

Chuan Holdings Limited 川 控 股 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1420



GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers



太平基業證券有限公司
Pacific Foundation Securities Limited



* For identification purpose only

IMPORTANT

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

Chuan Holdings Limited

川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 250,000,000 Shares comprising 170,000,000 New Shares and 80,000,000 Sale Shares (subject to the Over-allotment Option)

Number of Hong Kong Offer Shares : 25,000,000 Shares (subject to adjustment)

Number of International Offer Shares : 225,000,000 Shares (including 80,000,000 Sale Shares) (subject to adjustment and the Over-allotment Option)

Offer Price : Not more than HK\$0.88 per Offer Share and not less than HK\$0.59 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)

Nominal value : HK\$0.01 per Share

Stock code : 1420

Sole Sponsor



建泉融資有限公司
VBG Capital Limited

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



太平基業證券有限公司
Pacific Foundation Securities Limited



建泉融資有限公司
VBG Capital Limited

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by 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 for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 31 May 2016 or such later time as may be agreed by the Company (for ourselves and on behalf of the Selling Shareholder) and Joint Global Coordinators (for themselves and on behalf of the Underwriters) and, in any event, not later than Monday, 6 June 2016. The Offer Price will be not more than HK\$0.88 and is currently expected to be not less than HK\$0.59 unless otherwise announced. Investors applying for Offer Shares must pay, on application, the maximum indicative Offer Price of HK\$0.88 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.88 per Offer Share.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), may, with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, announcement of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be made on our Company's website at www.chuanholdings.com and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Monday, 6 June 2016, the Global Offering will not proceed and will lapse.

Pursuant to the force majeure provisions contained in the Hong Kong Underwriting Agreement in respect of the Hong Kong Offer Shares, PFS (for itself and on behalf of the Hong Kong Underwriters) has the right, in certain circumstances, subject to its sole and absolute opinion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Wednesday, 8 June 2016). Such circumstances are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set forth in the section headed "Risk factors" in this prospectus.

No information on any website forms part of this prospectus.

* For identification purpose only

EXPECTED TIMETABLE

If there is any change in the following expected timetable, our Company will issue an announcement on the respective websites of our Company at www.chuanholdings.com and the Stock Exchange at www.hkexnews.hk.

Date⁽¹⁾
2016

Latest time to complete electronic applications under HK eIPO White Form services through the designated website www.hkeipo.hk ⁽⁴⁾	11:30 a.m. on Monday, 30 May
Application lists of the Hong Kong Public Offering open ⁽²⁾	11:45 a.m. on Monday, 30 May
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Monday, 30 May
Latest time to complete payment of HK eIPO White Form applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 30 May
Application lists of the Hong Kong Public Offering close ⁽²⁾	12:00 noon on Monday, 30 May
Expected Price Determination Date ⁽⁵⁾	on or around Tuesday, 31 May
Announcement of the final Offer Price, the levels of indication of interest in the International Offering, the level of applications of the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on our Company's website at www.chuanholdings.com and the website of the Stock Exchange at www.hkexnews.hk on or before	Tuesday, 7 June
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) will be available through a variety of channels in the section headed "How to apply for Hong Kong Offer Shares — 11. Publication of results" in this prospectus) from	Tuesday, 7 June
Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a "search by ID Number/Business Registration Number" function from	Tuesday, 7 June
Despatch/Collection of share certificates in respect of wholly or partially successful applications ⁽⁷⁾	on or before Tuesday, 7 June

EXPECTED TIMETABLE

Date⁽¹⁾
2016

Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications⁽⁷⁾ on or before Tuesday, 7 June

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly and partially successful (if applicable) and wholly or partially unsuccessful applications^(6 and 7) on or before Tuesday, 7 June

Dealings in Shares on the Stock Exchange expected to commence on Wednesday, 8 June

Notes:

1. All times and dates refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus.
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 Monday, 30 May 2016, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
5. Please note that the Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Tuesday, 31 May 2016 or such later time as may be agreed by the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and, in any event, no later than Monday, 6 June 2016. If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Monday, 6 June 2016, the Global Offering will not proceed and will lapse. Notwithstanding that the Offer Price may be fixed at below the maximum indicative Offer Price of HK\$0.88 per Offer Share, applicants who apply for the Offer Shares must pay on application the maximum indicative Offer Price of HK\$0.88 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but will be refunded the surplus application monies as provided in the section headed “How to apply for Hong Kong Offer Shares — 13. Refund of application monies” in this prospectus.
6. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated

EXPECTED TIMETABLE

website (www.hkeipo.hk) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. 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 may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

7. Applicants who apply on **WHITE Application Forms** or through **HK eIPO White Form** service for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Forms, they may collect their refund cheques and (where applicable) share certificates in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 7 June 2016. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to the Hong Kong Share Registrar.

