692	2.4	516	1.7	369	1.2	158	1.7	143	1.4
Utilities	355	1.3	325	1.1	332	1.1	119	1.3	102	1.0
Agency fees	-	-	400	1.3	6	0.0	-	-	-	-
Referral fees	767	2.7	287	0.9	81	0.3	14	0.1	47	0.5
General consultancy fees for the India Project	-	-	574	1.9	-	-	-	-	-	-
General consultancy fees for the Myanmar Project	600	2.1	381	1.2	-	-	-	-	-	-
Others	67	0.2	1	0.0	16	0.1	32	0.3	48	0.5
	<u>28,351</u>	<u>100.0</u>	<u>30,803</u>	<u>100.0</u>	<u>29,538</u>	<u>100.0</u>	<u>9,435</u>	<u>100.0</u>	<u>10,030</u>	<u>100.0</u>

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Our cost of services during the Track Record Period comprised:

- (a) foreign workers' wages and salaries, which mainly represents the wages and salaries of the foreign workers employed by our Group for deploying to our customers in relation to our manpower outsourcing business and for providing other construction ancillary services to our customers;
- (b) foreign workers levy, which represents monthly levy imposed by the MOM in relation to our foreign workers who have been issued with work permits in Singapore;
- (c) staff salaries, bonuses and allowances, which represents the salaries, bonuses and allowances (including Central Provident Funds) provided to our staff (other than our foreign workers) who are directly attributable to the generation of our revenue, such as site coordinators and IT personnel in relation to our IT services;
- (d) depreciation, which represents the depreciation of the buildings of our Woodlands Dormitory and our Sungei Kadut Dormitory as well as our motor vehicles (mainly including lorries);
- (e) rental cost, which represents the operating lease charges of the land in relation to our Woodlands Dormitory;
- (f) workers' living related costs, which mainly represents the costs of meals and laundry services provided to our foreign workers as well as to workers who are employed by our dormitory services customers and are living in the dormitories of our Group, and the rental expenses for external accommodation for our foreign workers;
- (g) other workers' related costs, including training expenses, air ticket fares between Singapore and workers' home countries and the work permit application charges for our foreign workers;
- (h) fees to providers of construction manpower, which represents the cost of sourcing foreign workers from third parties to enable us to fulfil our contracts from customers;
- (i) motor vehicles, which represents costs in relation to the use of our motor vehicles (mainly including lorries) for logistic arrangements for our foreign workers between our dormitories and their respective workplace;
- (j) utilities, which represents utilities charges for our dormitories;

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- (k) agency fees, which represents fees paid to individual recruitment agents for sourcing foreign workers for us;
- (l) referral fees, which represents referral fees paid to our existing customers in relation to the referral of new customers to our Group;
- (m) general consultancy fees for the India Project, which represents fees incurred by us in relation to sourcing foreign manpower from India, as we were attempting to identify a new source of foreign manpower supply, apart from Bangladesh, in order to diversify our Group's source of manpower. The general consultancy fee was paid to an independent third party in India in FY2015, and after obtaining the advices, our Group started to source foreign workers from India since early 2016;
- (n) general consultancy fees for the Myanmar Project, which represents fees incurred by us in relation to sourcing foreign manpower from Myanmar, as we were attempting to identify an alternative source of foreign manpower supply to diversify our Group's source of manpower. We subsequently withdrawn the idea of sourcing manpower from Myanmar, and terminated the arrangement with the Myanmar consultant upon mutual agreement in FY2015 in view of (i) the complexity of the relevant legal requirements and procedures in Myanmar, and (ii) our successful identification of India as the new source of manpower supply mentioned in paragraph 6.2(m) above; and
- (o) others, which mainly represents the maintenance and renovation of our dormitories.

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6.3. Other income and gains

The following table sets forth a breakdown of our other income and gains during the Track Record Period:

	FY2014	FY2015	FY2016	For the four months ended 30 April 2016	For the four months ended 30 April 2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
				(unaudited)	
Government grants	297	361	461	375	175
Dividend income on held for trading investments	2	2	2	–	–
Forfeiture of customer deposits	–	19	10	Negligible	4
Work injury/workmen compensation claims	118	88	203	83	32
Sub-leasing income	–	–	100	–	70
Others	14	53	48	15	31
	431	523	824	473	312

Our other income and gains during the Track Record Period comprised:

- (a) government grants, mainly including the grants in relation to the Productivity and Innovation Credit Scheme, the Wages Credit Scheme and the Special Employment Credit of the Singapore Government (see the section headed “Regulatory overview – A. Laws and regulations in Singapore in relation to the provision of our manpower outsourcing and ancillary services and construction ancillary services – I. Employment Matters” for further information regarding such schemes);
- (b) dividend income in relation to our held for trading investments;
- (c) forfeiture of customer deposits in relation to the early termination of contracts for our dormitory services;
- (d) work injury/workmen compensation claims, which were compensations received from insurance companies in relation to workers’ injuries happened at construction sites;

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- (e) sub-leasing income, which represents the rental of certain space in the Woodlands Dormitory to an independent third party (which started since FY2016) for operation of a minimart for our foreign workers. Pursuant to the terms of the sub-tenancy agreement entered into between BCA and our Group in respect of the Woodlands Premises, a designated portion of areas are permitted to be used for commercial amenities, which includes a minimart. As advised by the Singapore Legal Adviser, approval for the commercial amenities, including the minimart, had been renewed on 9 June 2016 pursuant to the grant of temporary permission issued by the URA for the period up to 30 October 2018. Accordingly, the sub-leasing of a certain proportion of the Woodlands Dormitory for the operation of a minimart is in compliance with the relevant laws and regulations of Singapore; and
- (f) others, which represents miscellaneous items such as interest income.

6.4. Selling expenses

Our selling expenses during the Track Record Period represented costs of advertising and marketing materials provided to our existing and potential customers to promote our Group's services.

6.5. Administrative expenses

The table below sets forth a breakdown of our administrative expenses during the Track Record Period:

	FY2014		FY2015		FY2016		For the four months ended 30 April 2016		For the four months ended 30 April 2017	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
	(unaudited)									
Auditors' remuneration	113	1.3	84	1.1	70	0.9	23	0.8	67	2.9
Depreciation	98	1.2	113	1.5	46	0.6	7	0.2	35	1.5
Directors' remuneration	540	6.4	540	7.2	600	7.6	200	7.1	172	7.4
Insurance	305	3.6	280	3.7	254	3.2	74	2.6	11	0.5
Legal and professional fee	336	3.9	194	2.6	224	2.8	49	1.7	24	1.0
Medical fee	241	2.9	279	3.7	386	4.9	164	5.8	133	5.7
Operating lease rental on premises	523	6.2	522	6.9	513	6.5	176	6.2	176	7.6
Premises related expenses	265	3.2	257	3.4	210	2.7	73	2.6	69	3.0
Repair and maintenance	42	0.5	46	0.6	75	0.9	39	1.4	24	1.0
Staff salaries, bonuses and allowances	4,587	54.5	3,985	52.8	4,131	52.3	1,661	58.8	1,471	63.2
Staff welfare and employee benefits	714	8.5	633	8.4	726	9.2	106	3.8	40	1.7
Travelling and entertainment	445	5.3	382	5.1	386	4.9	135	4.8	37	1.6
Other expenses	210	2.5	236	3.0	274	3.5	118	4.2	67	2.9
	<u>8,420</u>	<u>100.0</u>	<u>7,551</u>	<u>100.0</u>	<u>7,895</u>	<u>100.0</u>	<u>2,825</u>	<u>100.0</u>	<u>2,326</u>	<u>100.0</u>

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Our administrative expenses during the Track Record Period comprised:

- (a) auditor's remuneration, which are fees to our auditors;
- (b) depreciation, which includes depreciation of furniture and fixtures and office equipment;
- (c) directors' remuneration;
- (d) insurance, which represents the expenses for taking out insurance policies as described in the section headed "Business – Insurance" in this prospectus;
- (e) legal and professional fees, which mainly represents legal fees incurred by us in relation to the litigation and claims as described in the section headed "Business – Litigation", stamp duty arrangements in relation to contracts with our customers for our dormitory services, and company secretarial services fee;
- (f) medical fee, which represents the medical expenses for our employees such as annual body check and medical consultation fees;
- (g) operating lease rental on premises, which represents rental expenses for our general offices;
- (h) premises related expenses, which include property taxes, insurances and utilities in relation to our general offices;
- (i) repair and maintenance, which mainly represents repair and maintenance for general offices and office equipments;
- (j) staff salaries, bonuses and allowances (including Central Provident Funds) provided to our administrative and back office staff;
- (k) staff welfare and employee benefits including those incurred for organising staff functions such as annual dinners and trips for our employees;
- (l) travelling and entertainment, which mainly represents costs in relation to the relationship building with our existing and potential customers and suppliers, and overseas travelling and local transportation for our Directors and our administrative staff in relation to visits to our customers and suppliers; and
- (m) other expenses, which mainly include telecommunication charges, donations, bank charges and office supplies, etc.

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6.6. Other losses

	FY2014	FY2015	FY2016	For the four months ended 30 April 2016	For the four months ended 30 April 2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
				(unaudited)	
Loss arising on disposal of property, plant and equipment	–	15	71	59	12
Foreign exchange loss, net	67	9	19	–	6
Forfeited deposits to vendors	–	–	38	–	–
Allowance for doubtful debts, net	487	359	13	–	–
	554	383	141	59	18

Our other losses during the Track Record Period comprised:–

- (a) net loss arising on disposal of property, plant and equipment such as motor vehicles;
- (b) net foreign exchange loss in relation to the translation of cash and banks balances and trade payables which are denominated in currencies other than SGD;
- (c) forfeited deposits to vendors, which represents partial forfeiture of the rental deposits in relation to the reinstatement of certain facilities prescribed in the office previously rented by our Group before June 2016 as requested by the landlord, such as the centralised air-conditioning system. The landlord requested us to share a portion of the maintenance charge of the centralised air-conditioning system when we reinstated the office (by way of partial forfeiture of the rental deposits) as we have been the tenant of that office for three years; and
- (d) allowance for doubtful debts, net, which relates to certain trade receivables which are considered by our Directors to be irrecoverable.

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6.7. Other expenses

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>For the four months ended 30 April 2016</u>	<u>For the four months ended 30 April 2017</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
				(unaudited)	
School Dormitory Project costs	3,036	382	-	-	-
Listing expenses	-	-	650	-	1,182
	<u>3,036</u>	<u>382</u>	<u>650</u>	<u>-</u>	<u>1,182</u>

Our other expenses during the Track Record Period comprised:-

- (a) School Dormitory Project costs, which represent costs of the refurbishment works, rental costs and professional fees incurred in relation to the School Dormitory Project. In June 2014, Kanon Global (as tenant), an indirect wholly-owned subsidiary of our Company, entered into a tenancy agreement with the Singapore Government (the “Tenancy Agreement”) for renting a building situated on Short Street, Singapore (the “Building”). It was the then intention of our Directors to transform the Building into a school dormitory so as to further diversify our Group’s businesses into the provision of dormitory services for students. However, the Tenancy Agreement was subsequently terminated on 31 December 2014 upon mutual agreement between Kanon Global and the Singapore Government as we came to a view that it was not in the interest of our Group to continue with the refurbishment of the Building, because certain facilities embedded in the Building were found to be insufficient during the refurbishment, and additional costs would be required to be incurred to install such facilities in order to obtain the approval from the relevant Singapore Government authorities in relation to the transformation of the Building into a school dormitory. Pursuant to the settlement letter mutually agreed between Kanon Global and the Singapore Government, no penalty and no further potential liability arose as a result of the termination of the Tenancy Agreement. A total of approximately S\$3.1 million and S\$0.4 million of expenses including costs of refurbishment of the Building, rental costs and professional fees in relation to the School Dormitory Project were incurred and recognized in our “Other expenses” in FY2014 and FY2015 respectively. Please also refer to the section headed “Business – Loss making projects during the Track Record Period – (2) School Dormitory Project undertaken in 2014”; and
- (b) listing expenses in relation to the Listing.

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6.8. Finance costs

Our finance costs during the Track Record Period represented interest expenses on bank borrowings and obligations under finance leases, details of which are disclosed in the paragraph headed “11. Indebtedness” below.

6.9. Income tax expense

Since our operation is based in Singapore, we are liable to pay corporate income tax in accordance with the tax regulations of Singapore. The statutory corporate tax rate in Singapore was 17% on the estimated assessable profit for the Track Record Period. The taxation for the Track Record Period can be reconciled to the profit before taxation as follows:

	FY2014	FY2015	FY2016	For the four months ended 30 April 2016	For the four months ended 30 April 2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(unaudited)	
Profit before taxation	4,828	7,413	7,582	2,825	1,785
Tax at applicable tax rate of 17%	821	1,260	1,289	480	303
Tax effect of expenses not deductible for tax purpose	626	341	216	38	218
Tax effect of income not taxable for tax purpose	-	(1)	-	-	-
Effect of tax concessions and partial tax exemption	(427)	(511)	(543)	(199)	(192)
Utilisation of tax losses previously not recognized	(350)	-	-	-	-
Income tax expense	670	1,089	962	319	330

During the Track Record Period, our subsidiaries in Singapore enjoyed various tax reliefs from the Inland Revenue Authority of Singapore which comprised: (i) corporate income tax rebate of 30%, capped at S\$30,000 for each of the years of assessment 2013 to 2015 (i.e. years ended 31 December 2012 to 2014) and 50%, capped at S\$20,000 for the year of assessment 2016 (i.e. year ended 31 December 2015), and 50% capped at S\$25,000 for the year of assessment 2017 (i.e. year ended 31 December 2016); (ii) 75% tax exemption on the first S\$10,000 of chargeable income and a further 50% tax exemption on the next S\$290,000 of chargeable income; and (iii) the Productivity and Innovation Credit Scheme which allowed an additional 300% tax deductions/allowances for qualified capital expenditures and operating expenses during the Track Record Period.

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During FY2014, our Group utilised tax losses amounting to approximately S\$0.4 million carried on the books of Nichefield. Prior to the commencement of our dormitory services business by Nichefield in FY2014, Nichefield was loss-making and has recorded an accumulated loss on its books. The tax loss brought forward by Nichefield before FY2014 was subsequently fully utilised in FY2014 as a result of the profit derived from the dormitory service business carried on by Nichefield.

7. PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

7.1. FY2014 compared with FY2015

Revenue

The following table sets forth a breakdown of our revenue during FY2014 and FY2015 by business operations:

	FY2014		FY2015	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Manpower outsourcing and ancillary services	38,943	86.4	39,770	86.3
Dormitory services	4,297	9.5	4,706	10.2
IT services	810	1.8	622	1.3
Construction ancillary services	1,044	2.3	993	2.2
	45,095	100.0	46,091	100.0

Our revenue increased from approximately S\$45.1 million for FY2014 to approximately S\$46.1 million for FY2015, representing an increase of approximately 2.2%. Such increase was mainly due to the net effect of the following:

- (a) the increase in revenue from manpower outsourcing and ancillary services from approximately S\$38.9 million for FY2014 to S\$39.8 million for FY2015, representing an increase of 2.1%, which was mainly attributable to the increase in the deployments of our higher-skilled workers to our customers as requested by them, which were charged at higher rates as compared to the rates applicable to lower-skilled workers. This was demonstrated by the increase in average hourly rate per foreign worker charged to our customers in FY2015 by approximately 2.0% as compared to that in FY2014;

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- (b) the increase in revenue from dormitory services from approximately S\$4.3 million in FY2014 to approximately S\$4.7 million in FY2015, representing an increase of 9.5%, which was mainly due to the increase in our pricing and the increase in average number of beds rented to our dormitory services customers in FY2015 as compared to FY2014;
- (c) the decrease in revenue from IT services from approximately S\$0.8 million in FY2014 to approximately S\$0.6 million in FY2015, representing a decrease of 23.2%, which was mainly because the customer for our IT services engaged us for a one-off system upgrade project during FY2014; and
- (d) the revenue from construction ancillary services remained relatively stable at approximately S\$1.0 million.

Cost of services

Our cost of services increased from approximately S\$28.4 million for FY2014 to approximately S\$30.8 million for FY2015, representing an increase of approximately 8.6%. The following is a discussion on the changes in the key components of our cost of services in FY2015 compared to FY2014:

- (a) Our foreign workers' wages and salaries in FY2015 was approximately S\$8.4 million, which was similar to that in FY2014. This was mainly because although revenue in relation to our manpower outsourcing and ancillary services increased compared to that in FY2014 as discussed above, there was no change in the standard rates paid to our foreign workers.
- (b) Foreign workers levy increased from approximately S\$7.0 million in FY2014 to approximately S\$8.7 million in FY2015, which was mainly due to (i) the increase in the foreign worker levy per person imposed by the MOM ranging from between S\$450 and S\$750 before July 2014 to between S\$550 and S\$950 since July 2014, and (ii) the increase in the proportion of more experienced higher-skilled workers in our workforce in FY2015 compared to that in FY2014, whose foreign workers levy rate is higher than that for basic-skilled foreign workers.
- (c) Our staff salaries, bonuses and allowances increased from approximately S\$2.6 million in FY2014 to approximately S\$2.9 million in FY2015, as a result of an increase in bonus payment made to our site coordinators.

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- (d) Our depreciation expenses decreased from approximately S\$1.8 million in FY2014 to approximately S\$1.6 million in FY2015, because the building of our Woodlands Dormitory was fully depreciated by October 2015.
- (e) Our rental cost remained stable at approximately S\$3.0 million for both FY2014 and FY2015.
- (f) Our workers' living related costs increased from approximately S\$1.3 million in FY2014 to approximately S\$1.8 million in FY2015. This was mainly due to the increase in the number of foreign workers from our dormitory services customers living in our Woodlands Dormitory as discussed above, which resulted in the need for our Group to house some of our own foreign employees to other third party dormitory service providers since the second quarter of FY2015, leading to additional rental expenses for external accommodation and an increase in workers' living related costs. For further details in relation to the engagement of dormitory services providers, please refer to the section headed "Business – Suppliers" in this prospectus.
- (g) Other workers' related costs increased by approximately 10.4%, which is mainly due to the increase in training services provided to our foreign workers in order to maintain and improve their work skills.
- (h) Our fees to providers of construction manpower increased by approximately 2.8%, which is largely consistent with the increase in our revenue.
- (i) Our Group paid agency fees totalling approximately S\$0.4 million to several individual agents in FY2015 (FY2014: Nil), whose assistance in referring and bringing qualified foreign workers to Singapore was required as we experienced an increase in demand for our manpower outsourcing services in FY2015.
- (j) There was an increase in non-recurring general consultancy fees for the India Project and the Myanmar Project from approximately S\$0.6 million in FY2014 to approximately S\$1.0 million in FY2015 as discussed in paragraph 6.2(m) and (n) above.

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Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin during FY2014 and FY2015 by business operations:

	FY2014		FY2015	
	<u>Gross profit</u>	<u>Gross profit margin</u>	<u>Gross profit</u>	<u>Gross profit margin</u>
	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>%</u>
Manpower				
outsourcing and ancillary services	14,445	37.1	13,149	33.1
Dormitory services	998	23.2	1,302	27.7
IT services	443	54.7	218	35.0
Construction				
ancillary services	<u>858</u>	82.2	<u>619</u>	62.4
	<u>16,744</u>	37.1	<u>15,288</u>	33.2

Our Group's gross profit decreased from approximately S\$16.7 million for FY2014 to approximately S\$15.3 million for FY2015, representing a decrease of approximately 8.7%, while our Group's gross profit margin decreased from approximately 37.1% for FY2014 to approximately 33.2% for FY2015. Such decrease was mainly due to:

- (i) the decrease in our gross profit of manpower outsourcing and ancillary services as further discussed below;
- (ii) the lack of a one-off system upgrade project for our IT services business during FY2015 as further discussed below; and
- (iii) in respect of our construction ancillary services, a higher proportion of revenue derived from building maintenance works in FY2015, which, when compared to other construction ancillary services such as warehousing, enjoyed a lower gross profit margin.

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Manpower outsourcing and ancillary services

Gross profit of our manpower outsourcing and ancillary services decreased from approximately S\$14.4 million for FY2014 to approximately S\$13.1 million for FY2015, representing a decrease of 9.0%, while gross profit margin decreased from approximately 37.1% for FY2014 to approximately 33.1% for FY2015. Despite the increase in revenue from manpower outsourcing and ancillary services, the decrease in our gross profit and our gross profit margin were primarily due to the increase in foreign workers levy, workers' living related costs and the non-recurring general consultancy fees for the India Project incurred in FY2015.

Dormitory services

Gross profit of our dormitory services increased from approximately S\$1.0 million for FY2014 to approximately S\$1.3 million for FY2015, representing an increase of 30.5%, while gross profit margin increased from approximately 23.2% for FY2014 to approximately 27.7% for FY2015. The increase was mainly due to the increase in number of beds rented to our customers and the increase in rates of rent charged to our customers as discussed above, which more than offset the increase in overhead and living-related costs in relation to our dormitory services.

IT services

Gross profit for our IT services decreased from approximately S\$0.4 million for FY2014 to approximately S\$0.2 million for FY2015, representing a decrease of 50.8%, while gross profit margin decreased from approximately 54.7% for FY2014 to 35.0% for FY2015. The decrease was primarily due to the lack of a one-off system upgrade project during FY2015 as discussed above.

Construction ancillary services

Gross profit of our construction ancillary services decreased from approximately S\$0.9 million for FY2014 to approximately S\$0.6 million for FY2015, representing a decrease of 27.9%, while gross profit margin decreased from approximately 82.2% for FY2014 to approximately 62.4% for FY2015. The decrease was primarily due to a higher proportion of revenue derived from building maintenance works in FY2015, which, when compared to other construction ancillary services such as cleaning and warehousing, enjoyed a lower gross profit margin.

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Other income and gains

Our other income and gains increased from approximately S\$0.4 million for FY2014 to approximately S\$0.5 million for FY2015, representing an increase of approximately 21.3%. Such increase was mainly due to the increase in government grants from the Wage Credit Scheme.

Selling expenses

Our selling expenses decreased from approximately S\$0.3 million for FY2014 to approximately S\$50,000 for FY2015, representing a decrease of approximately 82.4%. The decrease was mainly due to a one-off marketing campaign conducted during FY2014 for promoting our businesses and corporate image.

Administrative expenses

Our administrative expenses decreased from approximately S\$8.4 million for FY2014 to approximately S\$7.6 million for FY2015, representing a decrease of approximately 9.5%. The decrease was mainly due to the decrease in staff salaries, bonuses and allowances from approximately S\$4.6 million for FY2014 to approximately S\$4.0 million for FY2015, as a result of the cost control initiatives undertaken by us in FY2015 which led to a decrease in the number of our back-office staff.

Other losses

Our other losses decreased from approximately S\$0.6 million for FY2014 to approximately S\$0.4 million for FY2015, which was mainly due to the decrease in allowance for doubtful debts from approximately S\$0.5 million in FY2014 to approximately S\$0.4 million in FY2015.

Other expenses

Our other expenses decreased from approximately S\$3.0 million for FY2014 to approximately S\$0.4 million for FY2015, which was mainly due to the decrease in expenses in relation to the School Dormitory Project discussed in paragraph 6.7(a) above.

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Finance costs

Our finance costs decreased from approximately S\$54,000 for FY2014 to approximately S\$32,000 for FY2015, representing a decrease of approximately 40.7%, as a result of the decrease in our borrowings and obligations under finance leases from approximately S\$2.4 million as at 31 December 2014 to approximately S\$0.6 million as at 31 December 2015.

Income tax expense

Our income tax expense increased from approximately S\$0.7 million for FY2014 to approximately S\$1.1 million for FY2015, representing an increase of approximately 62.5%. The increase was mainly due to the increase in profit before taxation as a result of all of the aforesaid, including in particular the decrease in expenses in relation to the School Dormitory Project as discussed above.

Profit for the year

As a result of the aforesaid and in particular the decrease in expenses in relation to the School Dormitory Project as discussed above, our profit for the year attributable to owners of our Company increased from approximately S\$4.2 million in FY2014 to approximately S\$6.3 million in FY2015, representing an increase of approximately 52.1%.

7.2. FY2015 compared with FY2016

Revenue

The following table sets forth a breakdown of our revenue during FY2015 and FY2016 by business operations:

	FY2015		FY2016	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Manpower				
outsourcing and				
ancillary services	39,770	86.3	37,977	84.3
Dormitory services	4,706	10.2	5,465	12.1
IT services	622	1.3	892	2.0
Construction				
ancillary services	993	2.2	717	1.6
	46,091	100.0	45,051	100.0

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Our revenue decreased from approximately S\$46.1 million for FY2015 to approximately S\$45.1 million for FY2016, representing a decrease of approximately 2.3%. Such decrease was mainly due to the net effect of the following:

- (a) the decrease in revenue from manpower outsourcing and ancillary services from approximately S\$39.8 million for FY2015 to S\$38.0 million for FY2016, representing an decrease of 4.5%, which was, in the opinion of our Director, mainly attributable to the slowdown of the Singapore construction industry during FY2016 compared to FY2015, as demonstrated by (i) the decrease in the number of hours worked for our customers by our foreign workers by approximately 2.3% in FY2016; and (ii) the decrease of approximately 2.2% in the average hourly rate per foreign worker charged to our customers by us;
- (b) the increase in revenue from dormitory services from approximately S\$4.7 million in FY2015 to approximately S\$5.5 million in FY2016, representing an increase of 16.1%, which was mainly due to the increase in average number of beds rented to our dormitory services customers in FY2016 as compared to FY2015;
- (c) the increase in revenue from IT services from approximately S\$0.6 million in FY2015 to approximately S\$0.9 million in FY2016, representing an increase of 43.4%, which was mainly because the customer for our IT services engaged us for a one-off system upgrade project during FY2016; and
- (d) the decrease in revenue from construction ancillary services from approximately S\$1.0 million in FY2015 to approximately S\$0.7 million in FY2016, as a result of the decrease in demand for warehousing services and the completion of our building maintenance works during FY2016.

Cost of services

Our cost of services decreased from approximately S\$30.8 million for FY2015 to approximately S\$29.5 million for FY2016, representing a decrease of approximately 4.1%. The following is a discussion on the changes in the key components of our cost of services in FY2016 compared to FY2015:

- (a) Our foreign workers' wages and salaries in FY2016 was approximately S\$8.7 million, compared to approximately S\$8.4 million in FY2015. Despite the decrease in revenue compared to FY2015, foreign workers' wages and salaries increased, mainly because (i) there has been an increase in the proportion of more experienced higher-skilled workers in our workforce who, comparing to the less experienced basic-skilled workers,

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receive higher allowances and thus higher net salary payment, and (ii) fewer workers used the meal services provided by our Group during FY2016, and as a result, less deductions were made when making net wages and salaries payments to our foreign workers.

- (b) Foreign workers levy increased from approximately S\$8.7 million in FY2015 to approximately S\$10.0 million in FY2016, which was mainly due to (i) the increase in the foreign worker levy charges imposed by the MOM from between S\$550 and S\$950 before July 2016 to between S\$650 and S\$950 since July 2016, and (ii) the increase in the proportion of more experienced workers in our workforce during FY2016 compared to that during FY2015, whose foreign workers levy rate is higher than that for the less experienced basic-skilled workers.
- (c) Our staff salaries, bonuses and allowances remained largely stable at approximately S\$2.9 million for both FY2015 and FY2016.
- (d) Our depreciation expenses decreased from approximately S\$1.6 million in FY2015 to approximately S\$0.6 million in FY2016, as a result of the full depreciation of the building of our Woodlands Dormitory by October 2015.
- (e) Our rental cost remained stable at approximately S\$3.0 million for both FY2015 and FY2016.
- (f) Our workers' living related costs increased from approximately S\$1.8 million in FY2015 to approximately S\$2.4 million in FY2016, which was mainly due to the increase in number of beds rented to our dormitory customers as discussed above. As a result, there was an increase in the number of foreign workers employed by our Group who were housed to other third-party dormitory service providers, leading to an increase in rental expenses for external accommodation in FY2016,
- (g) Other workers' related costs increased from approximately S\$0.8 million in FY2015 to approximately S\$1.0 million in FY2016, mainly due to the increase in training services provided to our foreign workers in order to maintain and improve their work skills.
- (h) Our fees to providers of construction manpower decreased from approximately S\$1.0 million in FY2015 to approximately S\$0.1 million in FY2016, which is mainly due to the decrease in demand for construction manpower by our Group compared to that in FY2015, along with the decrease in our revenue.

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- (i) Agency fees paid by us to individual agents in relation to the sourcing of foreign workers decreased from approximately S\$0.4 million in FY2015 to approximately S\$6,000 in FY2016, mainly because our Group started to source foreign workers from India since FY2016. As a result, we demanded less referral services from our Bangladeshi individual recruitment agents. Please refer to paragraph 6.2(m) above for the start of sourcing of foreign workers from India.
- (j) We recognized non-recurring general consultancy fees for the India Project and the Myanmar Project in FY2015 (but not in FY2016), as discussed in the paragraphs 6.2(m) and (n) above.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin during FY2015 and FY2016 by business operations:

	FY2015		FY2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Manpower				
outsourcing and ancillary services	13,149	33.1	12,228	32.2
Dormitory services	1,302	27.7	2,255	41.2
IT services	218	35.0	489	54.8
Construction				
ancillary services	619	62.4	541	75.6
	15,288	33.2	15,513	34.4

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Our Group's gross profit increased from approximately S\$15.3 million for FY2015 to approximately S\$15.5 million for FY2016, representing an increase of approximately 1.5%. Our Group's gross profit margin increased from approximately 33.2 % for FY2015 to approximately 34.4% for FY2016. Such increase was due to the combined effect of the following:

- (i) the increase in our gross profit of dormitory services as a result of the increase in the number of beds rented to our customers and the lack of the depreciation of the Woodlands Dormitory in FY2016 which was already fully depreciated by October 2015;
- (ii) the increase in our gross profit of IT services as a result of the one-off system upgrade project during FY2016 as discussed above;
- (iii) the decrease in our gross profit of construction ancillary services as a result of the decrease in our revenue; and
- (iv) the decrease in our gross profit of manpower outsourcing and ancillary services as further discussed below.

Manpower outsourcing and ancillary services

Gross profit of our manpower outsourcing and ancillary services decreased from approximately S\$13.1 million for FY2015 to approximately S\$12.2 million for FY2016, representing a decrease of 7.0%, while gross profit margin decreased from approximately 33.1% for FY2015 to 32.2% for FY2016.

The decrease in our gross profit were primarily due to the decrease in revenue as discussed above, while the decrease in gross profit margin was mainly due to the drop in average hourly rate charged by us per foreign worker and the increase in foreign workers levy.

Dormitory services

Gross profit of our dormitory services increased from approximately S\$1.3 million for FY2015 to approximately S\$2.3 million for FY2016, representing an increase of 73.1%, while gross profit margin increased from 27.7% in FY2015 to 41.2% in FY2016. The increase in our gross profit and gross profit margin was mainly due to: (i) the increase in number of beds rented to our customers, and (ii) the lack of the depreciation of the Woodlands Dormitory in FY2016 which had already been fully depreciated by October 2015.

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IT services

Gross profit for our IT services increased from approximately S\$0.2 million for FY2015 to approximately S\$0.5 million for FY2016, representing an increase of 124.3%, while gross profit margin increased from approximately 35.0% for FY2015 to 54.8% for FY2016. The increase was mainly due to a one-off system upgrade project during FY2016 as discussed above.

Construction ancillary services

Gross profit of our construction ancillary services decreased by approximately 12.6% from approximately S\$0.6 million for FY2015 to approximately S\$0.5 million for FY2016, along with the decrease in our revenue from construction ancillary services in FY2016 compared to that in FY2015 as discussed above. Meanwhile, gross profit margin increased from approximately 62.4% for FY2015 to approximately 75.6% for FY2016, which was primarily due to the the completion of building maintenance works during FY2016, which, when compared to other construction ancillary services, enjoyed a lower gross profit margin.

Other income and gains

Our other income and gains increased from approximately S\$0.5 million for FY2015 to approximately S\$0.8 million for FY2016, representing an increase of approximately 57.6%. Such increase was mainly due to the increase in government grants from the Wages Credit Scheme.

Selling expenses

Our selling expenses remained relatively stable at approximately S\$50,000 for both FY2015 and FY2016.

Administrative expenses

Our administrative expenses increased from approximately S\$7.6 million for FY2015 to approximately S\$7.9 million for FY2016, representing an increase of approximately 4.6%. The increase was mainly due to the increase in staff costs such as our directors' remuneration, our staff salaries, allowances and bonuses and our staff welfare and employee benefits by approximately S\$0.1 million, approximately S\$0.1 million and approximately S\$0.1 million respectively, which was mainly due to the increase in number of our back-office staff in FY2016 in preparation for the Listing.

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Other losses

Our other losses decreased from approximately S\$0.4 million for FY2015 to approximately S\$0.1 million for FY2016, which was mainly due to the decrease in allowance for doubtful debts by approximately S\$0.3 million.

Other expenses

Our other expenses decreased by approximately 70.2% for FY2016 as compared to that for FY2015, which was mainly due to the lack of expenses in relation to the School Dormitory Project in FY2016 (FY2015: S\$0.4 million) as discussed in paragraph 6.7(a) above, being partially offset by the recognition of expenses in relation to the Listing of approximately S\$0.7 million in FY2016 (FY2015: Nil).

Finance costs

Our finance costs decreased from approximately S\$32,000 for FY2015 to approximately S\$17,000 for FY2016, representing a decrease of approximately 46.9%, as a result of the decrease in our borrowings and obligations under finance leases from approximately S\$0.6 million as at 31 December 2015 to approximately S\$0.1 million as at 31 December 2016.

Income tax expense

Despite the increase in our profit before taxation in FY2016, our income tax expense decreased from approximately S\$1.1 million for FY2015 to approximately S\$1.0 million for FY2016, representing a decrease of approximately 11.7%. The decrease was mainly due to the decrease in non tax deductible expenses as a result of the lack of expenses in relation to the School Dormitory Project in FY2016 which were considered capital in nature and were thus not deductible for tax purposes for FY2015.

Profit for the year

As a result of the aforesaid and in particular the lack of non-recurring expenses such as the general consultancy fees for the India Project and the Myanmar Project and the expenses in relation to the School Dormitory Project, despite the decrease in revenue and the recognition of non-recurring expenses in relation to the Listing in FY2016, our profit for the year attributable to owners of our Company increased from approximately S\$6.3 million in FY2015 to S\$6.6 million in FY2016, representing an increase of approximately 4.7%.

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7.3 Four months ended 30 April 2016 compared with four months ended 30 April 2017

Revenue

The following table sets forth a breakdown of our revenue during the four months ended 30 April 2016 and 30 April 2017 by business operations:

	Four months ended 30		Four months ended 30	
	April 2016		April 2017	
	(Unaudited)			
	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>%</u>
Manpower				
outsourcing and				
ancillary services	12,471	84.9	12,315	81.9
Dormitory services	1,763	12.0	1,772	11.8
IT services	230	1.6	319	2.1
Construction				
ancillary services	<u>229</u>	<u>1.6</u>	<u>633</u>	<u>4.2</u>
	<u>14,693</u>	<u>100.0</u>	<u>15,039</u>	<u>100.0</u>

Our revenue increased from approximately S\$14.7 million for the four months ended 30 April 2016 to approximately S\$15.0 million for the four months ended 30 April 2017, representing an increase of approximately 2.4%. Such increase was mainly due to the net effect of the following:

- (a) Revenue from manpower outsourcing and ancillary services slightly decreased from approximately S\$12.5 million during the four months ended 30 April 2016 to S\$12.3 million during the four months ended 30 April 2017, representing a decrease of 1.3%. According to the Ipsos Report, there was rescheduling of several major infrastructure contracts from second half 2016 to another year as longer preparation was needed to implement these large-scale projects. Our Directors consider that the aforesaid rescheduling affected the construction industry during the four months ended 30 April 2017, resulting in the decrease in the demand for our manpower outsourcing services. In addition, according to the Ipsos Report, several key public projects in the Singapore construction industry scheduled in 2017 such as part of the planned upgrading works of Housing and Development Board flats, development of JTC's Logistic Hub, etc.

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were at the initial startup stage or have not yet commenced during the four months ended 30 April 2017, which, in the opinion of our Directors, also affected the construction demand in that period.

- (b) Our revenue from dormitory services remained broadly stable at approximately S\$1.8 million for the four months ended 30 April 2016 and 30 April 2017 respectively. Given the occupancy rate of our Woodlands Dormitory at 99.4% for the four months ended 30 April 2017, our Directors consider that the current capacity of our Woodlands Dormitory is insufficient for us to capture further business opportunities, which resulted in the stable revenue derived from our dormitory services for the four months ended 30 April 2017 as compared to that in 2016.
- (c) The increase in revenue from IT services from approximately S\$0.2 million during the four months ended 30 April 2016 to approximately S\$0.3 million for the four months ended 30 April 2017 was mainly because we have undertaken an one-off IT system upgrade project awarded by a new customer during the four months ended 30 April 2017.
- (d) The increase in revenue from construction ancillary services from approximately S\$0.2 million during the four months ended 30 April 2016 to approximately S\$0.6 million for the four months ended 30 April 2017 was mainly because a new project in relation to cleaning services has been awarded to us during the four months ended 30 April 2017.

Cost of services

Our cost of services increased from approximately S\$9.4 million for the four months ended 30 April 2016 to approximately S\$10.0 million for the four months ended 30 April 2017, representing an increase of approximately 6.3%. The following is a discussion on the changes in the key components of our cost of services for the four months ended 30 April 2016 compared to the four months ended 30 April 2017:

- (a) Our foreign workers' wages and salaries increased from approximately S\$2.8 million for the four months ended 30 April 2016 to approximately S\$3.0 million for the four months ended 30 April 2017. Such increase was mainly because we retained more workers during the four months ended 30 April 2017 compared to that in 2016 in preparation for the upcoming large-scale public sector projects rescheduled for 2017, which resulted in a higher salary payment.

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- (b) Foreign workers levy increased from approximately S\$3.1 million for the four months ended 30 April 2016 to approximately S\$3.5 million for the four months ended 30 April 2017, which was mainly because (i) the foreign worker levy charges imposed by the MOM increased from between S\$550 and S\$950 before July 2016 to between S\$650 and S\$950 since July 2016, and (ii) we retained more workers during the four months ended 30 April 2017 compared to that in 2016 as mentioned above.
- (c) Our staff salaries, bonuses and allowances decreased from approximately S\$0.9 million for the four months ended 30 April 2016 to approximately S\$0.6 million for the four months ended 30 April 2017, which was mainly due to a decrease in discretionary bonus payment made to our site coordinators.
- (d) Our rental cost remained stable at approximately S\$1.0 million for both four months ended 30 April 2016 and 30 April 2017.
- (e) Our workers' living related costs increased from approximately S\$0.6 million for the four months ended 30 April 2016 to approximately S\$1.0 million for the four months ended 30 April 2017, which was because we retained more workers during the four months ended 30 April 2017 compared to that in 2016 as mentioned above. As a result, there was an increase in the number of foreign workers employed by our Group who were housed to other third-party dormitory service providers, leading to an increase in rental expenses for external accommodation.

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Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin during the four months ended 30 April 2016 and 30 April 2017 by business operations:

	<u>Four months ended</u> <u>30 April 2016 (unaudited)</u>		<u>Four months ended</u> <u>30 April 2017</u>	
	<u>Gross</u> <u>profit</u> <u>\$S'000</u>	<u>Gross</u> <u>profit</u> <u>margin</u> <u>%</u>	<u>Gross</u> <u>profit</u> <u>\$S'000</u>	<u>Gross</u> <u>profit</u> <u>margin</u> <u>%</u>
Manpower				
outsourcing and				
ancillary services	4,364	35.0	3,737	30.3
Dormitory services	673	38.2	742	41.9
IT services	60	26.0	165	51.8
Construction				
ancillary services	<u>160</u>	70.1	<u>365</u>	57.6
	<u>5,257</u>	35.8	<u>5,009</u>	33.3

Our Group's gross profit decreased from approximately S\$5.3 million for the four months ended 30 April 2016 to approximately S\$5.0 million for the four months ended 30 April 2017, representing a decrease of approximately 4.7%. Our Group's gross profit margin decreased from approximately 35.8% for the four months ended 30 April 2016 to approximately 33.3% for the four months ended 30 April 2017. Such decrease was due to the combined effect of the following:

- (i) the increase in our gross profit of dormitory services as a result of the decrease in our dormitory's utilities expenses as further discussed below;
- (ii) the increase in our gross profit of IT services as a result of the one-off IT system upgrade project during the four months ended 30 April 2017 as discussed above;
- (iii) the increase in our gross profit of construction ancillary services as a result of the increase in our revenue from our construction ancillary services; and
- (iv) the decrease in our gross profit of manpower outsourcing and ancillary services as further discussed below.

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Manpower outsourcing and ancillary services

Gross profit of our manpower outsourcing and ancillary services decreased from approximately S\$4.4 million for the four months ended 30 April 2016 to approximately S\$3.7 million for the four months ended 30 April 2017, representing a decrease of 15.9%, while gross profit margin decreased from approximately 35.0% for the four months ended 30 April 2016 to 30.3% for the four months ended 30 April 2017.

The decrease in our gross profit were primarily due to the decrease in revenue as discussed above, while the decrease in gross profit margin was mainly because (i) we have offered a lower range of the charge-out rate for our workers to some of our customers having considered the general market condition in construction industry in Singapore during the four months ended 30 April 2017 as discussed above; and (ii) the increase in foreign workers levy.

Dormitory services

Gross profit of our dormitory services increased from approximately S\$673,000 for the four months ended 30 April 2016 to approximately S\$742,000 for the four months ended 30 April 2017, while gross profit margin increased from 38.2% for the four months ended 30 April 2016 to 41.9% for the four months ended 30 April 2017. The increase in our gross profit and gross profit margin was mainly due to the decrease in our dormitory's utilities expenses. Our foreign employees staying at the Woodlands Dormitory have the option to either make use of our cooking facilities free of charge or pay for the catering service. The decrease in our dormitory's utilities expenses was mainly due to the decrease in the use of our cooking facilities from our foreign employees.

IT services

Gross profit for our IT services increased from approximately S\$60,000 for the four months ended 30 April 2016 to approximately S\$0.2 million for the four months ended 30 April 2017, while the gross profit margin increased from approximately 26.0% for the four months ended 30 April 2016 to 51.8% for the four months ended 30 April 2017. The increase was mainly due to the one-off IT system upgrade project awarded by a new customer during the four months ended 30 April 2017.

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Construction ancillary services

Gross profit of our construction ancillary services increased from approximately S\$0.2 million for the four months ended 30 April 2016 to approximately S\$0.4 million for the four months ended 30 April 2017, along with the increase in our revenue from construction ancillary services for the four months ended 30 April 2017 compared to that in the four months ended 30 April 2016 as discussed above. The gross profit margin decreased from approximately 70.1% for the four months ended 30 April 2016 to approximately 57.6% for the four months ended 30 April 2017. The decrease was primarily due to a higher proportion of revenue derived from cleaning works during the four months ended 30 April 2017 as compared to that in 2016, which, when compared to providing other construction ancillary services such as warehousing services, enjoyed a lower gross profit margin.

Other income and gains

Our other income and gains decreased from approximately S\$0.5 million for the four months ended 30 April 2016 to approximately S\$0.3 million for the four months ended 30 April 2017. Such decrease was mainly due to the decrease in government grants from the Wage Credit Scheme.

Selling expenses

Our selling expenses remained at a relatively modest level at approximately S\$16,000 and S\$9,000 for the four months ended 30 April 2016 and 30 April 2017 respectively.

Administrative expenses

Our administrative expenses decreased from approximately S\$2.8 million for the four months ended 30 April 2016 to approximately S\$2.3 million for four months ended 30 April 2017. The decrease was mainly due to the decrease in our staff salaries, allowances and bonuses, our staff welfare and employee benefits and the travelling and entertainment expenses by approximately S\$0.2 million, approximately S\$60,000 and approximately S\$0.1 million respectively, which was mainly due to (i) a decrease in bonus payment made to our back office staff; and (ii) a better cost control management in relation to the travelling and entertainment expenses. In addition, our directors' remuneration, which was included in the administrative expenses, decreased from approximately S\$200,000 for the four months ended 30 April 2016 to approximately S\$172,000 for the four months ended 30 April 2017. Such decrease was due to the decrease in the remuneration of Mrs. Kuah as a result of the decrease in her workload in certain subsidiaries in 2017.

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Other losses

Our other losses decreased from approximately S\$59,000 for the four months ended 30 April 2016 to approximately S\$18,000 for the four months ended 30 April 2017, which was mainly due to the decrease in loss arising on disposal of property, plant and equipment.

Other expenses

Our other expenses increased from nil for the four months ended 30 April 2016 to approximately S\$1.2 million for the four months ended 30 April 2017, which was due to the recognition of expenses in relation to the Listing.

Finance costs

Our finance costs decreased from approximately S\$6,000 for the four months ended 30 April 2016 to approximately S\$1,400 for the four months ended 30 April 2017, along with the decrease in our borrowings.

Income tax expense

Despite the decrease in our profit before taxation during the four months ended 30 April 2017, our income tax expense increased from approximately S\$0.32 million for the four months ended 30 April 2016 to approximately S\$0.33 million for the four months ended 30 April 2017. The increase was mainly due to the tax effect of the non-deductible listing expenses incurred during the four months ended 30 April 2017.

Profit for the period

As a result of the aforesaid and in particular the recognition of listing expenses during the four months ended 30 April 2017 and the effect of the non-deductible listing expenses as explained above, our profit and other comprehensive income decreased from S\$2.5 million during the four months ended 30 April 2016 to approximately S\$1.5 million during the four months ended 30 April 2017.

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7.4 Sustainability of our business in view of the decrease in our revenue and gross profit of our manpower outsourcing and ancillary services business in FY2016

Our revenue, gross profit and gross profit margin in relation to the manpower outsourcing and ancillary services business decreased from approximately S\$39.8 million, approximately S\$13.1 million and approximately 33.1% respectively for FY2015 to approximately S\$38.0 million, approximately S\$12.2 million and approximately 32.2% respectively for FY2016. In spite of such decrease, our Directors are of the view that our business are sustainable due to the following:-

- a) Our Directors consider that the main reason for the decrease in our revenue, gross profit and gross profit margin for our manpower outsourcing and ancillary services business for FY2016 is, as explained in paragraph 7.2 above, the slowdown of the Singapore construction industry during FY2016 compared to FY2015. This is an industry-wide factor affecting our Group as well as our Singapore-based competitors, rather than company-specific matters concerning the competitiveness of our Group in the manpower outsourcing and ancillary services industry.
- b) As discussed in the paragraph headed “Industry overview – Overview of the Singapore construction industry” in this prospectus, the slowdown of the Singapore construction industry during 2016 was mainly due to the rescheduling of several major infrastructure contracts, while the construction demand in 2017 is expected to be higher than that in 2016. According to Ipsos Report, the construction demand by value of contracts is expected to increase from approximately S\$26.1 billion in 2016 to approximately S\$30.0 billion in 2017, representing an increase of 14.9%. Therefore, our Directors consider that the slowdown of the Singapore construction industry is temporary in nature, and that our manpower outsourcing and ancillary services business will be able to benefit from the projected growth of the construction industry in the coming years as stated in the Ipsos Report, as our Directors expect that there will hence be an increasing demand for construction foreign workers by our customers in the construction industry in Singapore.
- c) Our Group has diversified into other businesses including the dormitory service business. Our revenue, gross profit and gross profit margin in relation to our dormitory services increased from approximately S\$4.7 million, approximately S\$1.4 million and approximately 27.7% for FY2015 to approximately S\$5.5 million, approximately S\$2.3 million and approximately 41.2% for FY2016. Our Group also derive revenues from providing IT services and construction ancillary services.

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- d) Our Group has several competitive strengths as discussed in the paragraph headed “Business – Competitive Strengths” in this prospectus, which, in the opinion of our Directors, allow us to gain long-term sustainability in respect of our businesses in the industry.
- e) One of our Group’s business strategies is to expand our manpower outsourcing and ancillary services business through recruiting additional foreign employees, and acquiring an additional foreign worker dormitory and additional lorries, and we intend to finance such expansion partly by utilising the proceeds from the Share Offer. Our Directors believe that such strategies and the Listing will enable our Group to further expand our businesses in the future and to enhance the long-term sustainability of our businesses.

8. LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and borrowings. Our primary liquidity requirements are to finance our business operations, working capital needs and future plans, and to fund the payment of interest and principal repayment due on our indebtedness. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the proceeds from the Share Offer to finance a portion of our liquidity requirements.

As at 31 May 2017, we had bank balances and cash of approximately S\$6.0 million and we had no unutilised banking facilities available for cash drawdown.

8.1. Cash flows

The following table sets forth a summary of our cash flows for the years indicated:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>For the four months ended 30 April 2016</u>	<u>For the four months ended 30 April 2017</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
				(unaudited)	
Net cash from (used in) operating activities	8,903	9,868	7,529	3,068	(1,007)
Net cash used in investing activities	(242)	(1,583)	(41)	(2,896)	(315)
Net cash used in financing activities	<u>(3,512)</u>	<u>(12,000)</u>	<u>(3,432)</u>	<u>(135)</u>	<u>(7,657)</u>
Net increase/(decrease) in cash and cash equivalents	5,149	(3,715)	4,056	36	(8,979)
Cash and cash equivalents at beginning of the year/period	<u>10,234</u>	<u>15,383</u>	<u>11,668</u>	<u>11,668</u>	<u>15,724</u>
Cash and cash equivalents at end of the year/period	<u><u>15,383</u></u>	<u><u>11,668</u></u>	<u><u>15,724</u></u>	<u><u>11,704</u></u>	<u><u>6,745</u></u>

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Cash flows from operating activities

Our operating cash inflow is primarily derived from our revenue generated from our businesses, whereas our operating cash outflow mainly includes payment for operating costs, staff costs, as well as other working capital needs. Net cash generated from operations primarily consisted of profit before taxation adjusted for depreciation, finance costs, dividend income, loss on disposal of property, plant and equipment, allowance for doubtful debts, and the effect of changes in working capital such as trade receivables, other receivables, deposits and prepayments and trade and other payables.

The following table sets forth a reconciliation of our profit before taxation to net cash generated from operations:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>For the four months ended 30 April 2016</u>	<u>For the four months ended 30 April 2017</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
				(unaudited)	
Profit before taxation	4,828	7,413	7,582	2,825	1,785
Adjustments for:					
– Depreciation of property, plant and equipment	682	692	642	188	250
– Depreciation of investment property	1,250	1,041	–	–	–
– Finance costs	54	32	17	6	1
– Dividend income	(2)	(2)	(2)	–	–
– Loss on disposal of property, plant and equipment, net	–	15	71	59	12
– Allowance for doubtful debts, net	487	359	13	–	–
	<u>487</u>	<u>359</u>	<u>13</u>	<u>–</u>	<u>–</u>
Operating cash flow before movement in working capital	7,299	9,550	8,323	3,078	2,048
<i>Movements in working capital:</i>					
– (Increase)/decrease in trade receivables	(92)	1,150	365	(230)	(2,287)
– Decrease/(Increase) in other receivables, deposits and prepayments	70	(506)	(861)	(137)	170
– Increase/(decrease) in trade and other payables	1,892	(142)	150	452	(55)
	<u>1,892</u>	<u>(142)</u>	<u>150</u>	<u>452</u>	<u>(55)</u>
Cash generated from (used in) operations	<u>9,169</u>	<u>10,052</u>	<u>7,976</u>	<u>3,163</u>	<u>(123)</u>

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For FY2014, we recorded profit before taxation of approximately S\$4.8 million and cash generated from operations of approximately S\$9.2 million. For FY2015, we recorded profit before taxation of approximately S\$7.4 million and cash generated from operations of approximately S\$10.1 million. For FY2016, we recorded profit before taxation of approximately S\$7.6 million and cash generated from operations of approximately S\$8.0 million. For the four months ended 30 April 2016, we recorded profit before taxation of approximately S\$2.8 million and cash generated from operations of approximately S\$3.2 million. For the four months ended 30 April 2017, we recorded profit before taxation of approximately S\$1.8 million and cash used in operations of approximately S\$0.1 million. The difference between profit before taxation and cash generated from/used in operations was mainly due to the non-cash items especially the depreciation of property, plant and equipment, and the amount and timing of receipts from our customers and payments to our suppliers during the respective reporting years.

We generally grant a credit period to our customers ranging from 3 to 30 days while the credit period granted by our suppliers generally ranged from 7 to 60 days.