Applicants who apply on **YELLOW Application Forms** for 1,000,000 Shares or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all information required by Application Forms, they may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW Application Forms** is the same as that for **WHITE Application Form** applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed "How to apply for Hong Kong Offer Shares — 14. Despatch/collection of share certificates and refund monies" in this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised and has lapsed. Investors who trade our 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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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Global Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. The distribution of this prospectus 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.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Global Offering.

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SUMMARY AND HIGHLIGHTS

This summary aims at giving you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As the following is only 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 sections headed “Definitions” and “Glossary of technical terms” in this prospectus.

Our business model

We carry on the business of provision of earthworks to the construction industry in Singapore. We have also provided general construction works including A&A works and the construction of new buildings during the Track Record Period. According to the Euromonitor Report, we are one of the top five earthworks contractors (by revenue) for the construction industry in Singapore as of 2014. Our experienced management team under the leadership of our founder, Mr. Alan Lim, contributed to our successful growth over the last 20 years from a sole-proprietorship to a company with over 90 tipper trucks and over 90 excavation machines, and staff strength of over 300 as at 31 December 2015.

During the Track Record Period, our Group had completed 199 projects in relation to the provision of earthworks and related services and a total of seven ongoing and completed MRT projects of an aggregate contract value of approximately S\$38.9 million for the provision of earthworks and related services.

Our principal business activities

Our principal business activities are the (i) provision of earthworks and related services and include land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation, earth disposal, earth filling and shore protection. Certain earthworks projects may require civil engineering works such as road diversions, road reinstatements, overhead bridge, sewerage, drainage, pipe laying and cable trench works; and (ii) the provision of general construction works including A&A works and the construction of new buildings during the Track Record Period.

Customers

Our customers comprise mainly main contractors of the building projects, property developers and government agencies in Singapore. All our contracts are on a project-by-project basis and non-recurring. For the three years ended 31 December 2013, 2014 and 2015, revenue from our five largest customers accounted for approximately 37.0%, 45.4% and 53.0% of our revenue respectively. Revenue from our largest customer for the same periods accounted for approximately 11.1%, 18.0% and 23.3% of our revenue respectively. Please refer to the section headed “Business — Customers” of this prospectus for details.

SUMMARY AND HIGHLIGHTS

Main qualifications and licences

Our Group holds a GB1 Licence issued by BCA which enables us to undertake contracts for general building works in both public and private sector projects whereby contract value will be subject to the limit set by BCA and private sector projects of any value. In addition, our Group is also registered under the CW01 workhead for “General Building” at B1 Grade and CW02 workhead for “Civil Engineering” at B2 Grade, which would enable us to tender directly for Singapore public sector projects of amounts up to S\$42 million and S\$14 million respectively. CL Construction has also obtained the Green and Gracious Builder Scheme certification in October 2015 to maintain our existing grading of the CW01 and CW02 workhead. For details, please refer to the section headed “Business — Main qualifications, licences and certifications” of this prospectus.

Suppliers

Our purchases are mainly from suppliers in Singapore and our main purchases are diesel and spare parts used in our fleet of tipper trucks and excavation machines, use of earth disposal sites, ready-mixed concrete, prefabricated reinforcement steel and steel products. For general construction works, purchases such as ready-mixed concrete and prefabricated reinforcement steel are on a project-basis. For the three years ended 31 December 2013, 2014 and 2015, purchases from our five largest suppliers accounted for approximately 28.1%, 20.8% and 13.7% of our total direct costs respectively. Purchases from our largest supplier for the same periods accounted for approximately 14.7%, 8.0% and 4.6% of our total direct costs respectively. Please refer to the section headed “Business — Suppliers” of this prospectus for details.