Cash flows from investing activities

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>For the four months ended 30 April 2016</u>	<u>For the four months ended 30 April 2017</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
				(unaudited)	
Advances to related parties	(151)	(90)	(43)	(4)	-
Advance to a director	-	(1,245)	(2,423)	(2,423)	-
Repayment from a director	-	-	3,669	-	-
Purchase of property, plant and equipment	(93)	(249)	(1,254)	(476)	(318)
Proceeds from disposal of property, plant and equipment	-	-	9	7	3
Dividends received from held for trading investments	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(242)</u>	<u>(1,584)</u>	<u>(41)</u>	<u>(2,896)</u>	<u>(315)</u>

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During the Track Record Period, our cash inflows from investing activities included repayment from a director, proceeds from disposal of property, plant and equipment and dividends received from our held for trading investments, while our cash outflows from investing activities included advances to a director, purchase of property, plant and equipment and increase in advances to related parties.

For each of FY2014, FY2015, FY2016 and the four months ended 30 April 2016 and 30 April 2017, we recorded net cash used in investing activities of approximately S\$0.2 million, approximately S\$1.6 million, approximately S\$41,000, approximately S\$2.9 million and approximately S\$0.3 million respectively, which was mainly due to the purchase of property, plant and equipment such as motor vehicles, computers and leasehold improvements, the advances to/repayment from a director and advances to/repayment from related parties.

Cash flows from financing activities

	FY2014	FY2015	FY2016	For the four months ended 30 April 2016	For the four months ended 30 April 2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
				(unaudited)	
Placement of pledged deposits	(40)	-	-	-	-
Release of pledged deposits	-	-	55	55	-
Listing expenses paid	-	-	(213)	-	(328)
Interest paid	(54)	(32)	(17)	(6)	(1)
Dividends paid	-	-	(7,440)	-	(3,000)
Repayment of advance from a director	(7,510)	(11,825)	(9,526)	-	(4,251)
Advance from a director	4,916	1,741	14,331	-	-
New borrowings raised	1,200	-	-	-	-
Repayment of borrowings	(1,955)	(1,880)	(509)	(168)	(43)
Repayment of finance lease payables	(69)	(4)	(113)	(17)	(33)
Net cash used in financing activities	(3,512)	(12,000)	(3,432)	(135)	(7,657)

During the Track Record Period, our cash inflows from financing activities included release of pledged deposits, advance from a director, and new borrowings raised, while our cash outflows from financing activities included placement of pledged deposits, interest paid, dividends paid, listing expenses paid, repayment of advance from a director, repayment of borrowings and repayment of obligations under finance leases.

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For FY2014, we recorded net cash used in financing activities of approximately S\$3.5 million, which was mainly due to our repayment of advance from a director of approximately S\$7.5 million, partially net off by the advance from a director of approximately S\$4.9 million.

For FY2015, we recorded net cash used in financing activities of approximately S\$12.0 million, which was mainly due to our repayment of advance from a director of approximately S\$11.8 million and the repayment of borrowings of approximately S\$1.9 million, partially offset by the advance from a director of approximately S\$1.7 million.

For FY2016, we recorded net cash used in financing activities of approximately S\$3.4 million, which was mainly due to the payment of dividend of approximately S\$7.4 million, and our repayment of advance from a director of approximately S\$9.5 million, partially offset by the advance from a director of approximately S\$14.3 million.

For the four months ended 30 April 2016, we recorded net cash used in financing activities of approximately S\$135,000, which was mainly due to the repayment of bank borrowing of approximately S\$168,000.

For the four months ended 30 April 2017, we recorded net cash used in financing activities of approximately S\$7.7 million, which was mainly due to the payment of dividend of approximately S\$3.0 million and our repayment of advance from a director of approximately S\$4.3 million.

8.2. Capital expenditures

During the Track Record Period, our Group's capital expenditures have principally consisted of expenditures on motor vehicles, computer and equipment, furniture and fittings and renovation. We incurred cash flows on capital expenditures for the purchases of property, plant and equipment in the amounts of approximately S\$93,000, approximately S\$0.2 million, approximately S\$1.3 million and approximately S\$0.3 million for FY2014, FY2015, FY2016 and the four months ended 30 April 2017 respectively.

8.3. Working capital

Our Directors are of the opinion that, taking into consideration our internal resources, financial resources presently available to our Group, cash generated from our operations, and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements for at least 12 months from the date of this prospectus.

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9. NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017	As at 31 August 2017
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
					(unaudited)
Current assets					
Trade receivables	6,926	5,418	5,040	7,327	7,622
Other receivables, deposits and prepayments	404	910	1,985	2,142	2,162
Amounts due from related parties	160	251	294	–	–
Amount due from a director	–	1,245	–	–	1
Held for trading investments	70	70	70	70	70
Pledged bank deposits	55	55	–	–	–
Bank balances and cash	<u>15,383</u>	<u>11,668</u>	<u>15,724</u>	<u>6,745</u>	<u>6,551</u>
	<u>22,998</u>	<u>19,617</u>	<u>23,112</u>	<u>16,284</u>	<u>16,406</u>
Current liabilities					
Amount due to related parties	(413)	(413)	(413)	–	–
Amount due to a director	(10,084)	–	(4,205)	(72)	(107)
Trade and other payables	(6,806)	(6,664)	(6,814)	(6,759)	(6,326)
Obligations under finance leases	–	(39)	(37)	(7)	(7)
Income tax payable	(624)	(1,529)	(2,044)	(1,490)	(853)
Dividends payable	–	–	(3,000)	–	–
Borrowings	<u>(1,880)</u>	<u>(509)</u>	<u>(43)</u>	<u>–</u>	<u>–</u>
	<u>(19,807)</u>	<u>(9,154)</u>	<u>(16,555)</u>	<u>(8,328)</u>	<u>(7,293)</u>
Net current assets	<u><u>3,191</u></u>	<u><u>10,463</u></u>	<u><u>6,557</u></u>	<u><u>7,956</u></u>	<u><u>9,113</u></u>

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As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, our net current assets amounted to approximately S\$3.2 million, approximately S\$10.5 million, approximately S\$6.6 million and S\$8.0 million respectively. The increase in our net current assets as at 31 December 2015 compared to that as at 31 December 2014 was mainly because of our profitable operations during FY2015. The decrease in our net current assets as at 31 December 2016 compared to that as at 31 December 2015 was mainly because of our declaration of S\$10.4 million dividend during FY2016, partially offset by the profit derived from our business during FY2016. The increase in our net current assets as at 30 April 2017 compared to that as at 31 December 2016 was mainly because of our profitable operations during the four months ended 30 April 2017.

As at 31 August 2017, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately S\$9.1 million which was higher than our net current assets as at 30 April 2017 of approximately S\$8.0 million, which was mainly because of our profitable operations during the four months ended 31 August 2017.

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs.

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10. DISCUSSION ON ITEMS FROM THE COMBINED STATEMENT OF FINANCIAL POSITION

10.1. Trade receivables

The following table sets forth a breakdown of our trade receivables:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Trade receivables	7,413	6,114	5,537	6,278
Less: allowance for doubtful debts	<u>(487)</u>	<u>(846)</u>	<u>(641)</u>	<u>(469)</u>
	6,926	5,269	4,896	5,809
Unbilled revenue	<u>–</u>	<u>149</u>	<u>144</u>	<u>1,518</u>
	<u><u>6,926</u></u>	<u><u>5,418</u></u>	<u><u>5,040</u></u>	<u><u>7,327</u></u>

Our trade receivables (including unbilled revenue and net of allowance for doubtful debts) decreased from approximately S\$6.9 million as at 31 December 2014 to approximately S\$5.4 million as at 31 December 2015. Despite the increase in revenue from FY2014 to FY2015, trade receivables decreased mainly due to the better credit management by increasing our effort in collection of receivables to minimise long overdue balances. Our trade receivables (including unbilled revenue and net of allowance for doubtful debts) further decreased from approximately S\$5.4 million as at 31 December 2015 to approximately S\$5.0 million as at 31 December 2016, which was partly due to the decrease in our revenue and partly due to our efforts in maintaining good credit control on collection of outstanding receivables from our customers.

Our trade receivables (including unbilled revenue and net of allowance for doubtful debts) increased from approximately S\$5.0 million as at 31 December 2016 to approximately S\$7.3 million as at 30 April 2017, which was mainly due to (i) the increase in unbilled revenue as certain manpower outsourcing services were rendered in late April 2017 and we have not yet issued the relevant invoices to our customers as at 30 April 2017; and (ii) the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to different settlement practices of different customers as well as the different credit periods granted by us.

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Allowance for doubtful debts

Movements in our Group's allowance for doubtful debts are as follows:

	FY2014	FY2015	FY2016	For the four months ended 30 April 2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
At beginning of year/period	–	487	846	641
Addition	487	359	182	–
Reversal	–	–	(169)	–
Written off	–	–	(218)	(172)
At end of year/period	487	846	641	469

At the end of each reporting period, we assess whether there is objective evidence that any trade and other receivables are impaired. Allowances for doubtful debts are recognised based on estimated irrecoverable amounts for each customer taking into account their creditworthiness, past collection history and past default experience. Our Group has provided fully for all receivables aged over 90 days because we consider that receivables that are past due beyond 90 days are unlikely to be recoverable based on our historical experience.

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, trade receivables of approximately S\$0.5 million, S\$0.4 million, S\$0.2 million and nil were impaired and allowance for doubtful debts was recognized accordingly.

For FY2014, FY2015, FY2016 and the four months ended 30 April 2017, approximately nil, nil, S\$0.2 million and S\$0.2 million of doubtful debts were written off. These receivable balances relate to a number of independent customers in respect of our manpower outsourcing and ancillary services business. We assessed that these amounts were unlikely to be recovered as either there was no continuing business relationship with these customers or there was apparent financial and cash flows issues of the relevant customers as indicated to our Directors, and Our Directors considered that the costs of pursuing further collection and/or legal actions did not justify the expected amount that might be recovered. Therefore, provision for impairment loss was recognized and was subsequently written off as uncollectible in the same respective reporting periods.

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During FY2016, a reversal of allowance for doubtful debts of approximately S\$0.2 million was made. The balances being reversed were in relation to a customer who delayed its settlement of outstanding balances during FY2015 as it required more time to check and confirm the details of our invoices, including the timecards containing the number of hours worked by our deployed workers, and our management considered such amount irrecoverable during FY2015. The reversal was made in FY2016 as a result of the subsequent collection of such balances.

Concentration

Approximately 42%, 26%, 24% and 21% of our total trade receivables outstanding at 31 December 2014, 2015, 2016 and 30 April 2017 were due from 5 customers which exposed our Group to concentration of credit risk. Such 5 customers have good creditworthiness with our Group based on historical settlement record.

In particular, as at 31 December 2014, 2015, 2016 and 30 April 2017, there was 1, 0, 0 and 0 customer which individually contributed over 10% of our trade and other receivables, respectively. The aggregate amounts of trade and other receivables from this customer accounted for 22.5%, nil, nil and nil of our total trade and other receivables as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017 respectively. Our Directors are of the view that our Group has no significant concentration risk, because the balance as at 31 December 2014 in relation to this specific customer (to whom we provided manpower outsourcing and ancillary services) was related to the customer's construction projects performed in late 2014, and more time was required by the customer to check and confirm the details of our invoices, including the timecards containing the number of hours worked by our deployed workers. The outstanding balance was subsequently fully settled in February 2015.

FINANCIAL INFORMATION

Trade receivables turnover days

The following table sets forth our trade receivable turnover days during the Track Record Period:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	For the four months ended 30 April 2017
	<u>No. of days</u>	<u>No. of days</u>	<u>No. of days</u>	<u>No. of days</u>
Trade receivables turnover days:				
– Manpower outsourcing and ancillary services	66.3	55.3	47.9	51.5
– Dormitory services	0.4	1.4	2.9	4.2
– IT services	–	–	–	–
– Construction ancillary services	17.2	17.8	25.5	16.9
– Overall	57.7	48.3	41.2	43.4

Notes:

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (excluding unbilled revenue and net of provision) attributable to that segment divided by revenue attributable to that segment during the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a fully year or 122 days for the 4 months ended 30 April 2017).

Trade receivables turnover days for our manpower outsourcing and ancillary services was approximately 66.3 days for FY2014, approximately 55.3 days for FY2015, approximately 47.9 days for FY2016 and approximately 51.5 days for the four months ended 30 April 2017, which were longer than the normal credit period of 3 to 30 days offered to our customers because some of our customers typically required more time to check and confirm the details of our invoices, including the timecards containing the number of hours worked by the deployed workers. The gradual decrease in turnover days from FY2014 to FY2016 was mainly a result of the better credit control by our senior management and our sales managers' effort in collecting outstanding balances.

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Trade receivables turnover days for our dormitory services was approximately 0.4 to 1.4 days for both FY2014 and FY2015, and increased to approximately 2.9 days in FY2016 and 4.2 days for the four months ended 30 April 2017. The increase in FY2016 and the four months ended 30 April 2017 compared to that in FY2014 and FY2015 was mainly due to a longer credit term of 7 days being offered to our dormitory customers, especially to our new customers, in FY2016 after our management's review of our credit policy and the prevailing market practice.

The trade receivables turnover days for our IT services was zero during the Track Record Period because the customer for our IT services settled all payments before the end of each reporting period.

Trade receivable turnover days for our construction ancillary services was approximately 17.2 days and 17.8 days for FY2014 and FY2015, and increased to 25.5 days for FY2016, and decreased to 16.9 days for the four months ended 30 April 2017. The increase in FY2016 compared to that in FY2014, FY2015 and the four months ended 30 April 2017 was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

Our trade receivables turnover days for all segments decreased from approximately 57.7 days in FY2014 to approximately 48.3 days in FY2015, and further to approximately 41.2 days in FY2016, and increased to 43.4 days for the four months ended 30 April 2017, which was mainly due to the fluctuation in turnover days for our manpower outsourcing and ancillary services as discussed above.

Aging analysis and subsequent settlement

The aging analysis of our trade receivables, based on invoice date is as follows:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Less than 30 days	3,323	3,234	3,229	3,506
31 days to 60 days	2,232	1,827	1,402	1,826
61 days to 90 days	1,371	208	265	477
	6,926	5,269	4,896	5,809

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The aging analysis of our trade receivables which were past due but not impaired, presented based on the invoice date, are as follows:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
31 days to 60 days	2,232	1,827	1,402	1,826
61 days to 90 days	<u>1,371</u>	<u>208</u>	<u>265</u>	<u>477</u>
	<u><u>3,603</u></u>	<u><u>2,034</u></u>	<u><u>1,667</u></u>	<u><u>2,303</u></u>

Up to the Latest Practicable Date, 91.2% of our trade receivables, presented based on the invoice date, as at 30 April 2017 had been settled:

	As at 30 April 2017	Subsequent settlement up to the Latest Practicable Date	
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Less than 30 days	3,506	3,232	92.2
31 days to 60 days	1,826	1,684	92.2
61 days to 90 days	<u>477</u>	<u>379</u>	79.5
	<u><u>5,809</u></u>	<u><u>5,295</u></u>	91.2

The outstanding balances in respect of long aged group (i.e. those that were ranged between 61 days to 90 days) was mainly because a longer settlement process of certain customers was required as a result of their internal procedures for settlement and our Group considers the amounts to be recoverable.

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10.2. Other receivables, deposits and prepayments

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Deposits	164	195	458	606
Sundry debtors	72	165	141	104
Goods and services tax ("GST") receivable	143	520	716	734
Prepayments	17	10	418	120
Deferred listing expenses	–	–	214	542
Others	<u>9</u>	<u>21</u>	<u>38</u>	<u>37</u>
	<u>404</u>	<u>910</u>	<u>1,985</u>	<u>2,142</u>

Our other receivables, deposits and prepayments mainly include goods and services tax (GST) receivable, rental deposits paid to our landlords and our external dormitory service providers, prepaid land lease in relation to our Woodlands Dormitory, and deferred listing expenses in relation to the Listing.

Our other receivables, deposits and prepayments increased from approximately S\$0.4 million as at 31 December 2014 to approximately S\$0.9 million as at 31 December 2015, which was mainly due to the increase in GST receivable by approximately S\$0.4 million.

Our other receivables, deposits and prepayments increased from approximately S\$0.9 million as at 31 December 2015 to approximately S\$2.0 million as at 31 December 2016, which was mainly due to (i) the increase in rental deposits paid to our third-party dormitory service providers for provision of workers accommodation for our own foreign workers of approximately S\$0.3 million, (ii) the increase in GST receivable of approximately S\$0.2 million, (iii) the deferred listing expenses in relation to the Listing recognized in FY2016 of approximately S\$0.2 million, and (iv) the prepaid land lease in relation to our Woodlands Dormitory in late December 2016 which amounted to S\$0.2 million.

Our other receivables, deposits and prepayments was approximately S\$2.0 million as at 31 December 2016 and approximately S\$2.1 million as at 30 April 2017 respectively, which remained relatively stable.

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10.3. Trade and other payables

The following table sets forth a breakdown of our trade and other payables:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Trade payables	1,672	1,954	1,728	1,405
Accrued operating expenses	2,036	2,073	2,244	2,145
Listing expenses payable	–	–	–	941
Other payables				
– GST payables	748	1,192	1,323	906
– Customer deposits received	1,077	1,129	1,186	1,145
– Land lease payable	946	–	–	–
– Others	<u>328</u>	<u>316</u>	<u>332</u>	<u>216</u>
	<u><u>6,806</u></u>	<u><u>6,664</u></u>	<u><u>6,814</u></u>	<u><u>6,759</u></u>

Trade payables

Our trade payables mainly comprised payables to our suppliers which include catering service providers, provider of construction manpower and overseas manpower consultant in India and Myanmar. Our trade payables increased from approximately S\$1.7 million as at 31 December 2014 to approximately S\$2.0 million as at 31 December 2015, and decreased to approximately S\$1.7 million as at 31 December 2016. The increase in trade payables as at 31 December 2015 compared to that at 31 December 2014 was mainly due to the balances in relation to the overseas manpower consultants in relation to the India Project and the Myanmar Project, who issued invoices to us in late December 2015 for their respective full year of services rendered by them, leading to a large trade payable balance as at 31 December 2015.

The decrease in trade payables as at 31 December 2016 compared to that as at 31 December 2015 was mainly because of our payments made to the overseas manpower consultants in relation to the India Project and the Myanmar Project during FY2016.

The decrease in trade payables as at 30 April 2017 compared to that as at 31 December 2016 was mainly because of a slightly shorter settlement process at the request of certain suppliers before 30 April 2017.

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Accrued operating expenses and other payables

Our accrued operating expenses and other payables mainly include accrued operating expense (such as accrued wages and salaries), GST payable, customers' deposits in relation to our dormitory business and land lease payable in relation to our School Dormitory Project.

Our accrued operating expenses and other payables decreased from approximately S\$5.1 million as at 31 December 2014 to approximately S\$4.7 million as at 31 December 2015, which was mainly due to the land lease payable in relation to the School Dormitory Project which amounted to S\$0.9 million recorded as at 31 December 2014, which was not yet settled as at 31 December 2014 because, as discussed in paragraph 6.7(a) above, our Group was in process of negotiating with the Singapore Government in relation to the termination of the Tenancy Agreement. The balance was subsequently settled in the first quarter of FY2015. The decrease was partially offset by the increase in GST payable by approximately S\$0.4 million.

Our accrued operating expenses and other payables increased from approximately S\$4.7 million as at 31 December 2015 to approximately S\$5.1 million as at 31 December 2016, which was mainly due to (i) the increase in GST payable of approximately S\$0.1 million, and (ii) the increase in accrued operating expenses of approximately S\$0.2 million in relation to foreign workers' wages and salaries.

Our accrued operating expenses and other payables (including listing expenses payable) increased from approximately S\$5.1 million as at 31 December 2016 to approximately S\$5.4 million as at 30 April 2017, which was mainly due to the listing expenses payable of approximately S\$0.9 million as at 30 April 2017 (31 December 2016: nil).

Currency denomination

The carrying amounts of our Group's trade payables are denominated in the following currencies:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
SGD	796	559	1,230	1,032
USD	876	1,395	498	373
	1,672	1,954	1,728	1,405

FINANCIAL INFORMATION

Trade payables turnover days

The following table sets forth our trade payables turnover days during the Track Record Period:

	FY2014	FY2015	FY2016	For the four months ended 30 April 2017
	<i>No. of days</i>	<i>No. of days</i>	<i>No. of days</i>	<i>No. of days</i>
Trade payables turnover days	21.3	21.5	22.7	19.1

Notes:

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of services during the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 122 days for the four months ended 30 April 2017).

Trade payables turnover days were approximately 21.3 days for FY2014, approximately 21.5 days for FY2015, approximately 22.7 days for FY2016 and approximately 19.1 days for the four months ended 30 April 2017, which remained relatively stable. We were generally granted by suppliers a credit period ranging from 7 to 60 days.

Aging analysis and subsequent settlement

The ageing analysis of our trade payables based on invoice date is as follows:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Within 30 days	916	1,581	730	796
31 days to 90 days	194	47	64	20
Over 90 days	562	327	934	589
	1,672	1,954	1,728	1,405

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Up to the Latest Practicable Date, 60.3% of our trade payables as at 30 April 2017 had been settled:

	As at 30 April 2017	Subsequent settlement up to the Latest Practicable Date	
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Within 30 days	796	795	99.8
31 days to 90 days	20	18	90.3
Over 90 days	<u>589</u>	<u>34</u>	5.8
	<u><u>1,405</u></u>	<u><u>847</u></u>	60.3

The outstanding balances in respect of long aged group (i.e. those that were over 90 days) were mainly in relation to costs of the Myanmar Project as discussed above, the settlement of which is pending the provision of sufficient calculation breakdown and supporting documents for the invoices billed by the Myanmar consultant.

10.4. Amount due from/to a Director

Details of the amounts due from/to a Director, Mr. Kuah, are summarised in note 20 to the accountants' report set out in Appendix I to this prospectus. The amounts due from/to a Director are non-trade in nature, unsecured, interest-free and repayable on demand. All such amounts have been fully settled in May 2017.

10.5. Amounts due from/to related companies

(a) Amount due from related parties

The following table sets out the details of amount due from a related company:

	<u>As at 31 December 2014</u>	<u>As at 31 December 2015</u>	<u>As at 31 December 2016</u>	<u>As at 30 April 2017</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<i>Analysed as:</i>				
Labour Solutions Pte. Ltd.	35	192	192	–
Kenta Training & Testing Services Pte. Ltd.	40	59	102	–
Tiara Global Pte. Ltd.	<u>85</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>160</u></u>	<u><u>251</u></u>	<u><u>294</u></u>	<u><u>–</u></u>

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These were funds advanced from our Group to the above three companies, of which Mr. Kuah was a controlling shareholder. The amounts due from the related companies are non-trade in nature, unsecured, interest free and repayable on demand. As disclosed in the section headed “Directors and senior management”, Tiara Global Pte. Ltd., Kenta Training & Testing Services Pte. Ltd. and Labour Solutions Pte. Ltd. were struck off by voluntary application on 4 September 2017, 7 August 2017 and 7 August 2017, respectively. The amounts due from Labour Solutions Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. were transferred by these two companies through assignment to their controlling shareholder, Mr. Kuah, after the Track Record Period, and will be settled by Mr. Kuah before Listing, while the amount due from Tiara Global Pte. Ltd. has been repaid during the Track Record Period.

(b) Amount due to related parties

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 April 2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Tiara Global Pte. Ltd.	179	179	179	–
Kenta Training & Testing Services Pte. Ltd.	234	234	234	–
	413	413	413	–

Our Group has amount due to Tiara Global Pte. Ltd. in the amount of approximately S\$179,000, S\$179,000 and S\$179,000; and to Kenta Training & Testing Services Pte. Ltd. in the amount of S\$234,000, S\$234,000 and S\$234,000 as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively. All of these balances were trade-related. Tiara Global Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. provided employee training and other services for foreign workers of our Group in 2013. There were no transactions between our Group and these two companies during the Track Record Period. As disclosed in the section headed “Directors and senior management”, Tiara Global Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. were struck off by voluntary application on 4 September 2017 and 7 August 2017, respectively, and all amounts due from our Group to the two companies were transferred by these two companies through assignment to their controlling shareholder, Mr. Kuah in March 2017 and were settled in May 2017.

Further details of the amounts due from/to related companies are summarized in Note 29 to the accountants’ report set out in Appendix I to this prospectus.

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Reasons for the dissolution of Tiara Global Pte. Ltd., Labour Solutions Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd.

In late 2016, our Group began to consider the possibility of a listing on the Stock Exchange. As Tiara Global Pte. Ltd. (the “**Tiara Global**”), Labour Solutions Pte. Ltd (the “**Labour Solutions**”) and Kenta Training & Testing Services Pte. Ltd. (the “**Kenta**”) were dormant during FY2016, Mr. Kuah believed these companies should be clearly segregated from our Group in order to streamline the corporate structure of our Group.

Having considered the fact that our Group had not been placing any material reliance on the services provided by each of these companies during the Track Record Period, and following the discussions between Mr. Kuah and other shareholders of Tiara Global and Labour Solutions,

- (a) Mr. Kuah and Ms. Akiko Koshiishi (being his spouse and the other shareholder of Tiara Global) agreed to apply for the striking off of Tiara Global which was previously engaged in the provision of job training services prior to its cessation of business. Tiara Global was struck off by voluntary application on 4 September 2017;
- (b) Mr. Kuah and another shareholder of Labour Solutions agreed to apply for the striking off of Labour Solutions which was previously engaged in the provision of business and management consultancy services prior to its cessation of business. Labour Solutions was struck off by voluntary application on 7 August 2017; and
- (c) Mr. Kuah decided to apply for the striking off of Kenta which was previously engaged in the provision of vocational training services prior to its cessation of business. Kenta was struck off by voluntary application on 7 August 2017.

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Since the incorporation of Tiara Global and Kenta and up to their dissolution on 4 September 2017 and 7 August 2017, respectively, Mr. Kuah has been a director of these two companies. Mr. Kuah has been a director of Labour Solutions since March 2016 and up to the dissolution date of Labour Solutions. Mr. Kuah confirms that, during his directorships in these companies and up to their dissolution on 4 September 2017, 7 August 2017 and 7 August 2017, respectively, Tiara Global, Labour Solutions and Kenta had conducted their business activities in compliance with all the applicable laws and regulations and were not involved in, or threatened with, any litigation proceedings. Further, since their incorporation and up to their dissolution dates, each of Tiara Global, Labour Solutions and Kenta had not recorded any non-compliance that is material or systemic in nature.

10.6. Held for trading investments

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, we had held for trading investments which amounted to S\$70,000, S\$70,000, S\$70,000 and S\$70,000 respectively. Such held for trading investments were securities listed on the Singapore Exchange Securities Trading Limited, which were purchased with our idle funds prior to the Track Record Period and held for trading purposes.

We have no intention to acquire additional listed equity securities or other held for trading investments after Listing. After Listing, where funds are required for implementing our future plans and business strategies and depending on our available financial resources from time to time as well as the general stock market condition in Singapore, we will consider selling some or all of our held for trading investments as and when appropriate.

Our held for trading investments are measured at fair value at the end of each reporting period. The following table sets out information about how fair values of these held-for-trading investments are determined:

Financial assets	Fair value as at				Fair value hierarchy	Valuation technique
	31 December 2014	31 December 2015	31 December 2016	30 April 2017		
Held for trading investments	Listed equity securities – agricultural production industry – S\$70,000	Listed equity securities – agricultural production industry – S\$70,000	Listed equity securities – agricultural production industry – S\$70,000	Listed equity securities – agricultural production industry – S\$70,000	Level 1 (Note)	Quoted bid prices in an active market

Note: Level 1 means that the fair value measurements are based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities.

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10.7. Property, plant and equipment

During the Track Record Period, our Group's property, plant and equipment comprised leasehold properties in relation to our Sungei Kadut Dormitory, leasehold improvements, office equipment, motor vehicles, furniture and fittings and computers. As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, our property plant and equipment were approximately S\$3.2 million, approximately S\$2.8 million, approximately S\$3.4 million and approximately S\$3.5 million respectively.

Our property, plant and equipment decreased from approximately S\$3.2 million as at 31 December 2014 to approximately S\$2.8 million as at 31 December 2015, which was mainly due to the depreciation made during FY2015 which amounted to approximately S\$0.7 million, partially offset by the purchase of motor vehicles during FY2015 which amounted to approximately S\$0.2 million.

Our property, plant and equipment increased from approximately S\$2.8 million as at 31 December 2015 to approximately S\$3.4 million as at 31 December 2016, which was mainly due to the purchase of motor vehicles and the leasehold improvements in relation to our general office which amounted to approximately S\$1.1 million and approximately S\$0.2 million respectively, partially offset by the depreciation made during FY2016 which amounted to approximately S\$0.6 million.

Our property, plant and equipment was approximately S\$3.4 million and approximately S\$3.5 million as at 31 December 2016 and 30 April 2017 respectively, which remained relatively stable.

10.8. Investment property

During the Track Record Period, our Group's investment property was in relation to our Woodlands Dormitory. As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, the carrying value of our investment property was approximately S\$1.0 million, nil, nil and nil respectively. For further details, please refer to the Note 17 to the accountant's report set out in Appendix I to this prospectus.

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For the purpose of our financial statements, we treat our Woodlands Dormitory as an investment property but not our Sungei Kadut Dormitory (which is instead classified under our “property, plant and equipment”). IAS 40 Investment Property states that:

IAS40.5

Investment property is property held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes; or*
- (b) sale in the ordinary course of business.*

Owner-occupied property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.

IAS40.7

Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from owner-occupied property. The production or supply of goods or services (or the use of property for administrative purposes) generates cash flows that are attributable not only to property, but also to other assets used in the production or supply process. HKAS 16 Property, Plant and Equipment applies to owner-occupied property.

IAS40.9

The following are examples of items that are not investment property and are therefore outside the scope of this Standard:

owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal.

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Our Group provides manpower outsourcing services by deploying workers to perform various construction works of different construction trades at the work sites designated by our customers in Singapore. If so requested by our customers, we also provide ancillary services to the customers for a fee during the deployment period, which include, among others, providing accommodation for the deployed employees at our self-operated dormitories. Based on the aforesaid, the associated charges to customers for the provision of accommodation to our foreign employees under deployment arrangement represent income generated that is ancillary to the provision of our manpower outsourcing services (rather than income attributable only to the Sungei Kadut Dormitory). In addition, there is no standalone rental agreement between our Group and our customers for such accommodation in the Sungei Kadut Dormitory, but instead, the fees for providing such accommodation for the deployed employees is included in the deployment contracts.

Sungei Kadut Dormitory is only and can only be used to house our Group's own foreign employees and the associated charges to customers for the provision of accommodation to our Group's foreign employees under deployment arrangement are closely dependent on the workers' deployment. As such, Sungei Kadut Dormitory is classified as a owner-occupied property under our "property, plant and equipment".

11. INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated. As of 31 August 2017, being the latest practicable date for this indebtedness statement, save as disclosed in this paragraph, we do not have any debt securities issued and outstanding or agreed to be issued, bank borrowings or other similar indebtedness, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, material contingent liabilities or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no unutilised banking facilities, and there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material changes in our indebtedness or contingent liabilities since 31 August 2017 and up to the date of this prospectus.

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	As at <u>31 December</u> <u>2014</u> <u>S\$'000</u>	As at <u>31 December</u> <u>2015</u> <u>S\$'000</u>	As at <u>31 December</u> <u>2016</u> <u>S\$'000</u>	As at <u>30 April</u> <u>2017</u> <u>S\$'000</u>	As at <u>31 August</u> <u>2017</u> <u>S\$'000</u>
					(unaudited)
Non-current liabilities					
Obligations under finance					
leases	–	20	20	17	15
Borrowings	552	43	–	–	–
Current liabilities					
Amount due to a Director	10,084	–	4,205	72	107
Obligations under finance					
leases	–	39	37	7	7
Borrowings	<u>1,880</u>	<u>509</u>	<u>43</u>	<u>–</u>	<u>–</u>
	<u><u>12,516</u></u>	<u><u>611</u></u>	<u><u>4,305</u></u>	<u><u>96</u></u>	<u><u>129</u></u>

11.1 Obligations under finance leases

Our obligations under finance leases were unguaranteed but secured by, and were primarily used for purchasing, office equipment and motor vehicles. As at 31 December 2014, 2015, 2016 and 30 April 2017, the carrying values of assets held under finance leases were as follows:

	As at <u>31 December</u> <u>2014</u> <u>S\$</u>	As at <u>31 December</u> <u>2015</u> <u>S\$</u>	As at <u>31 December</u> <u>2016</u> <u>S\$</u>	As at <u>30 April</u> <u>2017</u> <u>S\$</u>
Office equipment	–	19,374	16,967	12,951
Motor vehicles	<u>–</u>	<u>48,390</u>	<u>203,793</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>67,764</u></u>	<u><u>220,760</u></u>	<u><u>12,951</u></u>

Please refer to Note 24 to the accountants' report set out in Appendix I to this prospectus for an analysis of the amounts payable under finance leases.

Interest rates underlying all obligations under finance leases are fixed at the respective contract dates, which ranged from 2.85% to 3.00% per annum during the Track Record Period.

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11.2 Borrowings

Borrowings as at 31 December 2014, 2015 and 2016 represented loans obtained by us from banks primarily for financing our dormitory construction and our general business operations. Please refer to note 25 to the accountants' report set out in Appendix I to this prospectus for an analysis of the amounts repayable under the bank loans. As of the Latest Practicable Date, all bank loans have been fully repaid.

Included in the balances of bank borrowings as at 31 December 2014 was an unsecured bank loan with carrying amount of S\$1.2 million which bore a fixed interest rate of 1.69% per annum. Such unsecured bank loan was guaranteed by Mr. Kuah. Such loan was fully repaid in February 2015, following which Mr. Kuah's personal guarantee was fully discharged.

As at 31 December 2014, 2015 and 2016, we had a secured bank loan with carrying amount of approximately S\$1.2 million, S\$552,466, and S\$43,439, respectively. Such loan was secured by a legal mortgage charge over our properties on leasehold land with carrying amounts of approximately S\$2.7 million, S\$2.4 million and S\$2.1 million respectively, and was guaranteed by Mr. Kuah. The loan bore variable interest rate and the effective interest rate during the Track Record Period was approximately 3.0% per annum. The loan was fully repaid in January 2017, following which all charges and Mr. Kuah's personal guarantee were discharged.

We did not have any bank borrowings as at 30 April 2017.

11.3. Amount due to a Director

Our Group has amount due to a Director, Mr. Kuah of approximately S\$10.1 million, nil, S\$4.2 million and S\$0.1 million as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 August 2017, respectively. These were funds advanced to us by our Director, Mr. Kuah, to finance our business operations. These amounts were unguaranteed and unsecured, interest-free and are repayable on demand. All amounts due to Mr. Kuah have been repaid by us in September 2017 by cheque using our internal funding.

Our Group has amount due to a Director, Mr. Kuah of approximately S\$72,000 as at 30 April 2017. Tiara Global Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. were struck off by voluntary application on 4 September 2017 and 7 August 2017, respectively, and all amounts due from our Group to the two companies were transferred by these two companies through assignment to their controlling shareholder, Mr. Kuah in March 2017. Therefore, the amount due to a Director as at 30 April 2017 represents the amount which was originally due to related parties (i.e. Tiara Global Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd.) and subsequently assigned to Mr. Kuah in March 2017, after having been net off by the amount due from related parties and certain amounts due from Mr. Kuah. We have recorded an amount due to a Director of approximately S\$0.1 million as at 31 August 2017. The amount due to a Director was settled in September 2017.

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11.4. Operating lease commitments

Our Group leases dormitories from external accommodation providers, leases general office and leases the land in relation to our Woodlands Dormitory under operating leases. The following table sets forth our future minimal rental payable under non-cancellable leases as of the dates indicated:

	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>30 April</u>	<u>As at</u> <u>31 August</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
					(unaudited)
Within one year	3,037	3,560	4,555	4,015	3,538
After one year but					
within five years	958	6,292	3,864	2,751	2,115
More than five years	<u>539</u>	<u>374</u>	<u>194</u>	<u>130</u>	<u>49</u>
	<u>4,534</u>	<u>10,226</u>	<u>8,613</u>	<u>6,895</u>	<u>5,702</u>

The leases have tenures ranging from 3 to 12 years and no contingent rent provision is included in the contracts.

11.5. Contingent liabilities

During the Track Record Period and as at the Latest Practicable Date, our Group had no material contingent liabilities.

11.6. Off-balance sheet arrangements and commitments

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

11.7. Plan to obtain mortgage loan for intended purchase of additional dormitory

As discussed in the section headed “Business – Business strategies” in this prospectus, our Group intends to purchase an additional foreign worker dormitory in Singapore, the estimated consideration of which is approximately HK\$162.0 million (equivalent to approximately S\$28.0 million). As part of the financing plan of this purchase, our Directors intend to obtain a mortgage loan of approximately HK\$84.9 million from financial institution.

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As the process of the application of such loan has not started as of the Latest Practicable Date, the precise terms and conditions of the mortgage loan are yet to be confirmed. However, our Directors do not foresee any material difficulties in securing the aforesaid mortgage loan at prevailing market rates or better due the reasons set out in the section headed “Future Plans and Use of Proceeds – Use of Proceeds” in this prospectus.

On the assumptions that:

- (i) the mortgage loan amount will be approximately HK\$84.9 million, representing a loan-to-value ratio of approximately 52.4%, which is substantially lower than the ratio of up to 80% of loan financing offered by banks in Singapore;
- (ii) the mortgage loan tenor will be approximately 10 years as currently intended by our Directors, which is far less than the maximum tenor of up to 30 years offered by banks in Singapore;
- (iii) the interest rate applicable to the mortgage loan will be approximately 2.0%, which is the prevailing interest rate applicable to similar mortgage loans as preliminarily indicated by banks in Singapore;
- (iv) the timing of the purchase of the additional dormitory will be in or around October 2017 in accordance with our expansion plan as discussed in the section headed “Business – Business strategies” in this prospectus,

our Directors estimate that:

- (a) the annual repayment obligations of our Group (including interest expenses and repayment of loan principal) will be approximately S\$0.4 million and S\$1.7 million for each of FY2017 and FY2018, which is not expected to lead to any material adverse impact on our cash flows and liquidity positions given that we had net cash generated from operations for each of FY2014, FY2015 and FY2016 that amounted to approximately S\$9.2 million, S\$10.1 million and S\$8.0 million respectively; and
- (b) the additional finance costs to be incurred by us as a result will amount to approximately S\$0.1 million and S\$0.3 million for each of FY2017 and FY2018, which is not expected to lead to any material adverse impact on our financial performance given that we recorded net profit of approximately S\$4.2 million, S\$6.3 million and S\$6.6 million for each of FY2014, FY2015 and FY2016 respectively.

Save as our aforesaid plan to obtain a mortgage loan, our Directors confirm that as at the Latest Practicable Date, we have no immediate plan for additional material external debt financing.

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12. KEY FINANCIAL RATIO

	FY2014 or as at 31 December <u>2014</u>	FY2015 or as at 31 December <u>2015</u>	FY2016 or as at 31 December <u>2016</u>	For the four months ended 30 April 2017 or as at <u>30 April 2017</u>
Revenue growth	N/A	2.2%	(2.3%)	2.4%
Net profit growth	N/A	52.1%	4.7%	(41.9%)
Gross profit margin	37.1%	33.2%	34.4%	33.3%
Net profit margin before interest and tax	10.8%	16.2%	16.9%	11.9%
Net profit margin	9.2%	13.7%	14.7%	9.7%
Return on equity	60.5%	47.9%	66.4%	12.7%
Return on total assets	15.3%	28.2%	24.9%	7.4%
Current ratio (<i>times</i>)	1.2	2.1	1.4	2.0
Quick ratio (<i>times</i>)	1.2	2.1	1.4	2.0
Inventories turnover days (<i>days</i>)	N/A	N/A	N/A	N/A
Trade receivables turnover days (<i>days</i>)				
– Manpower outsourcing and ancillary services	66.3	55.3	47.9	51.5
– Dormitory services	0.4	1.4	2.9	4.2
– IT services	–	–	–	–
– Construction ancillary services	17.2	17.8	25.5	16.9
– Overall	57.7	48.3	41.2	43.4
Trade payables turnover days (<i>days</i>)	21.3	21.5	22.7	19.1
Gearing ratio	182.2%	4.6%	43.2%	0.8%
Net debt to equity ratio	Net Cash	Net Cash	Net Cash	Net Cash
Interest coverage (<i>times</i>)	90.4	232.7	447.0	1,786.0

12.1. Revenue growth

Please refer to paragraph 7 above for the reasons for the change in our revenue.

12.2. Net profit growth

Please refer to paragraph 7 above for the reasons for the change in our net profit.

12.3. Gross profit margin

Please refer to paragraph 7 above for the reasons for the change in our gross profit margin for each of our businesses.

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12.4. Net profit margin before interest and tax

Our net profit margin before interest and tax increased from approximately 10.8% for FY2014 to approximately 16.2% for FY2015, mainly due to the increase in our revenue coupled with the decrease in our administrative expenses and the decrease in other expenses in relation to the School Dormitory Project.

Our net profit margin before interest and tax increased from approximately 16.2% for FY2015 to approximately 16.9% for FY2016, mainly due to the lack of non-recurring expenses such as the general consultancy fees for the India Project and the Myanmar Project and the expenses in relation to the School Dormitory Project, partially offset by the effect of the decrease in revenue and the recognition of the non-recurring listing expenses of approximately S\$0.7 million in FY2016.

Our net profit margin before interest and tax decreased from approximately 19.3% for the four months ended 30 April 2016 to approximately 11.9% for the four months ended 30 April 2017. Such decrease was mainly due to the recognition of listing expenses of approximately S\$1.2 million during the four months ended 30 April 2017.

12.5. Net profit margin

Our net profit margin increased from approximately 9.2% for FY2014 to approximately 13.7% for FY2015, and further to approximately 14.7% for FY2016, mainly due to the same reasons for the increase in our net profit margin before interest and tax as discussed above.

Our net profit margin decreased from approximately 17.1% for the four months ended 30 April 2016 to approximately 9.7% for the four months ended 30 April 2017. Such decrease was mainly due to (i) the decrease in our net profit margin before interest and tax as discussed above; and (ii) the tax effect of the non-deductible listing expenses incurred during the four months ended 30 April 2017.

12.6. Return on equity

Return on equity is calculated as profit for the year attributable to owners of our Company divided by the ending equity attributable to owners of our Company as at the respective reporting dates.

Our return on equity decreased from approximately 60.5% for FY2014 to approximately 47.9% for FY2015, mainly because during FY2015, we repaid a substantial amount of our borrowings and our amounts due to our Director Mr. Kuah. Such amounts had therefore not been put into use for any investments to further grow our business operations and to generate returns.

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Our return on equity increased from approximately 47.9% for FY2015 to 66.4% for FY2016, mainly because of the increase in net profit as discussed above, and the declaration of dividend from our retained profits during FY2016, leading to a slower growth in our equity.

Our return on total equity decreased from approximately 16.0% for the four months ended 30 April 2016 to approximately 12.7% for the four months ended 30 April 2017, which was mainly because (i) we have used a portion of our cash for the payment of dividend and the listing expenses during the period from 1 May 2016 to 30 April 2017 and such amount had therefore not been immediately put into use for any investments to further grow our business operations and to generate returns; and (ii) our net profit was affected by our recognition of the non-recurring listing expenses during the four months ended 30 April 2017 (30 April 2016: nil) as well as the tax effect of the non-deductible listing expenses.

12.7. Return on total assets

Return on assets is calculated as profit for the year attributable to owners of our Company divided by the ending total assets as at the respective reporting dates.

Our return on total assets increased from approximately 15.3% for FY2014 to approximately 28.2% for FY2015, mainly because of the substantial decrease in our total assets as at 31 December 2015 as compared to that as at 31 December 2014 as we repaid a substantial amount of our borrowings and amounts due to our Director Mr. Kuah during FY2015.

Our return on total assets decreased from approximately 28.2% for FY2015 to approximately 24.9% for FY2016, mainly because of the advances from our Director Mr. Kuah during FY2016, leading to a substantial increase in assets as at 31 December 2016.

Our return on total assets decreased from approximately 9.8% for the four months ended 30 April 2016 to approximately 7.4% for the four months ended 30 April 2017, which was mainly due to reasons similar to those for the decrease in our return on equity in the same periods as mentioned above.

12.8. Current ratio

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio increased from approximately 1.2 times as at 31 December 2014 to approximately 2.1 times as at 31 December 2015. Such increase was mainly due to our profitable operations, as well as the fact that our current liabilities decreased proportionally

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higher than the decrease in our current assets as we repaid substantial amount of borrowings and amounts due to our Director during FY2015 using cash resources generated from our profitable operations.

Our current ratio decreased from approximately 2.1 times as at 31 December 2015 to approximately 1.4 times as at 31 December 2016. Such decrease was mainly because certain cash was used for distribution of dividends instead of repayment of liabilities, leading to our current liabilities increased proportionally higher than the increase in our current assets.

Our current ratio increased from approximately 1.4 times as at 31 December 2016 to approximately 2.0 times as at 30 April 2017. Such increase was mainly due to our profitable operations, as well as the fact that our current liabilities decreased proportionally higher than the decrease in our current assets as we repaid substantial amounts due to our Director and paid out dividends during the four months ended 30 April 2017 using our cash resources generated from our profitable operations.

12.9. Quick ratio

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates. During the Track Record Period, we maintained no inventories. As such, our quick ratio was the same as our current ratio.

12.10. Inventories turnover days

During the Track Record Period, we maintained no inventories. As such, analysis of inventories turnover days is not applicable.

12.11. Trade receivables turnover days

Please refer to paragraph 10.1 above for the reasons for the change in our trade receivables turnover days.

12.12. Trade payables turnover days

Please refer to paragraph 10.3 above for the reasons for the change in our trade payables turnover days.

12.13. Gearing ratio

Gearing ratio is calculated as total borrowings (including obligations under finance leases, bank borrowings and amount due to a Director) divided by the equity attributable to owners of the Company as at the respective reporting dates.

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Our gearing ratio was approximately 182.2% as at 31 December 2014, approximately 4.6% as at 31 December 2015, and approximately 43.2% as at 31 December 2016. The decrease in in our gearing ratio as at 31 December 2015 was mainly due to the repayment of amounts due to our Director Mr. Kuah during the year, while the increase in our gearing ratio as at 31 December 2016 compared to that as at 31 December 2015 was mainly due to the advances obtained from our Director Mr. Kuah during the year to finance our daily operations.

Our gearing ratio reduced to approximately 0.8% as at 30 April 2017, which was mainly due to the repayment of amounts due to our Director Mr. Kuah during the four months ended 30 April 2017.

12.14. Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. total borrowings, including payables incurred not in the ordinary course of business, net of bank balances and cash and pledged bank deposits) divided by the equity attributable to owners of the Company as at the respective reporting dates.

We recorded net cash position as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017.

12.15. Interest coverage

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting years.

Our interest coverage increased from approximately 90.4 times as at 31 December 2014 to approximately 232.7 times as at 31 December 2015, and further to approximately 447.0 times as at 31 December 2016, mainly due to (i) the increase in our profit before finance costs and taxation for both FY2015 and FY2016; and (ii) the decrease in our borrowings (i.e. bank borrowings and obligations under finance leases) from approximately S\$1.9 million in as at 31 December 2014 to approximately S\$0.1 million in as at 31 December 2016, leading to a decrease in finance cost.

Our interest coverage increased to approximately 1,786.0 times as at 30 April 2017, which was mainly due to the decrease in our total interest bearing borrowings (including bank borrowings and obligations under finance leases) from approximately S\$0.1 million as at 31 December 2016 to approximately S\$24,000 as at 30 April 2017, leading to a decrease in finance cost.

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13. RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group had related party transactions in relation to general operating expenses paid by us on behalf of Labour Solutions Pte. Ltd. (a company of which Mr. Kuah was a controlling shareholder), which amounted to approximately S\$5,000, S\$2,000, nil and nil for FY2014, FY2015, FY2016 and the four months ended 30 April 2017 respectively. Details of these transactions are set out in note 29 to the Accountant's Report contained in Appendix I to this prospectus. These related party transactions (i.e. the payment on behalf arrangement) were ceased since the second half of FY2015. As disclosed in the section headed "Directors and senior management", Labour Solutions Pte. Ltd. was struck off by voluntary application on 7 August 2017.

Having considered that the transactions were mere payments on behalf and did not involve any substantive sale or purchase of goods or services and that the amounts of these related party transactions were relatively insignificant as compared to our Group's assets and profits, our Directors consider that the related party transactions did not distort our Group's financial results in any material respects during the Track Record Period or make our Group's historical results unreflective of our future performance.

14. FINANCIAL RISK AND CAPITAL MANAGEMENT

14.1. Financial risk management

Our Group is exposed to market risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to "Business – Risk management and internal control systems" and Note 31 to the accountants' report set out in Appendix I to this prospectus.

14.2. Capital management

We manage our capital to ensure that our Group will be able to continue as a going concern while maximising the return to our Shareholder through the optimisation of the debt and equity balance.

The capital structure of our Group consists of debts, which include obligations under finance leases and borrowings, and equity attributable to owners of our Company, comprising share capital, reserves and accumulated profits.

Our Directors review the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, we may adjust the amount of dividends payments, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt, depending on our capital structure and needs from time to time.

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15. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets, which was prepared to illustrate the effect of the Share Offer on the audited combined net tangible assets of our Group attributable to owners of our Company as of 30 April 2017 as if the Share Offer had taken place on 30 April 2017, was approximately HK\$0.13 per Share. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the unaudited pro forma adjusted net tangible assets figure.

16. LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$25.4 million of which approximately HK\$21.4 million is borne by our Group and approximately HK\$4.0 million is borne by the Selling Shareholder. For the amount of approximately HK\$21.4 million borne by our Group, approximately HK\$6.6 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$14.8 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$14.8 million that shall be charged to profit or loss, nil, nil, approximately HK\$3.6 million and approximately HK\$6.5 million has been charged for FY2014, FY2015, FY2016 and the four months ended 30 April 2017, respectively and approximately HK\$11.2 million is to be charged to the profit or loss of our Group for FY2017. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2017 will be affected by the expenses in relation to the Listing.

17. DIVIDEND

During FY2016, an aggregate amount of dividends of S\$10,440,000 was declared by our Group companies, of which S\$7,440,000 was paid during FY2016 and S\$3,000,000 was subsequently paid in February 2017 by cheque which was presented in April 2017. Other than the above, no dividend was paid or declared by us during the Track Record Period.

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

18. DISTRIBUTABLE RESERVES

Our Company was incorporated on 14 February 2017. As at 31 August 2017, our Company had no reserve available for distribution to our Shareholders.

FINANCIAL INFORMATION

19. DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, save and except for the guarantees provided by the Controlling Shareholders on our Group's facilities as disclosed in the section headed "Relationship with the Controlling Shareholders – Independence of our Group – Financial Independence" in this prospectus, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange.

20. NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 30 April 2017, and there had been no events since 30 April 2017 which would materially affect the information shown in our combined financial information included in the accountants' report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR LISTING

Please refer to the section headed “History and development – Reasons for listing” in this prospectus for our reasons for listing.

FUTURE PLANS

Please refer to the paragraph headed “Business – Business Strategies” in this prospectus for our Group’s business strategies and future plans.

USE OF PROCEEDS

The net proceeds to be received by us from the Share Offer (excluding Sale Shares) based on the Offer Price of HK\$0.52 per Share, after deducting related expenses of approximately HK\$21.4 million in connection with the Share Offer, are estimated to be approximately HK\$82.6 million. Our Directors presently intend that the net proceeds will be applied as follows:

- (i) approximately HK\$77.1 million, representing approximately 93.4% of the estimated net proceeds, for partly financing the acquisition of an additional foreign worker dormitory at an estimated consideration of HK\$162.0 million (equivalent to approximately S\$28.0 million, being the mid-point of our estimated range of consideration for the proposed acquisition), in connection with our plan to (i) cater to the accommodation needs of the additional foreign employees to be hired under our business expansion plan; and (ii) increase the scale of our dormitory service business; and
- (ii) approximately HK\$5.5 million, representing approximately 6.6% of the estimated net proceeds, for financing the acquisition of 10 additional lorries for us to cope with the expected increase in transportation needs from a larger size of our manpower in accordance with our business expansion plan.

FUTURE PLANS AND USE OF PROCEEDS

In relation to the intended application of the net proceeds described in (i) and (ii) above, the following table sets out the intended amount, nature and timing of the relevant investments in an additional foreign worker dormitory and 10 additional lorries:

(i) For acquiring an additional foreign worker dormitory

Timing	Approximate amount of capital expenditure	Nature
By FY2017	<p>HK\$162.0 million (being the mid-point of our estimated range of consideration for the proposed acquisition), of which:</p> <ul style="list-style-type: none"> • approximately HK\$77.1 million is expected to be financed by the net proceeds from the Share Offer; and • approximately HK\$84.9 million is expected to be financed by a mortgage loan to be obtained from financial institution (as discussed in the section headed “Financial Information – 11. Indebtedness – 11.7 Plan to obtain mortgage loan for intended purchase of additional dormitory”) 	One-off acquisition of a foreign worker dormitory with a capacity to house approximately 1,000 to 1,500 persons by around mid-October 2017

(ii) For acquiring 10 additional lorries

Timing	Approximate amount of capital expenditure	Nature
By FY2017	HK\$4.4 million, expected to be fully financed by the net proceeds from the Share Offer	Acquisition of eight lorries with an estimated total capacity to carry 344 passengers
By FY2018	HK\$1.1 million, expected to be fully financed by the net proceeds from the Share Offer	Acquisition of two lorries with an estimated total capacity to carry 86 passengers

FUTURE PLANS AND USE OF PROCEEDS

Financing arrangements for the acquisition of foreign worker dormitory

As discussed above, the estimated consideration for acquiring an additional foreign worker dormitory is approximately HK\$162.0 million (equivalent to approximately S\$28.0 million, being the mid-point of our estimated range of consideration for the proposed acquisition).