Subcontractors

We may engage subcontractors for civil engineering works (such as drainage and sewerage works), which may form part of our earthworks and related services contracts. Typically, we engage subcontractors when it is more efficient for such larger scale civil engineering works to be subcontracted and we focus on the earthworks scope for the project. For general construction projects, we typically engage subcontractors for services such as air-conditioning and mechanical ventilation works, plumbing, sanitary and sewerage works, electrical works and steelworks. Please refer to the section headed “Business — Subcontractors” of this prospectus for details.

Competitive strengths

- We are one of the top five earthworks contractors (by revenue) for the construction industry in Singapore as of 2014 with over 20 years of experience, with an established track record of providing timely and reliable earthworks.
- We have a fleet of over 90 tipper trucks and over 90 excavation machines which enables us to take on various large-scale excavation and disposal of earth projects.
- We have in-house civil engineering expertise which enables us to take on earthworks projects that require civil engineering services, such as for MRT projects.
- Our good relationships with our suppliers and subcontractors enable us to execute our projects on a timely and reliable basis, consistent with the project requirements.

SUMMARY AND HIGHLIGHTS

- We have an experienced and dedicated management team and each of our Executive Directors has over 15 years of experience in the construction industry in Singapore.

Please refer to the section headed “Business — Competitive strengths” of this prospectus.

Ranking and market share

CL Construction is ranked fourth, in terms of revenue receipts generated from earthworks in Singapore in 2014, with a market share of approximately 8.17%. For further information, please refer to the section headed “Industry overview — Competitive landscape — Ranking of leading earthworks service providers” of this prospectus.

Tender success rates

	Year ended 31 December 2013				Year ended 31 December 2014				Year ended 31 December 2015			
	Number of projects awarded — Success rate		Number of projects awarded — Open rate		Number of projects awarded — Success rate		Number of projects awarded — Open rate		Number of projects awarded — Success rate		Number of projects awarded — Open rate	
	Invited tenders	(%)	tender	(%)	Invited tenders	(%)	tender	(%)	Invited tenders	(%)	tender	(%)
Earthworks	48	37%	2	50%	33	38%	0	0%	22	37%	0	0%
General construction works	4	44%	0	0%	3	60%	1	100%	3	33%	1	17%
Total	52	37%	2	29%	36	39%	1	50%	25	37%	1	13%

For further information, please refer to the section headed “Business — Project management and operations — Tender/quotation phase” of this prospectus.

Ongoing projects

As at 31 December 2015, for ongoing earthwork projects, the contract sum of approximately S\$107.1 million (excluding ancillary services) is the aggregate amount of 54 ongoing projects and together with the related minor projects, of which approximately S\$74.4 million has been recognised as revenue. The remaining balance of approximately S\$31.3 million and S\$1.4 million is expected to be recognised as our revenue for each of the years ending 31 December 2016 and 2017 respectively. As at 31 December 2015, we had eight ongoing general construction works contracts with an aggregate contract sum of approximately S\$149.2 million of which approximately S\$73.7 million has been recognised as revenue. The remaining balance of approximately S\$43.0 million and S\$32.5 million is expected to be recognised as our revenue for each of the years ending 31 December 2016 and 2017 respectively. For further information, please refer to the section headed “Business — Our business model” of this prospectus.

Business strategies

We intend to achieve sustainable growth in our business and create long-term shareholders’ value by (i) expanding our capacity to strengthen our market position in the earthworks sector, (ii) increasing our competitiveness by securing of earth filling project and streamlining our processes using technology, and (iii) enhancing and expanding our workforce to keep up with our business expansion. Please refer to the sections headed “Business — Business objectives and strategies” and “Future plans and use of proceeds” of this prospectus for a detailed description of these strategies.

SUMMARY AND HIGHLIGHTS

Highlight of combined statements of comprehensive income

	For the year ended		
	31 December		
	2013	2014	2015
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Revenue	61,386	92,412	99,322
Gross profit	12,904	18,741	19,923
Profit before income tax	11,270	17,318	14,041
Profit for the year	10,176	14,261	11,536
Total comprehensive income for the year attributable to the owners of our Company	10,188	14,094	11,210

Highlight of combined statements of financial position

	As at 31 December		
	2013	2014	2015
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Non-current assets	12,057	12,933	11,859
Current assets	41,394	55,167	67,095
Current liabilities	21,101	24,773	29,019
Net current assets	20,293	30,394	38,076
Non-current liabilities	2,820	2,703	1,935
Net assets	29,530	40,624	48,000

Revenue

We derive our revenue mainly from the provision of earthworks and general construction works in Singapore. All of our contracts were awarded either through open tender or invited tender. Once the tender or quotation is agreed with our customers, we generally have to bear the risk of cost fluctuations as contract value is generally fixed without any price adjustment mechanism. The increase in our revenue for the year ended 31 December 2014 was primarily attributable to the provision of general construction works for four high value commercial and industrial projects. Our Group recorded an increase in revenue for the year ended 31 December 2015 which was also contributed by the increase in revenue from our general construction sector mainly due to (i) construction of a commercial and industrial building; and (ii) A&A works for a public residential project. For details, please refer to the section headed “Financial information — Period to period comparison of results of operations” of this prospectus.

Despite the increase in revenue for general construction sector, our Directors are of the view that the earthwork sector remain as our Group’s business focus due to the following reasons:

- (i) the one-off transaction in connection with the construction of a commercial and industrial building for Hulett Construction, a company which is owned as to 65% by Mr. Alan Lim, our Executive Director and as to 35% by the spouse of Mr. Alan Lim and therefore a connected person under the definition of the Listing Rules. Such transaction was entered into on normal

SUMMARY AND HIGHLIGHTS

commercial terms generally in-line with our other commercial and industrial projects in private sector of similar size. The revenues recognised were approximately S\$8.8 million and S\$23.1 million, respectively, for the two years ended 31 December 2015. The construction has been completed as at the Latest Practicable Date;

- (ii) from 1 January 2016 to the Latest Practicable Date, our Group has secured 17 new projects for the provision of earthworks and its related services with aggregate contract value of approximately S\$28.5 million but no new project for the general construction works has been secured; and
- (iii) as at the Latest Practicable Date, we have tendered for 29 earthworks and related services projects whereby the status of award is still pending which potentially form part of our order book and record revenue for the next two financial years, while we only tendered for eight general construction projects whereby the status of award is still pending. However, there is no assurance that our Group will succeed in these tenders as stated in the “Risk factors” section of this prospectus.

Key financial ratios

	As at 31 December		
	2013 <i>(times)</i>	2014 <i>(times)</i>	2015 <i>(times)</i>
Current ratio	2.0	2.2	2.3
Gearing ratio	0.3	0.2	0.1

	For the year ended 31 December		
	2013 <i>(%)</i>	2014 <i>(%)</i>	2015 <i>(%)</i>
Gross profit margin	21.0	20.3	20.1
Profit before income tax margin	18.4	18.7	14.1
Profit for the year margin	16.6	15.4	11.6
Return on total assets	19.0	20.9	14.6
Return on equity	34.5	35.1	24.0

For the three years ended 31 December 2013, 2014 and 2015, the trade receivable turnover days were approximately 72 days, 74 days and 109 days, respectively. The increase in trade receivable turnover days for the year ended 31 December 2015 was primarily due to the outstanding balances from Hulett Construction as it was awaiting for its source of funds from bank loans to be drawn down, in which the entire outstanding balances was settled as at the Latest Practicable Date. For details, please refer to the section headed “Financial information — Key financial ratios” of this prospectus.

SUMMARY AND HIGHLIGHTS

Margins

Our gross profits and gross profit margins for provision of earthworks and general construction works as well as breakdown by public and private sectors are as follows.

	For the year ended 31 December 2013			For the year ended 31 December 2014			For the year ended 31 December 2015		
	Revenue recognised	Gross profit	Gross profit margin <i>Approximate</i>	Revenue recognised	Gross profit	Gross profit margin <i>Approximate</i>	Revenue recognised	Gross profit	Gross profit margin <i>Approximate</i>
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Earthworks	54,963	11,718	21.3%	55,655	11,754	21.1%	48,642	11,836	24.3%
General construction	6,423	1,186	18.5%	36,757	6,987	19.0%	50,680	8,087	16.0%
TOTAL	61,386	12,904	21.0%	92,412	18,741	20.3%	99,322	19,923	20.1%

	For the year ended 31 December 2013			For the year ended 31 December 2014			For the year ended 31 December 2015		
	Revenue recognised	Gross profit	Gross profit margin <i>Approximate</i>	Revenue recognised	Gross profit	Gross profit margin <i>Approximate</i>	Revenue recognised	Gross profit	Gross profit margin <i>Approximate</i>
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Public sector	47,426	10,166	21.4%	41,601	5,394	13.0%	55,867	9,184	16.4%
Private sector	13,960	2,738	19.6%	50,811	13,347	26.3%	43,455	10,739	24.7%
TOTAL	61,386	12,904	21.0%	92,412	18,741	20.3%	99,322	19,923	20.1%