Our Directors currently intend to finance the proposed acquisition (i) partly by using HK\$77.1 million from the net proceeds to be received by us from the Share Offer; and (ii) partly by obtaining a mortgage loan of approximately HK\$84.9 million from financial institutions. Our Directors do not foresee any material difficulties in obtaining the aforesaid mortgage loan, considering that (i) our profit and other comprehensive income for each of FY2014, FY2015 and FY2016 amounted to approximately S\$4.2 million, S\$6.3 million and S\$6.6 million, which our Directors believe have illustrated the sustainability of our financial performance and profitability during the Track Record Period; (ii) our status of being listed will smoothen the approval process of the mortgage loan by banks and financial institutions as they will have better access to our Group's financial information which enables them to evaluate and monitor our Group's financial position more effectively; (iii) the proposed mortgage loan amount of approximately HK\$84.9 million represents a loan-to-value ratio of approximately 52.4%, which is substantially lower than the ratio of up to 80% of loan financing offered by banks in Singapore; (iv) it is the current intention of our Directors that the loan tenor shall be approximately 10 years, which is far less than the maximum tenor of up to 30 years offered by banks in Singapore; and (v) based on the prevailing interest rate of approximately 2.0% applicable to similar mortgage loans as preliminarily indicated by banks in Singapore, the aforesaid assumptions regarding the loan amount and tenor, as well as our intended timing of the purchase of the additional dormitory in accordance with our expansion plan, the annual repayment obligations of our Group (including interest expenses and repayment of loan principal) are estimated to be approximately S\$0.4 million and S\$1.7 million for each of FY2017 and FY2018, which is not expected to lead to any material adverse impact on our cash flows and liquidity positions given that we had cash generated from operations for each of FY2014, FY2015 and FY2016 that amounted to approximately S\$9.2 million, S\$10.1 million and S\$8.0 million respectively.

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

We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportionate underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Share Offer, and assuming an Offer Price of HK\$0.52 per Offer Share,) will be approximately HK\$51.9 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as described above.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

ChaoShang Securities Limited

Ample Orient Capital Limited

Easy One Securities Limited

Gransing Securities Co., Limited

Koala Securities Limited

Sino-Rich Securities & Futures Limited

JOINT BOOKRUNNERS

ChaoShang Securities Limited

Ample Orient Capital Limited

JOINT LEAD MANAGERS

ChaoShang Securities Limited

Ample Orient Capital Limited

Easy One Securities Limited

Gransing Securities Co., Limited

Koala Securities Limited

Sino-Rich Securities & Futures Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

UNDERWRITING

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Joint Bookrunners shall have the absolute right by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

1. There comes to the notice of the Joint Bookrunners:
 - (i) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the “**Warranties**”) to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Joint Bookrunners, to be material in the context of the Public Offer; or
 - (ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Joint Bookrunners, to be material in the context of the Public Offer; or
 - (iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Bookrunner to be material in the context of the Public Offer; or

UNDERWRITING

- (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Joint Bookrunners, a material omission in the context of the Public Offer; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of our executive Directors and our Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
 - (vi) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriter of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Joint Bookrunners, is material;
2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Singapore, Hong Kong, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or
 - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in Singapore, Hong Kong, the BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
 - (iii) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or
 - (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or

UNDERWRITING

- (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Singapore, Hong Kong, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group's business; or
- (vi) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
- (vii) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or
- (viii) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which, in the reasonable opinion of the Joint Bookrunners acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and
- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

UNDERWRITING

Undertakings

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Joint Bookrunners, the Sponsor, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to the Over-allotment Option), the Capitalisation Issue and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, our Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Joint Bookrunners, such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules:

- (i) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company; or
- (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so,

during the six months immediately following the Listing Date (the “**First Six-month Period**”).

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to each of the Joint Bookrunners, our Company and the Public Offer Underwriters that during the First Six-month Period, it or he shall not, and shall procure that the relevant registered holder(s) and its or his associates and companies controlled by it or he and any nominee or trustee holding in trust for it or he shall not, without the prior written consent of the Joint Bookrunners unless as a result of any exercise of the Over-allotment Option or otherwise in compliance with the requirements of the Listing Rules:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it or he is shown in this prospectus to be directly or indirectly interested in (the “**Relevant Securities**”); or

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Each of our Controlling Shareholders has jointly and severally undertaken to the Joint Bookrunners, our Company and the Public Offer Underwriters that it or he shall not, and shall procure that the relevant registered holder(s) and its or his associates or companies controlled by it or him and any nominee or trustee holding in trust for it or him shall not, without the prior written consent of the Stock Exchange in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it or him or any of its or his associates or companies controlled by it or him or her or any nominee or trustee holding in trust for it or him if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Joint Bookrunners and the Public Offer Underwriters that within the first twelve months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any securities or interests in the securities of our Company beneficially owned by him or it directly or indirectly, immediately inform our Company and the Joint Bookrunners in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and

UNDERWRITING

- (ii) when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement.

The Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

Our Company will grant to the Joint Bookrunners (for and on behalf of the Placing Underwriters) the Over-allotment Option, exercisable by the Joint Bookrunners for up to 30 days from the last date for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 46,125,000 additional Shares representing 15% of the number of Offer Shares initially offered under the Share Offer, at the same price per Share under the Placing to cover, among other things, over-allocations (if any) in the Placing, if any, and/or the obligations of the Joint Bookrunners (for and on behalf of the Placing Underwriters) to return Shares which they may have borrowed under the Stock Borrowing Agreement.

Commissions and expenses

The Public Offer Underwriters will receive an underwriting commission at the rate of 2.0% of the aggregate Offer Price payable for the Public Offer Shares, out of which they will pay any sub-underwriting commissions in connection with the Share Offer. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares initially offered under the Placing. The aggregate commission payable to the Underwriters, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$25.4 million in aggregate (based on an Offer Price of HK\$0.52 per Offer Share and the assumption that the Over-allotment Option is not exercised) and are payable by our Company and the Selling Shareholder with reference to the number of New Shares and Sale Shares under the Share Offer respectively.

UNDERWRITING

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

INDEPENDENCE OF THE SPONSOR

Dakin Capital Limited, being the Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer consists of (subject to reallocation and the Over-allotment Option):

- the Public Offer of 30,750,000 Shares (subject to reallocation as mentioned below) as described under the section headed “Structure and Conditions of the Share Offer – The Public Offer” in this prospectus; and
- the Placing of 276,750,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) as described under the section headed “Structure and conditions of the Share Offer – The Placing” in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer – Pricing and Allocation” in this prospectus.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be HK\$0.52 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below.

Price payable on application

Applicants under the Public Offer must pay, on application, the Offer Price of HK\$0.52 per Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reduction in Offer Price and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters) consider it appropriate and together with our consent, the indicative Offer Price and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the Stock Exchange's website and on our Company's website, the notice of the reduction in the indicative Offer Price and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price indicated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of the basis of allocations

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, or by giving **electronic application instructions** to HKSCC, will be made available through a variety of channels as described in the section headed “How to Apply for Public Offer Shares – 10. Publication of results” in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option);
- the execution and delivery of the Placing Underwriting Agreement; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us on the Stock Exchange's website and on our Company's website on the next day following such lapse.

Share certificates for the Offer Shares are expected to be issued on Monday, 16 October 2017 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 17 October 2017, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Public Offer – Grounds for Termination" in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 30,750,000 Shares at the Offer Price, representing 10% of the 307,500,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer, (assuming that the Over-allotment Option is not exercised). The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in the section headed "Structure and Conditions of the Share Offer – Conditions of the Public Offer" above.

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools. Pool A will comprise 15,375,000 Public Offer Shares and Pool B will comprise 15,375,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 15,375,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Reallocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 92,250,000 Shares, 123,000,000 Shares and 153,750,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applications

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

Applicants for the Offer Shares will have to pay on application the Offer Price of HK\$0.52 per Offer Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% amounting to a total of HK\$2,626.20 per board lot of 5,000 Shares.

THE PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription or purchase under the Placing will be 276,750,000 Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Shares with institutional, professional and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "bookbuilding" process described in paragraph headed "Pricing and allocation" above and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the Joint Bookrunners (for and on behalf of the Placing Underwriters) the Over-allotment Option, exercisable by the Joint Bookrunners at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to 46,125,000 Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, at the Offer Price.

STOCK BORROWING AGREEMENT

The Stabilising Manager, or any person acting for it may choose to borrow 46,125,000 Shares from Mighty One under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Mighty One will only be effected by the Stabilising Manager for settlement of over-allocations in the Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Mighty One under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon the exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Mighty One or its nominees on or before the third business day following the earlier of (i) the last day on which the Overallotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Mighty One by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STABILISATION AND OVER-ALLOTMENT

In connection with the Share Offer, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 46,125,000 Shares, which is 15% of the number of Offer Shares initially available under the Share Offer.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last business day falling within 30 days after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period. Such stabilisation action, if commenced, may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO.

In connection with the Share Offer, the Stabilising Manager may over-allocate up to and not more than an aggregate of 46,125,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, the Stabilising Manager may borrow up to 46,125,000 Shares from Mighty One, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 17 October 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 17 October 2017. The Shares will be traded in board lots of 5,000 Shares. The stock code for our Shares is 2225.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR OFFER SHARES

Which application channel to use

For Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the application forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 4 October 2017 to 12:00 noon on Tuesday, 10 October 2017 from:

- (i) the following addresses of the Underwriters:

ChaoShang Securities Limited at Room 4001-4002, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

Ample Orient Capital Limited at Room A, 17/F, Fortune House, 61 Connaught Road Central, Central, Hong Kong

Easy One Securities Limited at Room 2106B, 2108-2109, 21/F Wing On Centre, 111 Connaught Road, Central, Hong Kong

Gransing Securities Co., Limited at 17/F, Hing Yip Commercial Centre, 272-284 Des Voeux Road Central, Hong Kong

Koala Securities Limited at Units 01-02, 13/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong

Sino-Rich Securities & Futures Limited at Unit 02B, 37/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	King's Road Branch	131-133 King's Road, North Point
Kowloon	Ma Tau Kok Road Branch	39-45 Ma Tau Kok Road, To Kwa Wan
	Chuk Yuen Estate Branch	Shop S1, Chuk Yuen Shopping Centre, Chuk Yuen South Estate
New Territories	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long

(iii) the following office of the Sponsor:

Dakin Capital Limited at Room 2701, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong.

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 4 October 2017 until 12:00 noon on Tuesday, 10 October 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – KAKIKO GROUP PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Wednesday, 4 October 2017 – 9:00 a.m. to 5:00 p.m.
- Friday, 6 October 2017 – 9:00 a.m. to 5:00 p.m.
- Saturday, 7 October 2017 – 9:00 a.m. to 1:00 p.m.
- Monday, 9 October 2017 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 10 October 2017 – 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 10 October 2017, the last application day or such later time as described in “9. Effect of bad weather on the opening of the application lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) **undertake** to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) **agree** that none of our Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) **agree** to disclose to our Company, the Selling Shareholder, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant** and **undertake** that (i) you understand that the Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorise** our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

(xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may see the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Offer Shares on your behalf.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Joint Bookrunners and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - **agree** that the Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - **agree** to accept the Offer Shares applied for or any lesser number allocated;
 - **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Offering;
 - (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - **confirm** that you understand that our Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of our Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Offer Shares;
- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Offer Shares. Instructions for more than 5,000 Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, 4 October 2017 – 9:00 a.m. to 8:30 p.m. ⁽¹⁾
- Friday, 6 October 2017 – 8:00 a.m. to 8:30 p.m. ⁽¹⁾
- Monday, 9 October 2017 – 8:00 a.m. to 8:30 p.m. ⁽¹⁾
- Tuesday, 10 October 2017 – 8:00 a.m. ⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 4 October 2017 until 12:00 noon on Tuesday, 10 October 2017. The latest time for inputting your **electronic application instruction** will be 12:00 noon on Tuesday, 10 October 2017, the last application day or such later time as described in “9. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 10 October 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

HOW TO APPLY FOR PUBLIC OFFER SHARES

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Offer Shares. Each application or electronic application instruction in respect of more than 5,000 Offer Shares must be in one of the numbers set out in the table in the Application Form.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer – Pricing and allocation” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 10 October 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 10 October 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Offer Shares on Monday, 16 October 2017 on our Company’s website at **kttgroup.com.sg** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the dates and times and in the manner specified below:

- in the announcement to be posted on our Company’s website at **kttgroup.com.sg** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than Monday, 16 October 2017;
- from the designated results of allocations website at **www.ewhiteform.com.hk/results** with a “search by ID” function on a 24-hour basis from 9:00 a.m., Monday, 16 October 2017 to 12:00 midnight, on Friday, 20 October 2017;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- by telephone enquiry line by calling (852) 21531688 between 9:00 a.m. and 6:00 p.m. from Monday, 16 October 2017 to Friday, 20 October 2017 on a Business Day (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 16 October 2017 to Wednesday, 18 October 2017 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Offer Shares is void:

The allotment of Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR PUBLIC OFFER SHARES

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and Conditions of the Share Offer – Conditions of the Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 16 October 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Offer Shares, wholly or partially unsuccessfully applied for (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 16 October 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m., Tuesday, 17 October 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong from 9:00 a. m. to 1:00 p.m. on Monday, 16 October 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 16 October 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 16 October 2017, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 16 October 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 16 October 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via electronic application instructions to HKSCC

Allocation of Offer Shares

For the purposes of allocating Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 16 October 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in “Publication of results” above on Monday, 16 October 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 16 October 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Monday, 16 October 2017. Immediately following the credit of the Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 16 October 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-64 received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purposes of inclusion in this Prospectus.

Deloitte.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KAKIKO GROUP LIMITED AND DAKIN CAPITAL LIMITED

Introduction

We report on the historical financial information of KAKIKO Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages I-4 to I-64 which comprises the combined statements of financial position as at 31 December 2014, 2015, 2016 and 30 April 2017, the statement of financial position of the Company as at 30 April 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 December 2016 and the four months ended 30 April 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-64 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 4 October 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public

Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessment, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at 31 December 2014, 2015, 2016 and 30 April 2017, of the Company’s financial position as at 30 April 2017 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended 30 April 2016 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit

conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about dividends paid by the Company's subsidiaries and states that no dividend have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

4 October 2017

A. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of the accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of Real Value Global Limited ("Real Value") and its subsidiaries for the Track Record Period (the "Subsidiaries Financial Statements") and management accounts of the Company from 14 February 2017 to 30 April 2017 (collectively referred to as "Underlying Financial Statements"), in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The Subsidiaries Financial Statements were audited by Deloitte & Touche LLP Singapore, a firm of Public Accountants and Chartered Accountants registered in Singapore, in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Historical Financial Information is presented in Singapore dollars ("S\$").

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December			For the four months ended 30 April	
	NOTE	2014	2015	2016	2016	2017
		S\$	S\$	S\$	S\$	S\$
					(unaudited)	
Revenue	6	45,095,230	46,091,354	45,050,836	14,692,755	15,038,871
Cost of services		<u>(28,350,961)</u>	<u>(30,803,312)</u>	<u>(29,538,360)</u>	<u>(9,435,295)</u>	<u>(10,030,111)</u>
Gross profit		16,744,269	15,288,042	15,512,476	5,257,460	5,008,760
Other income and gains	7	431,480	523,240	823,711	473,549	312,142
Selling expenses		(283,515)	(50,422)	(52,055)	(15,618)	(8,887)
Administrative expenses		(8,419,926)	(7,550,605)	(7,894,256)	(2,825,321)	(2,325,718)
Other losses	8	(554,070)	(383,139)	(141,112)	(59,206)	(17,856)
Other expenses	9	(3,036,390)	(381,911)	(649,996)	-	(1,182,028)
Finance costs	10	<u>(54,110)</u>	<u>(31,856)</u>	<u>(17,227)</u>	<u>(5,944)</u>	<u>(1,405)</u>
Profit before taxation	11	4,827,738	7,413,349	7,581,541	2,824,920	1,785,008
Income tax expense	12	<u>(669,753)</u>	<u>(1,089,350)</u>	<u>(961,752)</u>	<u>(319,234)</u>	<u>(330,216)</u>
Profit and other comprehensive income for the year/period		<u><u>4,157,985</u></u>	<u><u>6,323,999</u></u>	<u><u>6,619,789</u></u>	<u><u>2,505,686</u></u>	<u><u>1,454,792</u></u>

STATEMENTS OF FINANCIAL POSITION

	NOTE	The Group			The Company	
		As at 31 December			As at	As at
		2014	2015	2016	30 April	30 April
	S\$	S\$	S\$	S\$	S\$	
Non-current assets						
Property, plant and equipment	16	3,188,039	2,793,920	3,435,026	3,487,672	-
Investment property	17	1,041,498	-	-	-	-
		<u>4,229,537</u>	<u>2,793,920</u>	<u>3,435,026</u>	<u>3,487,672</u>	<u>-</u>
Current assets						
Trade receivables	18	6,926,027	5,417,632	5,039,960	7,326,721	-
Other receivables, deposits and prepayments	19	404,307	909,882	1,984,723	2,142,442	541,536
Amounts due from related parties	20a	160,043	250,615	294,115	-	-
Amount due from a director	20b	-	1,245,391	-	-	-
Held for trading investments	21	70,000	70,000	70,000	70,000	-
Pledged bank deposits	22	55,038	55,075	-	-	-
Bank balances and cash	22	15,382,982	11,668,044	15,723,675	6,745,025	-
		<u>22,998,397</u>	<u>19,616,639</u>	<u>23,112,473</u>	<u>16,284,188</u>	<u>541,536</u>
Current liabilities						
Amount due to related parties	20c	412,500	412,500	412,500	-	-
Amount due to KT&T Engineers*	20e	-	-	-	-	1,723,564
Amount due to a director	20d	10,083,575	-	4,205,218	72,171	-
Trade and other payables	23	6,805,927	6,663,963	6,813,751	6,758,975	-
Obligations under finance leases	24	-	39,145	36,618	7,221	-
Income tax payable		624,302	1,529,433	2,043,648	1,489,673	-
Dividends payable		-	-	3,000,000	-	-
Borrowings	25	1,880,454	509,027	43,439	-	-
		<u>19,806,758</u>	<u>9,154,068</u>	<u>16,555,174</u>	<u>8,328,040</u>	<u>1,723,564</u>
Net current assets/(liabilities)		<u>3,191,639</u>	<u>10,462,571</u>	<u>6,557,299</u>	<u>7,956,148</u>	<u>(1,182,028)</u>
Non-current liabilities						
Obligations under finance leases	24	-	20,343	19,813	16,516	-
Borrowings	25	552,466	43,439	-	-	-
		<u>552,466</u>	<u>63,782</u>	<u>19,813</u>	<u>16,516</u>	<u>-</u>
Net assets/(liabilities)		<u>6,868,710</u>	<u>13,192,709</u>	<u>9,972,512</u>	<u>11,427,304</u>	<u>(1,182,028)</u>
Capital and reserves						
Share capital	26	750,000	750,000	14	14	-
Reserves		6,118,710	12,442,709	9,972,498	11,427,290	(1,182,028)
Equity attributable to owners of the Company		<u>6,868,710</u>	<u>13,192,709</u>	<u>9,972,512</u>	<u>11,427,304</u>	<u>(1,182,028)</u>

* The references of group companies are defined in Note 32.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital S\$	Merger reserves S\$	Accumulated profits S\$	Total S\$
At 1 January 2014	750,000	–	1,960,725	2,710,725
Profit and other comprehensive income for the year	<u>–</u>	<u>–</u>	<u>4,157,985</u>	<u>4,157,985</u>
At 31 December 2014	750,000	–	6,118,710	6,868,710
Profit and other comprehensive income for the year	<u>–</u>	<u>–</u>	<u>6,323,999</u>	<u>6,323,999</u>
At 31 December 2015	750,000	–	12,442,709	13,192,709
Profit and other comprehensive income for the year	–	–	6,619,789	6,619,789
Restructuring (<i>Note a</i>)	600,000	–	–	600,000
Dividends (<i>Note 14</i>)	–	–	(10,440,000)	(10,440,000)
Issue of share capital by Real Value (<i>Note 26</i>)	14	–	–	14
Reorganisation (<i>Note b</i>)	<u>(1,350,000)</u>	<u>1,350,000</u>	<u>–</u>	<u>–</u>
At 31 December 2016	14	1,350,000	8,622,498	9,972,512
Profit and other comprehensive income for the period	–	–	1,454,792	1,454,792
Issue of share capital by the Company (<i>Note 26</i>)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 April 2017	<u>14</u>	<u>1,350,000</u>	<u>10,077,290</u>	<u>11,427,304</u>
<i>For the four months ended 30 April 2016 (unaudited)</i>				
At 31 December 2015	750,000	–	12,442,709	13,192,709
Profit and other comprehensive income for the period	<u>–</u>	<u>–</u>	<u>2,505,686</u>	<u>2,505,686</u>
At 30 April 2016 (unaudited)	<u>750,000</u>	<u>–</u>	<u>14,948,395</u>	<u>15,698,395</u>

Notes:

- (a) On 18 July 2016, Mr. Kuah acquired the entire equity interest in (i) Tenshi* from Tenshi's immediate holding company, KT&T Engineers and (ii) Keito Engineering* and KT&T Resources* from the two companies' immediate holding company Accenovate Engineering* for cash consideration of S\$50,000, S\$500,000 and S\$50,000 respectively, being the share capital of respective companies. The consideration have been settled by way of off-setting the amounts owing to Mr. Kuah by KT&T Engineers and Accenovate of S\$600,000.
- (b) The amount arose from the acquisition of entire equity interest in the Operating Subsidiaries (defined in Note 2) by Real Value from the Controlling Shareholder in 2016.

Details of the reorganisation are set out in the Note 2 to the Historical Financial Information.

* *The references of group companies are defined in Note 32*

COMBINED STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the four months ended 30 April	
	2014 S\$	2015 S\$	2016 S\$	2016 S\$	2017 S\$
				(unaudited)	
Operating activities					
Profit before taxation	4,827,738	7,413,349	7,581,541	2,824,920	1,785,008
Adjustments for:					
Depreciation of property, plant and equipment	681,641	691,564	641,711	187,732	249,744
Depreciation of investment property	1,249,797	1,041,498	–	–	–
Finance costs	54,110	31,856	17,227	5,944	1,405
Dividend income	(1,500)	(1,600)	(1,600)	–	–
Loss on disposal of property, plant and equipment, net	–	15,061	71,062	59,206	12,200
Allowance for doubtful debts, net	486,994	358,754	13,123	–	–
Operating cash flow before movement in working capital	7,298,780	9,550,482	8,323,064	3,077,802	2,048,357
<i>Movements in working capital:</i>					
(Increase) decrease in trade receivables	(92,062)	1,149,641	364,549	(230,347)	(2,286,761)
Decrease (increase) in other receivables, deposits and prepayments	70,406	(505,575)	(860,949)	(137,298)	169,925
Increase (decrease) in trade and other payables	1,891,822	(141,964)	149,788	452,431	(54,776)
Cash generated from (used in) operations	9,168,946	10,052,584	7,976,452	3,162,588	(123,255)
Income taxes paid	(265,415)	(184,219)	(447,537)	(94,768)	(884,191)
Net cash from (used in) operating activities	<u>8,903,531</u>	<u>9,868,365</u>	<u>7,528,915</u>	<u>3,067,820</u>	<u>(1,007,446)</u>
Investing activities					
Advances to related parties	(150,891)	(90,572)	(43,500)	(3,500)	–
Advance to a director	–	(1,245,391)	(2,423,159)	(2,423,159)	–
Repayment from a director	–	–	3,668,550	–	–
Purchase of property, plant and equipment	(92,892)	(249,402)	(1,253,613)	(476,405)	(317,790)
Proceeds from disposal of property, plant and equipment	–	–	9,001	6,600	3,200
Dividends received from held for trading investments	1,500	1,600	1,600	–	–
Net cash used in investing activities	<u>(242,283)</u>	<u>(1,583,765)</u>	<u>(41,121)</u>	<u>(2,896,464)</u>	<u>(314,590)</u>

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Financing activities					
Placement of pledged deposits	(40,038)	(37)	-	-	-
Release of pledged deposits	-	-	55,075	55,075	-
Listing expenses paid	-	-	(213,892)	-	(327,644)
Interest paid	(54,110)	(31,856)	(17,227)	(5,944)	(1,405)
Dividends paid	-	-	(7,440,000)	-	(3,000,000)
Repayment of advance from a director	(7,509,512)	(11,824,838)	(9,526,243)	-	(4,251,432)
Advance from a director	4,915,508	1,741,263	14,331,475	-	-
New borrowings raised	1,200,000	-	-	-	-
Repayment of borrowings	(1,955,127)	(1,880,454)	(509,027)	(167,615)	(43,439)
Repayment of finance lease payables	<u>(68,505)</u>	<u>(3,616)</u>	<u>(112,324)</u>	<u>(16,517)</u>	<u>(32,694)</u>
Net cash used in financing activities	<u>(3,511,784)</u>	<u>(11,999,538)</u>	<u>(3,432,163)</u>	<u>(135,001)</u>	<u>(7,656,614)</u>
Net increase (decrease) in cash and cash equivalents	5,149,464	(3,714,938)	4,055,631	36,355	(8,978,650)
Cash and cash equivalents at beginning of the year/period	<u>10,233,518</u>	<u>15,382,982</u>	<u>11,668,044</u>	<u>11,668,044</u>	<u>15,723,675</u>
Cash and cash equivalents at end of the year/period	<u><u>15,382,982</u></u>	<u><u>11,668,044</u></u>	<u><u>15,723,675</u></u>	<u><u>11,704,399</u></u>	<u><u>6,745,025</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 14 February 2017. The registered office of the Company is at P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The principal place of business is at 750 Chai Chee Road, #03-10/14 VIVA Business Park, Singapore.