Our direct costs by nature and percentage contribution to the total direct costs is shown in the table below:

	For the year ended 31 December							
	2013		2014		2015			
	S\$'000	% to direct costs	S\$'000	% to direct costs	S\$'000	% to direct costs		
Diesel	5,687	11.7%	5,514	7.5%	3,450	4.3%		
Use of earth disposal sites	8,111	16.7%	5,926	8.0%	4,797	6.0%		
Materials	1,244	2.6%	5,720	7.8%	5,148	6.5%		
Subcontracting fees	7,654	15.8%	30,229	41.0%	37,944	47.8%		
Staff costs	10,628	21.9%	11,575	15.7%	12,627	15.9%		
Leasing costs	6,265	12.9%	3,987	5.4%	4,805	6.1%		
Overheads	8,893	18.3%	10,720	14.6%	10,628	13.4%		
Total	48,482	100.0%*	73,671	100.0%	79,399	100.0%		

Note:

* The sum of figures does not add up to total due to rounding differences.

Diesel, use of earth disposal sites, and leasing costs are affected by the availability, location, disposal fee charged for each site and waiting time at the earth disposal sites. There are three types of earth disposal sites in Singapore, namely land reclamation sites, designated staging grounds and ad-hoc construction projects requiring earthfill. Please refer to the section headed "Industry overview" of this prospectus for further information. The staging ground allocated to HDB accepts excavated material from both public and private projects, hence most construction companies will dump their excavated material at this site which may cause unanticipated traffic jam and lead to increase in diesel and leasing

SUMMARY AND HIGHLIGHTS

cost. During the Track Record Period, we had an earth filling project located at Seletar area and certain of our earthworks projects located at close proximity, benefited as the excavated earth were used for earth filling purpose which then led to costs savings in our transportation, dumping and diesel costs. For further information, please refer to sections headed “Business — Earth filling site” and “Financial information — Significant factors affecting our financial condition and results of operations — Availability of earth filling sites located within close proximity to our earthwork project sites” of this prospectus.

Potential impact of IFRS 16

IFRS 16 will be effective for accounting period beginning on 1 January 2019. Given the convergence between IFRS and HKFRS, IFRS 16 will presumably have an effect on our Group’s financial results and position in the future. During the Track Record Period, our Group acts as lessee and lessor in our daily business operation. Our Group is in the process of assessing their impact on the financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until our Group performs a detailed review. For further details, please refer to section “Financial information — Leasing” of this prospectus.

Estimated listing expenses

During the Track Record Period, specifically for the year ended 31 December 2015, we had incurred and recognised approximately S\$2.3 million listing-related expenses in the profit and loss account. The total estimated expenses in relation to placing and offering cost and professional parties fees are approximately S\$5.7 million, of which approximately S\$5.0 million will be borne by our Group and approximately S\$0.7 million will be borne by the Selling Shareholder. For further details, please refer to section headed “Financial Information — Estimated listing expenses” of this prospectus. In addition, for the amount borne by our Group of approximately S\$5.0 million, it is estimated that approximately S\$1.6 million is directly attributable to the issue of New Shares to the public and is to be accounted for as an equity deduction upon Listing. The remaining amount of approximately S\$1.1 million is expected to be charged to the profit and loss of our Group for the financial year ending 31 December 2016 (approximately S\$2.3 million has been recognised in the profit and loss account during the Track Record Period). This calculation is based on the mid-point of our indicative Offer Price of HK\$0.735 per Share. The estimated listing-related expenses of our Group are subject to adjustments based on the actual amount of expenses incurred/to be incurred by our Company upon the completion of the Listing.

Recent development

We have continued to focus on strengthening our market position for our earthworks and general construction works in Singapore. As far as we are aware, our industry remained relatively stable after the Track Record Period. There was no material adverse change in the general economic and market conditions in Singapore or the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely. From 1 January 2016 up to the date of this prospectus, we did not experience any significant drop in revenue or increase in cost of sales or other costs as there were no significant changes to the general business model of our Group and economic environment.