The Company is an investment holding company and the principal activities of its operating subsidiaries are provision of manpower services to construction contractors, provision of dormitories services, provision of IT services, and provision of construction ancillary services for the building and construction industry.

The functional currency of the Company is Singapore dollars (“S\$”), which is also the presentation currency of the Company and its principal subsidiaries as set out in Note 32.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs and the conventions applicable for group reorganisation (the “Reorganisation”) (details are set out below).

Prior to the Reorganisation, the operating subsidiaries of the Group including those group companies incorporated in Singapore set out in Note 32, were wholly owned and controlled by Mr. Kuah Ann Thia (“Mr. Kuah”) (referred to the “Controlling Shareholder”) except for one company which 50% equity interest was held by Mr. Kuah’s spouse, Akiko Koshiishi, on trust for Mr. Kuah. In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies comprising the Group underwent a group reorganisation as described below:

- (i) On 28 December 2016, Mr. Kuah acquired 50% equity interest in Nichefield held by his nominee at a nominal cash consideration of S\$1.
- (ii) On 24 November 2016, Real Value was incorporated in the BVI and 1 fully paid ordinary share of Real Value was allotted and issued to Mighty One Investments Limited (“Mighty One”, a company controlled by Mr. Kuah, not forming part of group companies).

- (iii) Harbour Gold*, Leading Elite*, Priceless Developments* and Promising Elite* (collectively referred to as “Immediate Holding Companies”) were incorporated on 28 November 2016, 28 November 2016, 13 October 2016 and 21 September 2016, respectively and 1 nil paid share capital of each companies was allotted to Real Value in 2016.
- (iv) On 28 December 2016, the entire equity interest in Nichefield, Tenshi, KT&T Engineers, Keito Engineering, KT&T Resources, Accenovate Engineering, Kanon Global*, Accenovate Consulting* and KT&T Global* (collectively referred to as “Operating Subsidiaries”) were restructured by transferring from Mr. Kuah to the Immediate Holding Companies at consideration settled by way of issue and allotment of 9 shares in Real Value as fully paid to Mighty One at the direction of Mr. Kuah. Details of which are set out in the paragraph headed “A. Further information about our Company – 4. Corporate Reorganisation” in Appendix IV to the prospectus.
- (v) On 14 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of Hong Kong Dollars (“HK\$”) 380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one share was allotted and issued in nil paid form to the initial subscriber, an independent third party and the said share was transferred to Mighty One on the same date for nil consideration.
- (vi) On 21 August 2017, Mighty One, the Company and Mr. Kuah entered into a sale and purchase agreement pursuant to which the Company acquired 10 shares in Real Value from Mighty One, representing its entire issued share capital and in consideration thereof, settled by issuing and allotment of 999 shares of the Company to Mighty One, all credited as fully-paid.

* *The references of group companies are defined in Note 32*

As part of the Reorganisation, investment holding companies, including Real Value, the Immediate Holding Companies and the Company, were incorporated and interspersed between the Operating Subsidiaries and the Controlling Shareholder. Since then, the Company became the holding company of the Group on 21 August 2017.

The Group, comprising the Company, Real Value, the Immediate Holding Companies and the Operating Subsidiaries resulting from the Reorganisation has always been under the common control of the Controlling Shareholder throughout the Track Record Period or from the respective date of incorporation to 30 April 2017, where there is a shorter period, since its date of incorporation, regardless of the actual dates when they formally and legally became subsidiaries of the Company. Therefore, the Group is regarded as a continuing entity and merge accounting has been applied for the preparation of the Historical Financial Statements.

The Historical Financial Information has been prepared under the principles of common control combination as if the Company had been the holding company of the Group throughout the Track Record Period and as at each reporting date taking into account the respective date of incorporation of the group entities. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective date of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 December 2014, 2015, 2016 and 30 April 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

3. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRSs that are effective for the financial year beginning on 1 January 2017 throughout the Track Record Period.

At the date of issuance of this report, the Group has not applied the following new and amendments to IFRSs and International Accounting Standards (“IASs”) that have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ³
IFRS 17	Insurance Contracts ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ³
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transaction ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS standards 2014-2016 Cycle except for amendments to IFRS 12 ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after a date to be determined

Except as described below, the management of the Group considers that the application of the other new and amendments to IFRSs and IASs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in future.

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at 'fair value through other comprehensive income' (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss ("FVTPL") was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanism currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

In general, the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items.

In the opinion of the directors of the Company, based on the historical experience of the Group, the default rate of the outstanding balances with customers is low. Hence, the directors of the Company anticipate that the application of IFRS 9 would not have material impact on the Group's future consolidated financial statements. The above assessments were made based on an analysis of the Group's financial assets as at 30 April 2017 on the basis of the facts and circumstances that existed at that date. It is also expected that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 30 April 2017.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on preliminary analysis, the management of the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have material impact on the timing and amounts of revenue recognition but will result in more disclosures.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the IFRS 16 lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 April 2017, the Group has non-cancellable operating lease commitments of S\$6,895,224 as disclosed in Note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis, except for held for trading investments that are measured at fair value, and in accordance with the following accounting policies which conform with IFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved when a company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving business under common control

The Historical Financial Information incorporates the financial information of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under control of the controlling entity.

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from provision of manpower services, IT services, and construction ancillary services

Revenue from provision of services is recognised upon rendering of such service.

(ii) Revenue from provision of dormitory services

Revenue from the leasing of dormitory bed spaces and related ancillary services is recognised, on a straight-line basis, over the terms of the respective contracts.

(iii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contract

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the combined statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments made to Central Provident Fund (“CPF”) are recognised as expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deduction of any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interest and re-measurement are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the combined statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost of investment properties less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Financial instruments

Financial assets and liabilities are recognised in the Historical Financial Information when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities of fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into “loans and receivables” and “held for trading”. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from related parties, amount due from a director, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss included in the 'other income and gains' or 'other loss' line items.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets held by the Group, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past due beyond 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group entities are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related parties, amount due to a director, amount due to KT&T Engineers and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group companies after deducting all of their liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

De-recognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the Historical Financial Information when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Estimated impairment of receivables

Management assesses at the end of each reporting period whether there is any objective evidence that trade and other receivables are impaired. If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in profit or loss. Where the actual future cash flows are less than expected, an impairment loss may arise. During the year ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2017, S\$486,994, S\$358,754, S\$13,123 and nil net allowance for doubtful debts were provided for in the Historical Financial Information. The carrying amounts of the trade receivables are disclosed in Note 18 to the Historical Financial Information.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from provision of manpower services, dormitories services, IT services, and construction ancillary services, solely derived in Singapore during the Track Record Period.

Information is reported to the Controlling Shareholder, being the chief operating decision maker (“CODM”) of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group’s accounting policies described in Note 4. The CODM reviews revenue by nature of services, i.e. provision of manpower services to contractors of construction projects, provision of dormitories services, provision of IT services and provision of construction ancillary services and profit for the year as a whole. No further detailed analysis of the Group’s results nor assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

An analysis of the Group’s revenue for the Track Record Period is as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
<i>Revenue from:</i>					
Provision of manpower services	38,943,427	39,769,924	37,977,761	12,471,074	12,314,848
Provision of dormitories services	4,297,060	4,706,259	5,464,291	1,762,792	1,771,532
Provision of IT services	810,490	622,380	892,420	230,256	319,120
Provision of construction ancillary services	<u>1,044,253</u>	<u>992,791</u>	<u>716,364</u>	<u>228,633</u>	<u>633,371</u>
	<u>45,095,230</u>	<u>46,091,354</u>	<u>45,050,836</u>	<u>14,692,755</u>	<u>15,038,871</u>

Major customers

There is no individual customer contributed over 10% of total revenue of the Group during the Track Record Period.

Geographical information

The Group principally operates in Singapore. All revenue are derived from Singapore based on the location of services delivered and the Group’s property, plant and equipment are all located in Singapore.

7. OTHER INCOME AND GAINS

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Government grants (<i>Note</i>)	297,142	360,909	461,390	375,045	174,532
Dividend income from held for trading investments	1,500	1,600	1,600	–	–
Forfeiture of customer deposits	–	18,647	9,986	362	4,440
Work injury/workmen compensation claims	118,074	88,040	203,464	82,517	32,389
Sub-leasing income	–	–	100,069	–	69,640
Others	14,764	54,044	47,202	15,625	31,141
	<u>431,480</u>	<u>523,240</u>	<u>823,711</u>	<u>473,549</u>	<u>312,142</u>

Note:

Government grants mainly include the Productivity and Innovation Credit Scheme (“PIC”), the Special Employment Credit and the Wages Credit Scheme, all of them are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.

Included in the amounts are S\$68,975, representing grants received under the PIC for the year ended 31 December 2014. Under the PIC, the government provides 60% cash payout rate for qualifying expenditure from year 2011 to year 2018.

During the year ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and 2017, the Group received S\$78,582, S\$70,820, S\$71,460, S\$37,296 (unaudited) and S\$35,975 grants under the Special Employment Credit respectively. Under the Special Employment Credit, the government aims to encourage and facilitate Singapore-registered business to hire Singaporean workers more than 50 years old and persons with disabilities.

During the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and 2017, S\$149,585, S\$255,464, S\$304,079, S\$304,075 (unaudited) and S\$99,483 grants under the Wages Credit Scheme were received respectively. Under this credit scheme, the government provides assistance to Singapore-registered businesses by way of co-funding 40% and 20% of wage increases given to Singapore Citizen employees earning a gross monthly wage of S\$4,000 and below in 2013 to 2015 and 2016 to 2017, respectively.

The remaining balances of grants are incentives received upon fulfilling the conditions for compensation of expenses already incurred or as immediate financial supports with no future costs to be incurred in relation to any assets or expenditure.

8. OTHER LOSSES

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Loss arising on disposal of property, plant and equipment	–	15,061	71,062	59,206	12,200
Foreign exchange loss, net	67,076	9,324	18,821	–	5,656
Forfeited deposits to vendors	–	–	38,106	–	–
Allowance for doubtful debts, net	486,994	358,754	13,123	–	–
	<u>554,070</u>	<u>383,139</u>	<u>141,112</u>	<u>59,206</u>	<u>17,856</u>

9. OTHER EXPENSES

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Project costs (<i>Note</i>)	3,036,390	381,911	–	–	–
Listing expenses	–	–	649,996	–	1,182,028
	<u>3,036,390</u>	<u>381,911</u>	<u>649,996</u>	<u>–</u>	<u>1,182,028</u>

Note:

The amounts represent costs of the refurbishment works, rental expenses and professional fees incurred in relation to a specific project for extending the Group's business into provision of dormitory service to school students. The project was terminated after the Group conducting a cost-benefit assessment.

10. FINANCE COSTS

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
<i>Interest on:</i>					
Bank borrowings	54,110	31,221	12,572	4,954	150
Finance leases	–	635	4,655	990	1,255
	<u>54,110</u>	<u>31,856</u>	<u>17,227</u>	<u>5,944</u>	<u>1,405</u>

11. PROFIT BEFORE TAXATION

Profit before tax for the year/period has been arrived at after charging:

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Depreciation of property, plant and equipment	681,641	691,564	641,711	187,732	249,744
Depreciation of investment property	1,249,797	1,041,498	–	–	–
Auditor's remuneration	–	–	69,600	–	–
Directors' and chief executive's remuneration	1,069,843	1,054,066	977,574	330,268	313,104
Other staff costs					
– Salaries, wages and other benefits	15,138,907	15,242,124	16,825,482	5,411,501	5,198,158
– Contribution to CPF	1,028,247	790,499	859,293	305,897	308,318
– Foreign worker levy	6,982,543	8,719,643	9,951,247	3,056,087	3,464,892
Total other staff costs	<u>23,149,697</u>	<u>24,752,266</u>	<u>27,636,022</u>	<u>8,773,485</u>	<u>8,971,368</u>
Gross rental income from investment property	4,297,060	4,706,259	5,464,291	1,762,792	1,771,532
Less: direct operating expenses incurred for investment property that generated rental income during the year/period	<u>(1,249,797)</u>	<u>(1,041,498)</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>3,047,263</u>	<u>3,664,761</u>	<u>5,464,291</u>	<u>1,762,792</u>	<u>1,771,532</u>

12. INCOME TAX EXPENSE

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
Tax expense comprises:					
Current tax					
– Singapore corporate income tax (“CIT”)	<u>669,753</u>	<u>1,089,350</u>	<u>961,752</u>	<u>319,234</u>	<u>330,216</u>

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 30%, capped at S\$30,000 for each of the Year of Assessment 2014 to 2015 and adjusted to 50%, capped at S\$20,000 for the Year of Assessment 2016, and 50%, capped at S\$25,000 for the Year of Assessment 2017 and adjusted to 20%, capped at S\$10,000 for the year of Assessment 2018. Determined based on financial year end date of respective group companies. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of chargeable income and a further 50% tax exemption on the next S\$290,000 of chargeable income.

The taxation for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Profit before taxation	<u>4,827,738</u>	<u>7,413,349</u>	<u>7,581,541</u>	<u>2,824,920</u>	<u>1,785,008</u>
Tax at applicable tax rate of 17%	820,715	1,260,269	1,288,862	480,236	303,451
Tax effect of expenses not deductible for tax purpose	626,140	340,484	215,886	38,049	218,372
Tax effect of income not taxable for tax purpose	(255)	(760)	(272)	–	–
Effect of tax concessions and partial tax exemption (<i>Note</i>)	(427,268)	(510,643)	(542,724)	(199,051)	(191,607)
Utilisation of tax losses previously not recognised	<u>(349,579)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Taxation for the year/period	<u>669,753</u>	<u>1,089,350</u>	<u>961,752</u>	<u>319,234</u>	<u>330,216</u>

Note:

Included in the amounts are additional 300% tax deductions/allowances for qualified capital expenditures and operating expenses under the PIC scheme in Singapore for the Year of Assessment of 2015, 2016, 2017 and 2018.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' and chief executive's emoluments

Mr. Kuah and Ms. Dolly Hwa Ai Kim were appointed as directors of the Company on 14 February 2017 and 31 March 2017 respectively. The emoluments paid or payable to the directors and chief-executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follows:

Details of the emoluments paid to each of the directors and chief executive of the Company are as follows:

Year ended 31 December 2014

	Fees	Salary	Discretionary bonus	Benefits in kind	Retirement benefit scheme contributions	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Executive						
Directors						
Mr. Kuah	444,000	-	-	48,706	71,040	563,746
Ms. Dolly Hwa Ai Kim	-	453,947	33,866	-	18,284	506,097
	<u>444,000</u>	<u>453,947</u>	<u>33,866</u>	<u>48,706</u>	<u>89,324</u>	<u>1,069,843</u>

Year ended 31 December 2015

	Fees	Salary	Discretionary bonus	Benefits in kind	Retirement benefit scheme contributions	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Executive						
Directors						
Mr. Kuah	444,000	-	-	23,000	75,780	542,780
Ms. Dolly Hwa Ai Kim	-	461,874	29,809	-	19,543	511,226
	<u>444,000</u>	<u>461,874</u>	<u>29,809</u>	<u>23,000</u>	<u>95,323</u>	<u>1,054,006</u>

Year ended 31 December 2016

	Fees	Salary	Discretionary bonus	Benefits in kind	Retirement benefit scheme contributions	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Executive						
Directors						
Mr. Kuah	444,000	-	-	-	75,480	519,480
Ms. Dolly Hwa						
Ai Kim	<u>-</u>	<u>414,612</u>	<u>23,738</u>	<u>-</u>	<u>19,744</u>	<u>458,094</u>
	<u>444,000</u>	<u>414,612</u>	<u>23,738</u>	<u>-</u>	<u>95,224</u>	<u>977,574</u>

The four months ended 30 April 2016 (unaudited)

	Fees	Salary	Discretionary bonus	Benefits in kind	Retirement benefit scheme contributions	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Executive						
Directors						
Mr. Kuah	148,000	-	-	-	25,160	173,160
Ms. Dolly Hwa						
Ai Kim	<u>-</u>	<u>133,660</u>	<u>15,566</u>	<u>-</u>	<u>7,882</u>	<u>157,108</u>
	<u>148,000</u>	<u>133,660</u>	<u>15,566</u>	<u>-</u>	<u>33,042</u>	<u>330,268</u>

The four months ended 30 April 2017

	Fees	Salary	Discretionary bonus	Benefits in kind	Retirement benefit scheme contributions	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Executive						
Directors						
Mr. Kuah	148,000	-	-	-	25,160	173,160
Ms. Dolly Hwa						
Ai Kim	<u>-</u>	<u>125,146</u>	<u>8,172</u>	<u>-</u>	<u>6,626</u>	<u>139,944</u>
	<u>148,000</u>	<u>125,146</u>	<u>8,172</u>	<u>-</u>	<u>31,786</u>	<u>313,104</u>

- (i) Mr. Kuah Ann Thia acts as the chairman and chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.
- (ii) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (iii) No other retirement benefits were paid to directors in respect of their respective services in connection with the management of the affairs of the Company or its subsidiaries undertaking.
- (iv) The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group.
- (v) Benefit in kind represents payment made on behalf of the director for personal housing expenses to third parties.
- (vi) None of the directors has waived any remuneration during the Track Record Period.

Employees' remuneration

During the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and 2017, included in the remunerations of the five highest paid individuals are 2, 2, 2, 2 (unaudited) and 2 directors whose remunerations are disclosed above. The remunerations in respect of the remaining individuals during the Track Record Period are as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Salaries and allowances	803,337	717,151	698,814	237,201	124,188
Discretionary bonus	24,825	28,121	24,501	16,066	4,436
Contribution to retirement benefits scheme	98,436	105,552	111,620	37,412	17,074
	<u>926,598</u>	<u>850,824</u>	<u>834,935</u>	<u>290,679</u>	<u>145,698</u>

The five highest paid individuals were within the following bands:

	Number of Employee				
	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
				(unaudited)	
Emolument bands					
Nil to HK\$1,000,000 (in equivalent to Nil to S\$180,000)	–	2	2	5	5
HK\$1,000,001 to HK\$1,500,000 (in equivalent to S\$180,001 to S\$270,000)	2	–	–	–	–
HK\$2,500,001 to HK\$3,000,000 (in equivalent to S\$450,001 to S\$540,000)	2	2	3	–	–
HK\$3,000,001 to HK\$3,500,000 (in equivalent to S\$540,001 to S\$630,000)	1	1	–	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDEND

During the year ended 31 December 2016, an aggregate amount of dividends of S\$10,440,000 was declared by the group companies, of which S\$7,440,000 was paid during the year ended 31 December 2016 and S\$3,000,000 was subsequently paid in February 2017 by cheque which was presented in April 2017.

Other than the above, no dividend was paid or declared by the Company since its incorporation or by group entities for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2017.

The rate of dividend and number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

15. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Track Record Period that is prepared on a combined basis as set out in Note 2.

16. PROPERTY, PLANT AND EQUIPMENT

	Properties and related structures on leasehold land	Leasehold improvements	Office Equipment	Motor vehicles	Furniture and fittings	Computers	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<i>Cost</i>							
At 1 January 2014	4,112,000	1,795,822	66,796	1,069,374	109,435	153,003	7,306,430
Additions	–	–	7,457	44,000	6,585	34,850	92,892
At 31 December 2014	4,112,000	1,795,822	74,253	1,113,374	116,020	187,853	7,399,322
Additions	–	–	34,313	233,437	2,954	41,802	312,506
Disposals/written off	–	–	–	(177,750)	–	–	(177,750)
At 31 December 2015	4,112,000	1,795,822	108,566	1,169,061	118,974	229,655	7,534,078
Additions	45,552	189,850	11,870	1,076,216	21,358	18,034	1,362,880
Disposals/written off	–	–	–	(379,765)	–	–	(379,765)
At 31 December 2016	4,157,552	1,985,672	120,436	1,865,512	140,332	247,689	8,517,193
Additions	7,533	2,100	2,725	285,188	1,964	18,280	317,790
Disposals/written off	–	–	–	(209,528)	–	–	(209,528)
At 30 April 2017	<u>4,165,085</u>	<u>1,987,772</u>	<u>123,161</u>	<u>1,941,172</u>	<u>142,296</u>	<u>265,969</u>	<u>8,625,455</u>
<i>Accumulated depreciation</i>							
At 1 January 2014	1,033,000	1,638,839	30,394	573,497	100,909	153,003	3,529,642
Charge for the year	343,667	78,492	22,396	194,909	7,327	34,850	681,641
At 31 December 2014	1,376,667	1,717,331	52,790	768,406	108,236	187,853	4,211,283
Charge for the year	343,667	78,491	31,117	189,914	6,573	41,802	691,564
Elimination on disposals/ written off	–	–	–	(162,689)	–	–	(162,689)
At 31 December 2015	1,720,334	1,795,822	83,907	795,631	114,809	229,655	4,740,158
Charge for the year	348,045	17,786	14,954	247,690	5,420	7,816	641,711
Elimination on disposals/ written off	–	–	–	(299,702)	–	–	(299,702)
At 31 December 2016	2,068,379	1,813,608	98,861	743,619	120,229	237,471	5,082,167
Charge for the period	119,413	21,153	1,382	95,148	2,864	9,784	249,744
Elimination on disposals/ written off	–	–	–	(194,128)	–	–	(194,128)
At 30 April 2017	<u>2,187,792</u>	<u>1,834,761</u>	<u>100,243</u>	<u>644,639</u>	<u>123,093</u>	<u>247,255</u>	<u>5,137,783</u>
<i>Carrying values</i>							
At 31 December 2014	<u>2,735,333</u>	<u>78,491</u>	<u>21,463</u>	<u>344,968</u>	<u>7,784</u>	<u>–</u>	<u>3,188,039</u>
At 31 December 2015	<u>2,391,666</u>	<u>–</u>	<u>24,659</u>	<u>373,430</u>	<u>4,165</u>	<u>–</u>	<u>2,793,920</u>
At 31 December 2016	<u>2,089,173</u>	<u>172,064</u>	<u>21,575</u>	<u>1,121,893</u>	<u>20,103</u>	<u>10,218</u>	<u>3,435,026</u>
At 30 April 2017	<u>1,977,293</u>	<u>153,011</u>	<u>22,918</u>	<u>1,296,533</u>	<u>19,203</u>	<u>18,714</u>	<u>3,487,672</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following useful lives after taking into account the residual values:

Properties and related structures on leasehold land	Over the terms of lease of 3-12 years
Leasehold improvements	Shorter of 3 years or over the lease terms
Office equipment and machinery	3 years
Motor vehicles	5 years
Furniture and fittings	3 years
Computers	1 year

Included in the additions of office equipment and motor vehicles amounting to S\$nil, S\$89,594, S\$154,584 and nil were acquired under hire purchase arrangements during the year ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2017, respectively. These constituted as non-cash transactions during respective years.

The carrying value of following items are assets held under finance leases:

	As at 31 December			As at
	2014	2015	2016	30 April
	S\$	S\$	S\$	2017
				S\$
Office equipment	-	19,374	16,967	12,951
Motor vehicles	-	48,390	203,793	-
	<u>-</u>	<u>67,764</u>	<u>220,760</u>	<u>12,951</u>

17. INVESTMENT PROPERTY

	Total S\$
COST	
At 1 January 2014, 31 December 2014, 2015, 2016 and 30 April 2017	<u>2,707,893</u>
DEPRECIATION	
At 1 January 2014	416,598
Provided for the year	<u>1,249,797</u>
At 31 December 2014	1,666,395
Provided for the year	<u>1,041,498</u>
At 31 December 2015	2,707,893
Provided for the year	<u>—</u>
At 31 December 2016 and 30 April 2017	<u>2,707,893</u>
CARRYING VALUES	
At 31 December 2014	<u><u>1,041,498</u></u>
At 31 December 2015	<u><u>—</u></u>
At 31 December 2016	<u><u>—</u></u>
At 30 April 2017	<u><u>—</u></u>

The above investment property is depreciated on a straight-line basis over 3 years.

The Group's property interests are erected on a leasehold land under operating lease and held to earn rentals are measured using the costs model and are classified and accounted for as investment property.

At 31 December 2014, 2015, 2016 and 30 April 2017, the fair values of the investment property amounted to S\$2,800,000, S\$2,800,000, S\$2,800,000 and S\$2,800,000, respectively. The fair values have been arrived at by the management and based on a valuation carried out by RAVIA Global Appraisal Advisory Limited (located at Unit 10, 2/F, Fuleeloy Building, No. 9 King Wah Road, North Point, Hong Kong), a Corporate Member of The Hong Kong Institute of Sureyors (General Practice Division) at 31 December 2014, 2015, 2016 and 30 April 2017, respectively. RAVIA Global Appraisal Advisory Limited is not connected with the Group.

The fair value was determined based on the income approach, where the market rentals of all lettable bed spaces of the property are assessed and discounted at the market yield expected by investors for the type of property. The market rentals are assessed by reference to the rentals achieved in the lettable units of the property as well as other lettings of similar property in the

neighbourhood. The discount rate is determined by reference to the yield derived from analysing the sales transactions of similar commercial property in the same area and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment property. There has been no change from the valuation technique used during the Track Record Period.

In estimating the fair value of the property, the highest and best use of the property is its current use.

Details of the Group's investment properties and information about the fair value hierarchy as at end of the reporting period are as follows:

	Fair value Level 3 S\$
Woodlands Industrial Park E4 on State Land Lot 5817N PT MK 13 Singapore	
– As at 31 December 2014	S\$2,800,000
– As at 31 December 2015	S\$2,800,000
– As at 31 December 2016	S\$2,800,000
– As at 30 April 2017	S\$2,800,000

There was no transfer into or out of Level 3 during the Track Record Period.

18. TRADE RECEIVABLES

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	S\$	S\$	S\$	S\$
Trade receivables	7,413,021	6,114,350	5,537,342	6,277,927
Less: allowance for doubtful debts	<u>(486,994)</u>	<u>(845,748)</u>	<u>(641,344)</u>	<u>(468,882)</u>
	<u>6,926,027</u>	<u>5,268,602</u>	<u>4,895,998</u>	<u>5,809,045</u>
Unbilled revenue	<u>–</u>	<u>149,030</u>	<u>143,962</u>	<u>1,517,676</u>
	<u><u>6,926,027</u></u>	<u><u>5,417,632</u></u>	<u><u>5,039,960</u></u>	<u><u>7,326,721</u></u>

The credit terms to customers is ranging from 3 to 30 days from the invoice date for trade receivables. The following is an analysis of trade receivables by age presented based on invoice date at the end of each reporting period:

	As at 31 December			As at
	2014	2015	2016	30 April
	S\$	S\$	S\$	2017
Less than 30 days	3,322,895	3,234,305	3,228,731	3,505,748
31 days to 60 days	2,232,409	1,826,538	1,402,345	1,826,145
61 days to 90 days	<u>1,370,723</u>	<u>207,759</u>	<u>264,922</u>	<u>477,152</u>
	<u>6,926,027</u>	<u>5,268,602</u>	<u>4,895,998</u>	<u>5,809,045</u>

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period and no impairment is considered necessary for those balances which are not past due at each reporting date.

Allowances for doubtful debts are recognised against trade receivables over 90 days based on estimated irrecoverable amounts from the provision of services for each customer taking into account their creditworthiness, past collection history and past default experience.

Included in the Group's trade receivables are aggregate carrying amounts of approximately S\$3,603,132, S\$2,034,297, S\$1,667,267 and S\$2,303,297, which are past due at 31 December 2014, 2015, 2016 and 30 April 2017, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer.

Aging of trade receivables which are past due but not impaired, net of allowance for doubtful debts, based on invoice date at each reporting date:

	As at 31 December			As at
	2014	2015	2016	30 April
	S\$	S\$	S\$	2017
31 days to 60 days	2,232,409	1,826,538	1,402,345	1,826,145
61 days to 90 days	<u>1,370,723</u>	<u>207,759</u>	<u>264,922</u>	<u>477,152</u>
	<u>3,603,132</u>	<u>2,034,297</u>	<u>1,667,267</u>	<u>2,303,297</u>

In the opinion of the management of the Group, the trade receivables which are past due but not impaired at the end of each reporting period are of good credit quality which considering the high credibility of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

The Group does not charge interest or hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	As at 31 December			As at
	2014	2015	2016	30 April
	S\$	S\$	S\$	2017
				S\$
At beginning of year/period	–	486,994	845,748	641,344
Addition	486,994	358,754	182,611	–
Reversal	–	–	(169,488)	–
Written off	–	–	(217,527)	(172,462)
	<u>–</u>	<u>–</u>	<u>(217,527)</u>	<u>(172,462)</u>
At end of year/period	<u>486,994</u>	<u>845,748</u>	<u>641,344</u>	<u>468,882</u>

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

THE GROUP

	As at 31 December			As at
	2014	2015	2016	30 April
	S\$	S\$	S\$	2017
				S\$
Deposits	164,144	194,910	457,816	605,816
Sundry debtors	71,769	165,118	140,793	103,614
Goods and Service Tax ("GST") receivable	143,106	519,682	715,920	734,051
Prepayments	16,625	9,626	418,604	119,982
Deferred listing expenses	–	–	213,892	541,536
Others	8,663	20,546	37,698	37,443
	<u>8,663</u>	<u>20,546</u>	<u>37,698</u>	<u>37,443</u>
	<u>404,307</u>	<u>909,882</u>	<u>1,984,723</u>	<u>2,142,442</u>

THE COMPANY

As at 30 April 2017, the other receivables of the Company represents the deferred listing expenses.

20. AMOUNTS DUE FROM (TO) RELATED PARTIES/DIRECTORS

a. Amounts due from related parties

	As at 31 December					Maximum amount outstanding during the year ended 31 December				Maximum amount outstanding during the four months ended 30 April
	2013	2014	2015	2016	As at 30 April 2017	2014	2015	2016	2017	
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	
<i>Analysed as:</i>										
Labour Solutions Pte. Ltd.	-	35,043	192,115	192,115	-	35,043	192,115	192,115	192,115	
Kenta Training & Testing Services Pte. Ltd.	7,000	40,000	58,500	102,000	-	40,000	58,500	102,000	102,000	
Tiara Global Pte. Ltd.	75,000	85,000	-	-	-	85,000	85,000	-	-	
	<u>82,000</u>	<u>160,043</u>	<u>250,615</u>	<u>294,115</u>	<u>-</u>					

The Controlling Shareholder has controlling equity interests in these related parties.

The balances as at 31 December 2014, 2015 and 2016 were non-trade related, unsecured, non-interest bearing and without a fixed repayment term.

b. Amounts due from a director

The balance as at 31 December 2015 was non-trade related, unsecured, non-interest bearing and without a fixed repayment term. The maximum outstanding amounts during the years ended 31 December 2015 and 2016 was S\$1,245,391 and S\$3,668,550 respectively.

c. Amounts due to related parties

	As at 31 December			As at 30 April
	2014 S\$	2015 S\$	2016 S\$	2017 S\$
Trade related	<u>412,500</u>	<u>412,500</u>	<u>412,500</u>	<u>-</u>
<i>Analysed as:</i>				
Tiara Global Pte. Ltd.	178,500	178,500	178,500	-
Kenta Training & Testing Services Pte. Ltd.	<u>234,000</u>	<u>234,000</u>	<u>234,000</u>	<u>-</u>
	<u>412,500</u>	<u>412,500</u>	<u>412,500</u>	<u>-</u>

The Controlling Shareholder has controlling equity interest in these related parties.

The average credit period for provision of services is 30 days. The aging of trade related amounts due to related parties presented based on the invoice date at the end of the reporting period is as follows:

	As at 31 December			As at
	2014	2015	2016	30 April
	S\$	S\$	S\$	2017
				S\$
Over 1 year but less than 2 years	412,500	–	–	–
Over 2 year but less than 3 years	–	412,500	–	–
Over 3 years but less than 4 years	–	–	412,500	–
	<u>412,500</u>	<u>412,500</u>	<u>412,500</u>	<u>–</u>

d. Amount due to a director

The balance as at 31 December 2014, 2016 and 30 April 2017 was non-trade related, unsecured, non-interest bearing and without a fixed repayment term.

e. Amount due to KT&T Engineers

The balance as at 30 April 2017 is non-trade related, unsecured, non-interest bearing and without a fixed repayment term.

21. HELD FOR TRADING INVESTMENTS

	As at 31 December			As at
	2014	2015	2016	30 April
	S\$	S\$	S\$	2017
				S\$
<i>Listed securities:</i>				
– in Singapore Stock Exchange	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>
	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 December 2014 and 2015, the pledged deposits carry fixed interest rate of 0.25%-0.55% per annum.

Bank balances carry interest at prevailing market interest rate of 0%-1.8% per annum at 31 December 2014, 2015, 2016 and 30 April 2017.

23. TRADE AND OTHER PAYABLES

	As at 31 December			As at
	2014	2015	2016	30 April
	S\$	S\$	S\$	2017
Trade payable	1,671,899	1,954,247	1,728,332	1,405,061
Accrued operating expenses	2,036,164	2,072,554	2,244,439	2,145,006
Listing expenses payables	–	–	–	941,496
Other payables				
GST payables	747,661	1,192,300	1,322,979	905,537
Customer deposits received	1,076,628	1,128,601	1,185,544	1,145,438
Land lease payable	945,731	–	–	–
Others	<u>327,844</u>	<u>316,261</u>	<u>332,457</u>	<u>216,437</u>
	<u>6,805,927</u>	<u>6,663,963</u>	<u>6,813,751</u>	<u>6,758,975</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December			As at
	2014	2015	2016	30 April
	S\$	S\$	S\$	2017
Within 30 days	915,626	1,580,618	730,460	796,082
31 days to 90 days	194,219	46,724	64,132	20,255
Over 90 days	<u>562,054</u>	<u>326,905</u>	<u>933,740</u>	<u>588,724</u>
	<u>1,671,899</u>	<u>1,954,247</u>	<u>1,728,332</u>	<u>1,405,061</u>

The credit period on purchases from suppliers is ranging from 7 to 60 days or payable upon delivery.

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments				Present value of minimum leases payments			
	As at 31 December			As at	As at 31 December			As at
	2014	2015	2016	30 April	2014	2015	2016	30 April
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Amounts payable under finance leases								
Within one year	-	41,014	38,509	8,304	-	39,145	36,618	7,221
In more than one year but no more than two years	-	6,684	8,304	8,304	-	5,812	7,221	7,221
In more than two years but no more than five years	-	16,710	14,481	10,734	-	14,531	12,592	9,295
	-	64,408	61,294	27,342	-	59,488	56,431	23,737
Less: future finance charges	-	(4,920)	(4,863)	(3,605)				
Present value of lease obligations	-	59,488	56,431	23,737				
Less: Amount due for settlement within one year (shown under current liabilities)					-	(39,145)	(36,618)	(7,221)
Amount due for settlement after one year					-	20,343	19,813	16,516

Interest rates underlying all obligations under finance leases are fixed at respective contract dates during the Track Record Period:

	For the four months ended			
	For the year ended 31 December 2014	2015	2016	30 April 2017
Interest rates	<u>N/A</u>	<u>2.99-3.00%</u>	<u>2.85-2.99%</u>	<u>2.85-2.99%</u>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 16).

25. BORROWINGS

	As at 31 December			As at
	2014	2015	2016	30 April
	S\$	S\$	S\$	2017
				S\$
Bank loans				
– Unsecured	1,200,000	–	–	–
– Secured	<u>1,232,920</u>	<u>552,466</u>	<u>43,439</u>	<u>–</u>
	<u>2,432,920</u>	<u>552,466</u>	<u>43,439</u>	<u>–</u>
<i>Analysed as:</i>				
Carrying amount repayable				
– within one year	1,880,454	509,027	43,439	–
– more than one year, but not exceeding two years	509,027	43,439	–	–
– more than two years, but not more than five years	<u>43,439</u>	<u>–</u>	<u>–</u>	<u>–</u>
	2,432,920	552,466	43,439	–
Less: Amount due within one year shown under current liabilities	<u>(1,880,454)</u>	<u>(509,027)</u>	<u>(43,439)</u>	<u>–</u>
Amounts shown under non- current liabilities	<u>552,466</u>	<u>43,439</u>	<u>–</u>	<u>–</u>

At 31 December 2014, included in the balances was a loan with carrying amount of S\$1,200,000 which bore a fixed interest rate of 1.69% per annum and was unsecured and guaranteed by the Company's Controlling Shareholder. The loan was fully repaid in February 2015.

At 31 December 2014, 2015 and 2016, the remaining loan with carrying amount of S\$1,232,920, S\$552,466 and S\$43,439, respectively, bore a variable interest rate and was secured by a legal mortgage over the Group's properties on leasehold land with carrying amounts of S\$2,735,333, S\$2,391,666 and S\$2,089,173 respectively as well as guaranteed by the Company's Controlling Shareholder. The effective interest rate of the loan was 3.0% per annum.

The secured legal mortgage properties has been discharged in January 2017 upon full settlement of the loan.

26. SHARE CAPITAL/RESERVE OF THE COMPANY**(a) Share Capital**

The issued share capital as at 1 January 2014, 31 December 2014 and 2015 represented the aggregate share capital of Nichefield, KT&T Engineers, Accenovate Engineering, Kanon Global, Accenovate Consulting and KT&T Global.

The issued share capital as at 31 December 2016 represented the share capital of Real Value.

On 14 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of Hong Kong Dollars (“HK\$”) 380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one share was allotted and issued in nil paid form to the initial subscriber, an independent third party and the said share was transferred to Mighty One on the same date for nil consideration.

The issued share capital as at 30 April 2017 represented the combined share capital of the Company and Real Value.

(b) Reserve of the Company

The movement of the Company’s reserve is as follow:

	For the period ended 30 April 2017 S\$
As at 14 February 2017 (date of incorporation)	–
Loss for the period	<u>(1,182,028)</u>
As at 30 April 2017	<u><u>(1,182,028)</u></u>

27. OPERATING LEASE COMMITMENTS

The Group as lessee

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
Minimum lease payments paid during each of the year/period under operating leases in respect of office premises, staff dormitories and office equipment	<u>4,796,591</u>	<u>3,684,788</u>	<u>4,249,667</u>	<u>1,246,810</u>	<u>1,652,199</u>

(unaudited)

Future minimum rental payable under non-cancellable leases as at the end of reporting period are as follows:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	S\$	S\$	S\$	S\$
Within one year	3,036,984	3,559,755	4,554,856	4,014,897
After one year but within five years	958,223	6,292,224	3,863,943	2,750,660
More than five years	<u>539,568</u>	<u>374,112</u>	<u>194,500</u>	<u>129,667</u>
	<u>4,534,775</u>	<u>10,226,091</u>	<u>8,613,299</u>	<u>6,895,224</u>

The leases have tenures ranging from three to twelve years and no contingent rent provision included in the contracts.

The Group as lessor

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
Minimum lease income received during each of the year/period under operating leases in respect of workers dormitories and warehouse space	<u>4,297,060</u>	<u>4,706,259</u>	<u>5,464,291</u>	<u>1,762,792</u>	<u>1,771,532</u>

(unaudited)

28. RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund Board of Singapore, the Group's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For each of the financial periods ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and 2017, the Group contributes up to 16%, 17%, 17%, 17% (unaudited) and 17% of monthly salary with the cap of S\$85,000, S\$85,000, S\$102,000, S\$102,000 (unaudited) and S\$102,000 per annum per employee, respectively.

The total costs charged to profit or loss, amounting to S\$1,117,571, S\$885,822, S\$954,517, S\$338,939 (unaudited) and S\$340,104 for the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and 2017 respectively, represent contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2014, 2015, 2016 and 30 April 2017, contributions of S\$625,732, S\$836,516, S\$524,286 and S\$177,873 were due respectively but had not been paid to the CPF. The amounts were paid subsequent to the end of the respective years/period.

29. RELATED PARTY TRANSACTIONS

Apart from disclosures elsewhere in the Historical Financial Information, the Group entered into the following transactions with related parties during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
<i>Expenses paid on behalf of</i>					
Labour Solutions Pte. Ltd.	<u>5,043</u>	<u>2,072</u>	<u>-</u>	<u>-</u>	<u>-</u>

Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period were as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2014	2015	2016	2016	2017
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Short-term benefits	1,550,668	1,592,693	1,559,660	528,738	443,352
Post-employment benefits	186,898	203,160	205,458	70,638	55,073
Benefit in kind	<u>48,706</u>	<u>23,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,786,272</u>	<u>1,818,853</u>	<u>1,765,118</u>	<u>599,376</u>	<u>498,425</u>

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes obligations under finance leases and borrowings, as disclosed in Notes 24 and 25, respectively, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital, reserves and accumulated profits.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

31. FINANCIAL INSTRUMENTS**Categories of financial instruments****THE GROUP**

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	S\$	S\$	S\$	S\$
Financial assets				
– <i>Loans and receivables</i>				
Trade receivables	6,926,027	5,417,632	5,039,960	7,326,721
Other receivables, deposits and prepayments*	244,576	380,574	636,307	746,873
Amounts due from related parties	160,043	250,615	294,115	–
Amount due from a director	–	1,245,391	–	–
Pledged bank deposits	55,038	55,075	–	–
Bank balances and cash	<u>15,382,982</u>	<u>11,668,044</u>	<u>15,723,675</u>	<u>6,745,025</u>
	22,768,666	19,017,331	21,694,057	14,818,619
– <i>Held for trading</i>				
Listed equity securities investments	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>
	<u>22,838,666</u>	<u>19,087,331</u>	<u>21,764,057</u>	<u>14,888,619</u>

	As at 31 December			As at 30 April 2017
	2014	2015	2016	2017
	S\$	S\$	S\$	S\$
Financial liabilities				
– <i>Amortised cost</i>				
Trade and other payables**	6,058,266	5,371,241	5,404,751	5,853,438
Amounts due to related parties	412,500	412,500	412,500	–
Amounts due to a director	10,083,575	–	4,205,223	72,171
Dividend payables	–	–	3,000,000	–
Borrowings	<u>2,432,920</u>	<u>552,466</u>	<u>43,439</u>	<u>–</u>
	<u>18,987,261</u>	<u>6,336,207</u>	<u>13,065,913</u>	<u>5,925,609</u>

* Prepayments, GST receivables and deferred listing expenses are excluded.

** GST payables are excluded

THE COMPANY

	As at 30 April 2017 S\$
Financial assets	
– <i>Loans and receivables</i>	
Amount due from a director	<u>–</u>
Financial liabilities	
– <i>Amortised cost</i>	
Amount due to KT&T Engineers	<u>1,723,564</u>

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from(to) related parties/a director, pledged bank deposits, bank balances and cash, held for trading investments, trade and other payables, dividend payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances. The Group is also exposed to fair value interest rate risk in relation to fixed-rate borrowings and finance leases.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

Sensitivity analysis

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year/period ended 31 December 2014, 2015, 2016 and 30 April 2017 would decrease/increase by approximately S\$5,200, S\$2,300, S\$180 and nil, respectively.

Currency risk

The Group has certain bank balances denominated in US\$ and HK\$ and certain trade payables denominated in US\$ other than the functional currency of respective group entities, which expose the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies at the end of reporting period is as below:

	As at 31 December			As at
	2014	2015	2016	30 April
	S\$	S\$	S\$	2017
				S\$
<i>Monetary assets</i>				
– denominated in US\$	–	2,823	2,823	2,823
– denominated in HK\$	–	–	412,094	394,952
<i>Monetary liabilities</i>				
– denominated in US\$	876,290	1,394,889	498,383	413,823
– denominated in HK\$	–	–	–	860,578

If the US\$ strengthens/weakens by 10% against the functional currency of respective group companies, the Group's profit for the year ended 31 December 2014, 2015, 2016 and for the four months ended 30 April 2017 would decrease/increase by S\$72,700, S\$115,500, S\$41,100 and S\$11,400.

If the HK\$ strengthens/weakens by 10% against the functional currency of respective group entity, the Group's profit for the year ended 31 December 2014, 2015 and 2016 would increase/decrease by nil, nil and S\$34,200 and for the four months ended 30 April 2017 would decrease/increase by S\$12,900.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during respective years.

(b) Credit risk

The Group's concentration of credit risk by geographical locations is mainly in Singapore, which accounted for 100% of the total financial assets as at 31 December 2014, 2015, 2016 and 30 April 2017.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Approximately 42%, 26%, 24% and 21% of total trade receivables outstanding at 31 December 2014, 2015, 2016 and 30 April 2017 were due from top 5 customers which exposed the Group to concentration of credit risk.

Those five largest customers are with good creditworthiness based on historical settlement record. In order to minimise the concentration of credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk relating to amounts due from related parties and a director is limited as the Group keep close monitoring of the collectability of respective debts.

Other than concentration of credit risk on bank deposits and balances placed in 3 banks in which the counterparties are financially sound, on trade receivables from top 5 customers and on receivables due from related parties/a director, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

THE GROUP

	Weighted average interest rate	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	1 to 5 years S\$	Over 5 years S\$	Total undiscounted cash flows S\$	Carrying amount S\$
As at 31 December 2014								
<i>Non-interest bearing</i>								
Trade and other payables	N/A	6,058,266	-	-	-	-	6,058,266	6,058,266
Amounts due to related parties	N/A	412,500	-	-	-	-	412,500	412,500
Amount due to a director	N/A	10,083,575	-	-	-	-	10,083,575	10,083,575
<i>Interest bearing</i>								
Borrowings	1.69%/3%	1,404,205	224,410	283,831	565,185	-	2,477,631	2,432,920
		<u>17,958,546</u>	<u>224,410</u>	<u>283,831</u>	<u>565,185</u>	<u>-</u>	<u>19,031,972</u>	<u>18,987,261</u>
As at 31 December 2015								
<i>Non-interest bearing</i>								
Trade and other payables	N/A	5,371,241	-	-	-	-	5,371,241	5,371,241
Amounts due to related parties	N/A	412,500	-	-	-	-	412,500	412,500
<i>Interest bearing</i>								
Obligations under finance leases	5.47-5.64%	10,253	10,253	20,508	23,394	-	64,408	59,488
Borrowings	3%	130,169	130,301	261,129	43,586	-	565,185	552,466
		<u>5,924,163</u>	<u>140,554</u>	<u>281,637</u>	<u>66,980</u>	<u>-</u>	<u>6,413,334</u>	<u>6,395,695</u>

APPENDIX I
ACCOUNTANTS' REPORT

	Weighted average interest rate	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	1 to 5 years S\$	Over 5 years S\$	Total undiscounted cash flows S\$	Carrying amount S\$
As at 31 December 2016								
<i>Non-interest bearing</i>								
Trade and other payables	N/A	5,404,751	-	-	-	-	5,404,751	5,404,751
Amounts due to related parties	N/A	412,500	-	-	-	-	412,500	412,500
Amount due to a director		4,205,223	-	-	-	-	4,205,223	4,205,223
Dividend payables	N/A	3,000,000	-	-	-	-	3,000,000	3,000,000
<i>Interest bearing</i>								
Obligations under finance leases	5.47-5.64%	9,627	9,627	19,255	22,785	-	61,294	56,431
Borrowings	3%	43,586	-	-	-	-	43,586	43,439
		<u>13,075,687</u>	<u>9,627</u>	<u>19,255</u>	<u>22,785</u>	<u>-</u>	<u>13,127,354</u>	<u>13,122,344</u>
As at 30 April 2017								
<i>Non-interest bearing</i>								
Trade and other payables	N/A	5,853,438	-	-	-	-	5,853,438	5,853,438
Amounts due to director	N/A	72,171	-	-	-	-	72,171	72,171
<i>Interest bearing</i>								
Obligations under finance leases	5.64%	2,076	2,076	4,152	19,038	-	27,342	23,737
		<u>5,927,685</u>	<u>2,076</u>	<u>4,152</u>	<u>19,038</u>	<u>-</u>	<u>5,952,951</u>	<u>5,949,346</u>

THE COMPANY

	Weighted average interest rate	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	1 to 5 years S\$	Over 5 years S\$	Total undiscounted cash flows S\$	Carrying amount S\$
As at 30 April 2017								
<i>Non-interest bearing</i>								
Amount due to KT&T Engineers	N/A	1,723,564	-	-	-	-	1,723,564	1,723,564

(d) Fair value***Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis***

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis

The Group's held for trading investments (Note 21) are measured at fair value for financial reporting purpose. In estimating the fair value, the Group use market-observable data to the extent it is available.

As at 31 December 2014, 2015, 2016 and 30 April 2017, the held for trading investment is at Level 1 fair value hierarchy and the fair value is determined by reference to the quoted bid prices in an active market.

32. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Issued and fully paid capital	Equity interest attributable to the Company				the date of this report	Principal activities	Notes
			As at 31 December 2014	2015	2016	As at 30 April 2017			
<i>Directly held:</i>									
Real Value	British Virgin Islands ("BVI"), 24 November 2016	US\$10	N/A	N/A	N/A	N/A	100%	Investment holding	(a)
<i>Indirectly held:</i>									
Harbour Gold Investments Limited ("Harbour Gold")	BVI, 28 November 2016	US\$1	N/A	N/A	N/A	100%	100%	Investment holding	(a)
Leading Elite Global Limited ("Leading Elite")	BVI, 28 November 2016	US\$1	N/A	N/A	N/A	100%	100%	Investment holding	(a)
Priceless Developments Limited ("Priceless Developments")	BVI, 13 October 2016	US\$1	N/A	N/A	N/A	100%	100%	Investment holding	(a)
Promising Elite Investments Limited ("Promising Elite")	BVI, 21 September 2016	US\$1	N/A	N/A	N/A	100%	100%	Investment holding	(a)
Tenshi Resources International Pte. Ltd. ("Tenshi")	Singapore, 14 January 2005	S\$50,000	N/A	N/A	N/A	100%	100%	Provision of manpower services	(b, d)

Name of subsidiary	Place and date of incorporation	Issued and fully paid capital	Equity interest attributable to the Company				the date of this report	Principal activities	Notes
			As at 31 December 2014	2015	2016	As at 30 April 2017			
Accenovate Engineering Pte. Ltd. ("Accenovate Engineering")	Singapore, 10 May 2006	S\$100,000	N/A	N/A	N/A	100%	100% Provision of manpower services	(b, d)	
Keito Engineering & Construction Pte. Ltd. ("Keito Engineering")	Singapore, 10 August 2005	S\$500,000	N/A	N/A	N/A	100%	100% Provision of manpower services	(b, d)	
KT&T Engineers and Constructors Pte. Ltd. ("KT&T Engineers")	Singapore, 22 September 2005	S\$150,000	N/A	N/A	N/A	100%	100% Provision of manpower services	(b, d)	
KT&T Resources Pte. Ltd. ("KT&T Resources")	Singapore, 1 September 2006	S\$50,000	N/A	N/A	N/A	100%	100% Provision of manpower services	(b, d)	
Nichefield Pte. Ltd. ("Nichefield")	Singapore, 31 January 2007	S\$150,000	N/A	N/A	N/A	100%	100% Provision of dormitory services	(b, d)	
Kanon Global Pte. Ltd. ("Kanon Global")	Singapore, 8 October 2013	S\$50,000	N/A	N/A	N/A	100%	100% Provision of dormitory services	(c, d)	
Accenovate Consulting (Asia) Pte. Ltd. ("Accenovate Consulting")	Singapore, 16 May 2006	S\$200,000	N/A	N/A	N/A	100%	100% Provision of IT services and construction ancillary services	(c, d)	
KT&T Global Pte. Ltd. ("KT&T Global")	Singapore, 16 April 2009	S\$100,000	N/A	N/A	N/A	100%	100% Provision of IT services and construction ancillary services	(c, d)	

All subsidiaries now comprising the Group are limited liability companies and have adopted December 31 as their financial year end date.

Notes:

- (a) No audited financial statements of the companies have been prepared since their respective date of incorporation as these companies are incorporated in the jurisdiction where there is no statutory audit requirement.
- (b) The statutory financial statements of these companies for the years ended 31 December 2014 and 2015 were prepared in accordance with Singapore Financial Reporting Standards ("SFRSs") issued by Accounting Standards Council in Singapore and were audited by A+ Achieve PAC, who is Public Accountants and Chartered Accountants registered in Singapore.
- (c) No audited financial statements of these companies have been prepared for each of two years ended 31 December 2014 and 2015 as the companies are not subject to the statutory audit requirement.
- (d) The statutory financial statements of these companies for the year ended 31 December 2016 were prepared in accordance with SFRSs and were audited by Deloitte & Touche LLP, who is Public Accountants and Chartered Accountants registered in Singapore.