SUMMARY AND HIGHLIGHTS

Background information for listing in Hong Kong

Our Group has been contemplating the diversification, growth and expansion of our business and accordingly, a listing has been considered. We had met with investment bankers in Singapore to ascertain the local financial market conditions but believed that a Singapore listing was not conducive to the needs of our Group in terms of long term growth and financing needs. Our Group explored other platforms and concluded that the Hong Kong Stock Exchange is a suitable platform given its level of internationalism, maturity in the global financial world and sufficient institutional capital and funds following listed companies in Hong Kong.

Our Directors believe that the Listing on the Stock Exchange will provide an indirect complimentary advertising to raise our Group's brand awareness and publicity on an international level, making our Company's range of services known to new potential local and international customers for their projects in Singapore, in the hope of leading to an increase in market share. In addition, our Directors also believe that customers may prefer contractors who are listed given their reputation, listing status, public financial disclosures and general regulatory supervision by relevant regulatory bodies. Given the continuing expansion plans of our Group, the Listing would give us an additional fund raising option by issuance of Shares. Therefore, although our Group has a strong financial position during the Track Record Period, the publicity from the Listing would be beneficial to our Group. Our Directors have confirmed that to the best of their knowledge and belief, there would have been no impediments to our Company if we were to list on the Singapore Exchange Securities Trading Limited.

OFFERING STATISTICS

	Based on the minimum indicative Offer Price of HK\$0.59 per Share	Based on the maximum indicative Offer Price of HK\$0.88 per Share
Market capitalisation ⁽¹⁾	HK\$590,000,000	HK\$880,000,000
Unaudited pro forma adjusted combined net tangible assets per Share ⁽²⁾	S\$0.0635 (equivalent to HK\$0.3478)	S\$0.0722 (equivalent to HK\$0.3954)

Notes:

- (1) The calculation of the market capitalisation of our Company is based on 1,000,000,000 Shares in issue immediately following the completion of the Global Offering but does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments set forth in Appendix II to this prospectus and on the basis that 1,000,000,000 Shares were in issue immediately following the completion of the Global Offering assuming (i) the Global Offering had been completed on 31 December 2015 and (ii) no exercise of the Over-allotment Option or exercise of any options which may be granted under the Share Option Scheme and no Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

SUMMARY AND HIGHLIGHTS

Use of proceeds

Our Directors intend to apply the net proceeds of approximately HK\$97.8 million from the Global Offering as follows:

Approximate amount of net proceeds/ utilised by year ending	Intended applications
HK\$41.1 million or approximately 42%/ 31 December 2016	Purchase of excavation machines and tipper trucks to strengthen our market position in the earthworks sector
HK\$24.4 million or approximately 25% (<i>Note 1</i>)/ 31 December 2017	Secure earth filling project for disposal of earth from earthwork projects which may reduce our earth disposal fees and transportation costs
HK\$16.3 million or approximately 17%/ 31 December 2017	Expand and enhance our workforce to support our business expansion
HK\$7.7 million or approximately 8%/ 31 December 2017	Purchase of software for technology improvements
HK\$8.3 million or 8%/ 31 December 2017	Working capital

Notes:

1. Should our Company fail to identify or secure earth filling project by end of 2016, approximately HK\$12.2 million will be reassigned for the purchase of additional excavation machines and tipper trucks. In addition, unless our Company has entered into agreements for securing earth filling project by 31 October 2017, any unutilised proceeds originally assigned to secure earth filling project will be reassigned for the purchase of additional excavation machines and tipper trucks and such proceeds shall be utilised in full by 2017.
2. Our Company will not receive the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the International Offering.

For further details, please refer to the section headed “Future plans and use of proceeds” of this prospectus.

Dividend

The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions (if any) and other factors which our Directors deem relevant. We do not have any dividend policy nor a predetermined dividend payout ratio. Cash dividends on our shares, if any, will be paid in Hong Kong dollars. For further details, please refer to the section headed “Financial information — Dividend” of this prospectus.

SUMMARY AND HIGHLIGHTS

RISK FACTORS

There are risks associated with any investment. The material risks relating to our business relate to (i) failure to obtain continuity of our order book given the non-recurring nature of our projects; (ii) a loss of key management; and (iii) failure to complete our projects on a timely basis. The material risks relating to our industry are (i) reduction in the pipeline of new construction projects; (ii) cyclical fluctuation in the construction industry in Singapore; and (iii) shortage of skilled workers. For further details, please refer to the section headed “Risk factors” of this prospectus.