33. NON-CASH TRANSACTION

- a. During the year ended 31 December 2016 and prior to the Reorganisation, the Controlling Shareholder, acquired Tenshi from its then immediate holding company KT&T Engineers, and Keito Engineering and KT&T Resources from their then immediate holding company Accenovate Engineering for consideration of S\$50,000, S\$500,000 and S\$50,000 respectively. These consideration have been settled by way of off-setting the amounts owing to the director.
- b. During the years ended 31 December 2015 and 2016, the additions to plant and equipment during respective year were financed by new finance leases of S\$63,104 and S\$109,267 respectively.
- c. As at 30 April 2017, the related parties, Labour Solutions Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. have assigned all their other payables owing to the group entities to the director amounting to S\$192,115 and S\$102,000 respectively. These assignment have been settled by way of off-setting amounts owing to the director for the same amount.
- d. As at 30 April 2017, the related parties, Tiara Global Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. have assigned all their trade receivables due from group entities to the director amounting to S\$178,500 and S\$234,000 respectively.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Borrowings	Obligations under finance leases	Amount due to a director	Dividends payable	Total
	S\$	S\$	S\$	S\$	S\$
At 1 January 2014	3,188,047	68,505	12,677,579	–	15,934,131
Financing cash flows	(809,237)	(68,505)	(2,594,004)	–	(3,471,746)
<i>Non-cash changes</i>					
Finance cost recognised (Note 10)	54,110	–	–	–	54,110
At 31 December 2014	2,432,920	–	10,083,575	–	12,516,495
Financing cash flows	(1,911,675)	(4,251)	(10,083,575)	–	(11,999,501)
<i>Non-cash changes</i>					
Finance cost recognised (Note 10)	31,221	635	–	–	31,856
New finance leases (Note 33)	–	63,104	–	–	63,104
At 31 December 2015	552,466	59,488	–	–	611,954
Financing cash flows	(521,599)	(116,979)	4,805,232	(7,440,000)	(3,273,346)
<i>Non-cash changes</i>					
Finance cost recognised (Note 10)	12,572	4,655	–	–	17,227
New finance leases (Note 33)	–	109,267	–	–	109,267
Dividend declared (Note 14)	–	–	–	10,440,000	10,440,000
Assigned from related parties and off-setting arrangement (Note 33)	–	–	(600,000)	–	(600,000)
Off-setting arrangement	–	–	(14)	–	(14)
At 31 December 2016	43,439	56,431	4,205,218	3,000,000	7,305,088
Financing cash flows	(43,589)	(33,949)	(4,251,432)	(3,000,000)	(7,328,970)
<i>Non-cash changes</i>					
Finance cost recognised (Note 10)	150	1,255	–	–	1,405
Assigned from related parties (Note 33)	–	–	412,500	–	412,500
Off-setting arrangement with related parties (Note 33)	–	–	(294,115)	–	(294,115)
At 30 April 2017	–	23,737	72,171	–	95,908
At 1 January 2016	552,466	59,488	–	–	611,954
Financing cash flows	(172,569)	(17,507)	–	–	(190,076)
<i>Non-cash changes</i>					
Finance cost recognised (Note 10)	4,954	990	–	–	5,944
At 30 April 2016 (unaudited)	384,851	42,971	–	–	427,822

35. SUBSEQUENT EVENTS

On 21 August 2017, Mighty One (as vendor), the Company (as purchaser) and Mr. Kuah (as warrantor) entered into a sale and purchase agreement, pursuant to which the Company acquired 10 shares in Real Value, representing its entire issued share capital and in consideration thereof, 999 shares of the Company were issued and allotted to Mighty One, all credited as fully-paid.

On 26 September 2017, the written resolutions of the sole shareholder were passed to approve the matters set out in the paragraph headed “3. Written resolutions of our sole Shareholders passed on 26 September 2017” in appendix IV to the Prospectus. It was resolved, among other things:

- (a) the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK\$0.01 each, each ranking *pari passu* with the shares then in issue in all respects;
- (b) the directors of the Company were authorised to capitalise, conditional on the share premium account of the Company being credited as a result of the Share Offer, an amount of HK\$10,299,990 standing to the credit of the share premium account of the Company which will be capitalised to pay up in full at par 1,029,999,000 shares for allotment and issue to the person(s) whose name(s) appear on the register of members of the Company at the close of business on 27 September 2017 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in the Company, each ranking *pari passu* in all respects with the shares then in issue, and the directors of the Company were authorised to give effect to such capitalisation and distributions.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 30 April 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended 31 December 2016 and the four months ended 30 April 2017 (the "Track Record Period") (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company prepared in accordance with paragraph 4.29 of the Listing Rules is for illustration only, and is set out in this appendix to illustrate the effect of the proposed public offer and placing of the Company's shares ("Share Offer") on the adjusted combined net tangible assets of the Group as at 30 April 2017, as if it had taken place on such date.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company as at 30 April 2017 or any future date following the Share Offer.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma adjusted combined net tangible assets of the Group is prepared based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 April 2017 as shown in the Accountants' Report of the Group as set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 April 2017 S\$ (Note 1)	Estimated net proceeds from the proposed Share Offer S\$ (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 April 2017 S\$	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 April 2017 per Share S\$ HK\$ (Note 3) (Note 4)
Based on Offer Price of				
HK\$0.52 per Offer Share	<u>11,427,304</u>	<u>15,942,977</u>	<u>27,370,281</u>	<u>0.02</u> <u>0.13</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the proposed Share Offer are based on 200,000,000 New Shares at the Offer Price of HK\$0.52 per Offer Share after deduction of the associated underwriting commissions and fees and other related expenses, other than those expenses which had been recognised in profit or loss on or prior to 30 April 2017.

The calculation of such estimated net proceeds does not take into account of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the sections headed "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" in this prospectus. The estimated net proceeds from the proposed Share Offer are converted from Hong Kong dollars into Singapore dollars at an exchange rate of S\$1.00 to HK\$5.7863. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to Singapore dollars, or vice versa, at that rate or at all.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 April 2017 per Share is calculated based on 1,230,000,000 Shares in issue immediately following Group Reorganisation and after the completion of the proposed Share Offer and the Capitalisation Issue. It does not take into account of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the sections headed “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” in this prospectus.
- (4) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 April 2017 per Share is converted from Singapore dollars into Hong Kong dollars at the rate of HK\$5.7863 to S\$1.00. No representation is made that the Singapore dollars amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 April 2017 to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2017.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of KAKIKO Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of KAKIKO Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") prepared by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 30 April 2017 and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 4 October 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed public offer and placing of the shares of the Company (the "Share Offer") on the Group's financial position as at 30 April 2017 as if the proposed Share Offer had taken place at 30 April 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the three years ended 31 December 2016 and for the four months ended 30 April 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 April 2017 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

4 October 2017

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

*The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 February 2017 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).*

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 26 September 2017. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such

separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resigns;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member**(i) *Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 14 February 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 14 February 2017. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 September 2017 and our principal place of business in Hong Kong is at Room 1603, 16th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong. Loong & Yeung of Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One Share was allotted and issued to the subscriber on 14 February 2017, which was subsequently transferred to Mighty One on the same date.
- (b) On 26 September 2017, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of Real Value from Mighty One, on 21 August 2017, 999 Shares, all credited as fully paid at par, were allotted and issued to Mighty One.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and assuming that the Over-allotment Option is not exercised, 1,230,000,000 Shares will be issued fully paid or credited as fully paid, and 770,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 26 September 2017” in this appendix, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save as disclosed in the section headed “Share Capital” in this prospectus and in this paragraph headed “Changes in share capital of our Company”, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholders passed on 26 September 2017

By written resolutions of our sole Shareholder passed on 26 September 2017:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 Shares of HK\$0.01 each, each ranking *pari passu* with our Shares then in issue in all respects;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including pursuant to the exercise of the Over-allotment Option, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;

- (ii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and the Directors were authorised to capitalise an amount of HK\$10,299,990 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 1,029,999,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 27 September 2017 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with our Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;
- (iii) the Over-allotment Option was approved and our Directors were authorised to allot and issue our Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option to rank *pari passu* with the then existing Shares in all respects;
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under any share option scheme of our Company or any Share allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Share Offer, or the exercise of the Over-allotment Option, Shares not exceeding 20% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option, and such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option, and such mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the number of Shares in issue immediately following completion of the Share Offer but excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

- (a) On 28 December 2016, Mrs. Kuah (as transferor) and Mr. Kuah (as transferee) pursuant to which Mrs. Kuah transferred 75,000 shares in Nichefield, being 50% of its then entire issued share capital, to Mr. Kuah at the nominal consideration of S\$1.

- (b) On 14 February 2017, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. One Share was allotted and issued to the subscriber to the memorandum and articles of association of our Company, which was later transferred to Mighty One on the same date.
- (c) Real Value was incorporated in the BVI on 24 November 2016 and authorised to issue a maximum of 50,000 shares of US\$1.00 each. 1 fully paid ordinary share of Real Value, representing the entire issued share capital of Real Value, was allotted and issued to Mighty One on 16 December 2016.
- (d) Harbour Gold was incorporated in the BVI on 28 November 2016 and authorised to issue a maximum of 50,000 shares of US\$1.00 each. 1 fully paid ordinary share of Harbour Gold, representing the entire issued share capital of Harbour Gold, was allotted and issued to Real Value on 16 December 2016.
- (e) Leading Elite was incorporated in the BVI on 28 November 2016 and authorised to issue a maximum of 50,000 shares of US\$1.00 each. 1 fully paid ordinary share of Leading Elite, representing the entire issued share capital of Leading Elite, was allotted and issued to Real Value on 16 December 2016.
- (f) Priceless Developments was incorporated in the BVI on 13 October 2016 and authorised to issue a maximum of 50,000 shares of US\$1.00 each. 1 fully paid ordinary share of Priceless Developments, representing the entire issued share capital of Priceless Developments, was allotted and issued to Real Value on 16 December 2016.
- (g) Promising Elite was incorporated in the BVI on 21 September 2016 and authorised to issue a maximum of 50,000 shares of US\$1.00 each. 1 fully paid ordinary share of Promising Elite, representing the entire issued share capital of Promising Elite, was allotted and issued to Real Value on 16 December 2016.
- (h) On 28 December 2016, Mr. Kuah (as vendor), Mighty One (as nominee of vendor), Real Value (as purchaser) and Harbour Gold (as nominee of purchaser) entered into a sale and purchase agreement, pursuant to which Harbour Gold acquired 50,000 shares in KT&T Resources, being its then entire issued share capital, from Mr. Kuah, at the consideration of S\$1.00 which was settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One at the direction of Mr. Kuah.

- (i) On 28 December 2016, Mr. Kuah (as vendor), Mighty One (as nominee of vendor), Real Value (as purchaser) and Harbour Gold (as nominee of purchaser) entered into a sale and purchase agreement, pursuant to which Harbour Gold acquired 50,000 shares in Tenshi Resources, being its then entire issued share capital, from Mr. Kuah, at the consideration of S\$1.00 which was settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One at the direction of Mr. Kuah.
- (j) On 28 December 2016, Mr. Kuah (as vendor), Mighty One (as nominee of vendor), Real Value (as purchaser) and Harbour Gold (as nominee of purchaser) entered into a sale and purchase agreement, pursuant to which Harbour Gold acquired 100,000 shares in Accenovate Engineering, being its then entire issued share capital, from Mr. Kuah, at the consideration of S\$1.00 which was settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One at the direction of Mr. Kuah.
- (k) On 28 December 2016, Mr. Kuah (as vendor), Mighty One (as nominee of vendor), Real Value (as purchaser) and Harbour Gold (as nominee of purchaser) entered into a sale and purchase agreement, pursuant to which Harbour Gold acquired 500,000 shares in Keito Engineering, being its then entire issued share capital, from Mr. Kuah, at the consideration of US\$1.00 which was settled by the issue and allotment of 1 share of S\$1.00 each in the capital of Real Value to Mighty One at the direction of Mr. Kuah.
- (l) On 28 December 2016, Mr. Kuah (as vendor), Mighty One (as nominee of vendor), Real Value (as purchaser) and Leading Elite (as nominee of purchaser) entered into a sale and purchase agreement, pursuant to which Leading Elite acquired 150,000 shares in KT&T Engineers, being its then entire issued share capital, from Mr. Kuah, at the consideration of US\$1.00 which was settled by the issue and allotment of 1 share of S\$1.00 each in the capital of Real Value to Mighty One at the direction of Mr. Kuah.
- (m) On 28 December 2016, Mr. Kuah (as vendor), Mighty One (as nominee of vendor), Real Value (as purchaser) and Priceless Developments (as nominee of purchaser) entered into a sale and purchase agreement, pursuant to which Priceless Developments acquired 150,000 shares in Nichefield, being its then entire issued share capital, from Mr. Kuah, at the consideration of S\$1.00 which was settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One at the direction of Mr. Kuah.

- (n) On 28 December 2016, Mr. Kuah (as vendor), Mighty One (as nominee of vendor), Real Value (as purchaser) and Priceless Developments (as nominee of purchaser) entered into a sale and purchase agreement, pursuant to which Priceless Developments acquired 50,000 shares in Kanon Global, being its then entire issued share capital, from Mr. Kuah, at the consideration of S\$1.00 which was settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One at the direction of Mr. Kuah.
- (o) On 28 December 2016, Mr. Kuah (as vendor), Mighty One (as nominee of vendor), Real Value (as purchaser) and Promising Elite (as nominee of purchaser) entered into a sale and purchase agreement, pursuant to which Promising Elite acquired 200,000 shares in Accenovate Consulting, being its then entire issued share capital, from Mr. Kuah, at the consideration of S\$1.00 which was settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One at the direction of Mr. Kuah.
- (p) On 28 December 2016, Mr. Kuah (as vendor), Mighty One (as nominee of vendor), Real Value (as purchaser) and Promising Elite (as nominee of purchaser) entered into a sale and purchase agreement, pursuant to which Promising Elite acquired 100,000 shares in KT&T Global, being its then entire issued share capital, from Mr. Kuah, at the consideration of US\$1.00 which was settled by the issue and allotment of 1 share of S\$1.00 each in the capital of Real Value to Mighty One at the direction of Mr. Kuah.
- (q) On 21 August 2017, Mighty One (as vendor), our Company (as purchaser) and Mr. Kuah (as warrantor) entered into a sale and purchase agreement pursuant to which our Company acquired 10 shares in Real Value, representing its entire issued share capital and in consideration thereof, 999 Shares were issued and allotted to Mighty One, all credited as fully-paid.

Immediately after completion of the share transfer referred to in item (q) above, our Company then became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the alterations described in paragraph headed "Corporate reorganisation" above, no changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 26 September 2017, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "connected person", which includes a director, chief executive or substantial shareholder of our Company or any of the subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,230,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer, could accordingly result in up to 123,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the share transfer form dated 18 July 2016 between KT&T Engineers and Mr. Kuah for the transfer of 50,000 shares in Tenshi Resources at the consideration of S\$1.00;
- (b) the sale and purchase of shares agreement dated 18 July 2016 between KT&T Engineers and Mr. Kuah for the transfer of shares in Tenshi Resources as referred to in item (a) above but for the consideration of S\$50,000.00;
- (c) the share transfer form dated 18 July 2016 between Accenovate Engineering and Mr. Kuah for the transfer of 500,000 shares in Keito Engineering at the consideration of S\$1.00;
- (d) the sale and purchase of shares agreement dated 18 July 2016 between Accenovate Engineering and Mr. Kuah for the transfer of shares in Keito Engineering as referred to in item (c) above but for the consideration of S\$500,000.00;
- (e) the share transfer form dated 18 July 2016 between Accenovate Engineering and Mr. Kuah for the transfer of 50,000 shares in KT&T Resources at the consideration of S\$1.00;
- (f) the sale and purchase of shares agreement dated 18 July 2016 between Accenovate Engineering and Mr. Kuah for the transfer of shares in KT&T Resources as referred to in item (e) above but for the consideration of S\$50,000.00;
- (g) the agreement for the sale and purchase of shares in KT&T Resources entered into among Mr. Kuah (as vendor), Mighty One (as vendor's nominee), Real Value (as purchaser) and Harbour Gold (as purchaser's nominee) on 28 December 2016, pursuant to which Harbour Gold acquired 50,000 shares in KT&T Resources from Mr. Kuah, at the consideration of S\$1.00 which will be settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One;

- (h) the instrument of transfer dated 28 December 2016 between Harbour Gold and Mr. Kuah for the transfer of 50,000 shares in KT&T Resources as referred to in item (g) above;
- (i) the agreement for the sale and purchase of shares in Tenshi Resources entered into among Mr. Kuah (as vendor), Mighty One (as vendor's nominee), Real Value (as purchaser) and Harbour Gold (as purchaser's nominee) on 28 December 2016, pursuant to which Harbour Gold acquired 50,000 shares in Tenshi Resources from Mr. Kuah, at the consideration of S\$1.00 which will be settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One;
- (j) the instrument of transfer dated 28 December 2016 between Harbour Gold and Mr. Kuah for the transfer of 50,000 shares in Tenshi Resources as referred to in item (i) above;
- (k) the agreement for the sale and purchase of shares in Accenovate Engineering entered into among Mr. Kuah (as vendor), Mighty One (as vendor's nominee), Real Value (as purchaser) and Harbour Gold (as purchaser's nominee) on 28 December 2016, pursuant to which Harbour Gold acquired 100,000 shares in Accenovate Engineering from Mr. Kuah, at the consideration of S\$1.00 which will be settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One;
- (l) the instrument of transfer dated 28 December 2016 between Harbour Gold and Mr. Kuah for the transfer of 100,000 shares in Accenovate Engineering as referred to in item (k) above;
- (m) the agreement for the sale and purchase of shares in Keito Engineering entered into among Mr. Kuah (as vendor), Mighty One (as vendor's nominee), Real Value (as purchaser) and Harbour Gold (as purchaser's nominee) on 28 December 2016, pursuant to which Harbour Gold acquired 500,000 shares in Keito Engineering from Mr. Kuah, at the consideration of S\$1.00 which will be settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One;
- (n) the instrument of transfer dated 28 December 2016 between Harbour Gold and Mr. Kuah for the transfer of 500,000 shares in Keito Engineering as referred to in item (m) above;


- (o) the agreement for the sale and purchase of shares in KT&T Engineers entered into among Mr. Kuah (as vendor), Mighty One (as vendor's nominee), Real Value (as purchaser) and Leading Elite (as purchaser's nominee) on 28 December 2016, pursuant to which Leading Elite acquired 150,000 shares in KT&T Engineers from Mr. Kuah, at the consideration of S\$1.00 which will be settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One;
- (p) the instrument of transfer dated 28 December 2016 between Leading Elite and Mr. Kuah for the transfer of 150,000 shares in KT&T Engineers as referred to in item (o) above;
- (q) the agreement for the sale and purchase of shares in Nichefield entered into among Mr. Kuah (as vendor), Mighty One (as vendor's nominee), Real Value (as purchaser) and Priceless Developments (as purchaser's nominee) on 28 December 2016, pursuant to which Priceless Developments acquired 150,000 shares in Nichefield from Mr. Kuah, at the consideration of S\$1.00 which will be settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One;
- (r) the instrument of transfer dated 28 December 2016 between Priceless Developments and Mr. Kuah for the transfer of 150,000 shares in Nichefield as referred to in item (q) above;
- (s) the agreement for the sale and purchase of shares in Kanon Global entered into among Mr. Kuah (as vendor), Mighty One (as vendor's nominee), Real Value (as purchaser) and Priceless Developments (as purchaser's nominee) on 28 December 2016, pursuant to which Priceless Developments acquired 50,000 shares in Kanon Global from Mr. Kuah, at the consideration of S\$1.00 which will be settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One;
- (t) the instrument of transfer dated 28 December 2016 between Priceless Developments and Mr. Kuah for the transfer of 50,000 shares in Kanon Global as referred to in item (s) above;

- (u) the agreement for the sale and purchase of shares in Accenovate Consulting entered into among Mr. Kuah (as vendor), Mighty One (as vendor's nominee), Real Value (as purchaser) and Promising Elite (as purchaser's nominee) on 28 December 2016, pursuant to which Promising Elite acquired 200,000 shares in Accenovate Consulting from Mr. Kuah, at the consideration of S\$1.00 which will be settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One;
- (v) the instrument of transfer dated 28 December 2016 between Promising Elite and Mr. Kuah for the transfer of 200,000 shares in Accenovate Consulting as referred to in item (u) above;
- (w) the agreement for the sale and purchase of shares in KT&T Global entered into among Mr. Kuah (as vendor), Mighty One (as vendor's nominee), Real Value (as purchaser) and Promising Elite (as purchaser's nominee) on 28 December 2016, pursuant to which Promising Elite acquired 100,000 shares in KT&T Global from Mr. Kuah, at the consideration of S\$1.00 which will be settled by the issue and allotment of 1 share of US\$1.00 each in the capital of Real Value to Mighty One;
- (x) the instrument of transfer dated 28 December 2016 between Promising Elite and Mr. Kuah for the transfer of 100,000 shares in KT&T Global as referred to in item (w) above;
- (y) the agreement for the sale and purchase of shares in Real Value entered into between Mighty One (as vendor) and our Company (as purchaser) and Mr. Kuah (as warrantor) on 21 August 2017, pursuant to which our Company acquired 10 shares in Real Value, representing its entire issued share capital and in consideration thereof, 999 Shares were issued and allotted to Mighty One, all credited as fully-paid;
- (z) the instrument of transfer dated 21 August 2017 between our Company and Mighty One for the transfer of 10 shares in Real Value as referred to in item (y) above;
- (aa) the Deed of Indemnity;
- (bb) the Deed of Non-Competition; and
- (cc) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks, the registration of which has not yet been granted:

Trademark	Class	Application Number	Application Date	Place of Application	Applicant
	35, 39	40201718140Y	18 September 2017	Singapore	KT&T Engineers
	35, 37, 39, 42, 43	40201718141T	18 September 2017	Singapore	Company

(b) Domain names

As at the Latest Practicable Date, our Group is the registrant of the following domain name:

Registrant	Domain Name	Registration Date	Expiry Date
KT&T Engineers	kttgroup.com.sg	27 September 2010	27 September 2017

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/Interested in	Percentage of interest
Mr. Kuah	Interest of a controlled corporation (Note 1)	922,500,000	75%

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/Interested in	Percentage of interest
Mr. Kuah	Mighty One	Beneficial owner	1 ordinary share	100%

Notes:

- Mr. Kuah beneficially owns 100% of the issued share capital of Mighty One. Therefore, Mr. Kuah is deemed, or taken to be, interested in the 922,500,000 Shares held by Mighty One for the purposes of the SFO.

- (b) So far as is known to our Directors and taking no account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Our Company

Name	Capacity/Nature of interest	Number of Shares held/Interested in	Percentage of interest
Mighty One	Beneficial owner	922,500,000	75%
Mrs. Kuah	Interest of spouse (Note)	922,500,000	75%

Notes: Mrs. Kuah is the spouse of Mr. Kuah. Accordingly Mrs. Kuah is deemed, or taken to be, interested in all our Shares in which Mr. Kuah is interested in for the purpose of the SFO.

2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of emoluments (including fees, salary, discretionary bonus, benefits in kind and retirement benefit scheme contributions) paid or payable to our Directors by our Group in respect of the Track Record Period were S\$1,069,843, S\$1,054,066, S\$977,574 and S\$313,104, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2017 will be approximately HK\$5,713,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
Executive Directors	
Mr. Kuah	4,776,000
Ms. Dolly HWA Ai Kim	577,000
Independent non-executive Directors	
Mr. ONG Shen Chieh	120,000
Mr. LAM Raymond Shiu Cheung	120,000
Mr. LAU Kwok Fai Patrick	120,000

4. Fees or commission received

Save as disclosed in the section headed "Underwriting" in this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 29 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account the Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to the exercise of the Over-allotment Option and without taking into account the arrangements under the Stock Borrowing Agreement, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Tax and other indemnities

The Covenantors have, under the Deed of Indemnity referred to in paragraph (y) of the sub-section headed “Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things,

- (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time and by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional;
- (b) any taxation which might be payable by any member of our Group (i) in respect of or by reference to any income, profits or gains, transactions, events, matters or things earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional;

- (c) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with:
 - (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional;
 - (ii) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional;
 - (iii) any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the Share Offer becomes unconditional; and
- (d) any losses and damages suffered or incurred by any member of our Group as a result of or in connection with any expropriation of land by any government authority in Singapore on or before the date on which the Share Offer becomes unconditional.

The Covenantors will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the liability arises in the ordinary course of business of our Group after 31 December 2016 up to and including the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section headed “Business – Litigation” in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay HK\$5,000,000 to the Sole Sponsor to act as the sponsor to our Company in the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be US\$2,525 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Dakin Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants

Name	Qualifications
LPP Law Corporation	Singapore legal advisor
Appleby	Cayman Islands attorneys-at-law
Ipsos Pte. Ltd.	Industry research consultant
Ravia Global Appraisal Advisory Limited	Property valuer

7. Consents of experts

Each of Dakin Capital Limited, Deloitte Touche Tohmatsu, LPP Law Corporation, Appleby, Ipsos Pte. Ltd. and Ravia Global Appraisal Advisory Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has not been any material adverse change in the financial or trading position or prospects of our Group since 30 April 2017 (being the date to which the latest audited combined financial statements of our Group were made up), and there had been no events since 30 April 2017 which would materially affect the information shown in our combined financial information included in the accountants' report set out in Appendix I to this prospectus.

11. Particulars of the Selling Shareholder

The Selling Shareholder is Mighty One, a company incorporated in the BVI with limited liability on 8 November 2016 with registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI. Mighty One is legally and beneficially wholly-owned by Mr. Kuah. It is an investment company.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and

- (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Neither our Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save as disclosed in the section headed “Underwriting” in this prospectus, none of the parties listed in the paragraph headed “Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.
- (h) The English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE** and **YELLOW** Application Forms;
- (b) copies of the written consents referred to in the section headed “Statutory and General Information – D. Other information – 7. Consents of experts” in Appendix IV to this prospectus;
- (c) copies of the material contracts referred to in the section headed “Statutory and general information – B. Further information about the business – 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (d) statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Loong & Yeung at Room 1603, 16/F, China Building, 29 Queen’s Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, our reporting accountants, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited consolidated financial statements of Real Value for each of the three financial years immediately preceding the issue of this prospectus;
- (d) the letter of advice dated the date of this prospectus issued by Appleby, our Cayman Islands legal adviser, summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (e) the Singapore legal opinions dated the date of this prospectus issued by LPP Law Corporation, our Singapore Legal Adviser;
- (f) the material contracts referred to the paragraph headed “B. Further information about the business – 1. Summary of material contracts” in Appendix IV to this prospectus;

- (g) the written consents referred to in the section headed “Statutory and general information – D. Other information – 7. Consents of experts” in Appendix IV to this prospectus;
- (h) the service agreements referred to in the paragraph headed “C. Further information about Substantial Shareholders, Directors and Experts – 2. Particulars of service agreements” in Appendix IV to this prospectus;
- (i) the Ipsos Report;
- (j) the Companies Law;
- (k) the valuation report dated the date of this prospectus prepared by Ravia Global Appraisal Advisory Limited; and
- (l) the statement of particulars of the Selling Shareholder.

KAKIKO GROUP LIMITED