REGULATORY OVERVIEW

During the Track Record Period and as at the Latest Practicable Date, our Group had been involved in a number of claims and litigations. The details of which are set out under the paragraph headed “Business — Litigation” of this prospectus.

Foreign worker levies (FWL) are imposed by the MOM and foreign workers are classified into four categories for the determination of the levy rates (for further details, please refer to the section headed “Regulatory overview — Security bonds and levies” of this prospectus) out of which only the FWL for “Basic tier-construction” category will increase from the current S\$550, to S\$650 from 1 July 2016 to S\$700 from 1 July 2017. The increased in FWL will affect our profitability whereby our annual labour costs are estimated to increase by approximately S\$0.1 million and S\$0.2 million for the years ending 31 December 2016 and 2017 respectively. For further details, please refer to section headed “Directors, senior management and employees — Employees” of this prospectus.

REGULATORY NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were involved in 19 cases for breaches and non-compliances of workplace safety regulations; nine cases of breach related to mosquito breeding; four cases of breach related to noise control; two cases of breach related to construction waste and four non-compliances under the Employment Act. In addition, some of our work sites (including where we are subcontractors) may not have been licensed to transport diesel to our work sites and we are in breach of Section 36 of the Fire Safety Act. All of the breaches and non-compliances had been rectified and additional measures have been adopted to prevent recurrence. For further details, please refer to section headed “Business — Regulatory compliance” of this prospectus.

SHAREHOLDING INFORMATION

Following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering, the Pre-IPO Investor will hold approximately 5.25% of the issued share capital of our Company while the Controlling Shareholders, comprising Brewster Global and Mr. Alan Lim, are together entitled to control the exercise of the voting rights of 69.75% of the Shares eligible to vote in the general meeting of our Company. For further details, please refer to section headed “History, Reorganisation and corporate structure” of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them to be used in connection with the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company approved and adopted on 10 May 2016 with effect from the Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)” or “close associates”	has the same meanings ascribed thereto under the Listing Rules
“BCA”	the Building and Construction Authority of Singapore, an agency under the Ministry of National Development of Singapore
“BCA Academy”	the education and research arm of BCA
“bizSAFE”	bizSAFE is a five-step programme that assists companies to build up their workplace safety and health capabilities in order to achieve quantum improvements in safety and health standards at the workplace, and organised under the Workplace Safety and Health Council of Singapore
“BLS”	the Builders Licensing Scheme of BCA, which aims to raise professionalism among builders by requiring them to meet minimum standards of management, safety record and financial solvency
“Board of Directors” or “Board”	the board of Directors
“Brewster Global”	Brewster Global Holdings Limited, a private limited company incorporated in the BVI on 20 May 2015, which is beneficially owned as to 100% of its issued shares by Mr. Alan Lim, who is the Controlling Shareholder interested in 69.75% of the entire issued share capital of our Company immediately following completion of the Global Offering and Capitalisation Issue
“Business Day”	any day (other than a Saturday, a Sunday or a public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands

DEFINITIONS

“Capitalisation Issue”	the issue of 829,999,900 Shares (of which 80,000,000 Shares are Sale Shares) to our Shareholders to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Company — 4. Written resolutions of the Shareholders passed on 10 May 2016” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant(s)”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CL Construction”	Chuan Lim Construction Pte. Ltd. (川林建築有限公司*), a private limited company incorporated in Singapore on 27 January 1996 and a wholly-owned subsidiary of our Company
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented and/or otherwise modified from time to time
“Companies (Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Chuan Holdings Limited (川控股有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on 25 August 2015 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 22 October 2015
“connected person(s)” or “core connected person(s)”	has the same meaning ascribed thereto under the Listing Rules

* For identification purpose only

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules. As at the date of this prospectus, the Controlling Shareholders of our Company are Brewster Global and Mr. Alan Lim
“CPF”	Central Provident Fund of Singapore is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement
“CRS”	Contractors Registration System of BCA, which serves the construction and construction-related procurement needs of the public sector including government ministries and statutory boards. Companies wishing to participate in construction tenders or as subcontractors for the public sector are required to register under this system
“Deed of Indemnity”	the deed of indemnity dated 10 May 2016 entered into between the Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “E. Other information — 1. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 10 May 2016 entered into by the Controlling Shareholders in favour of our Company (for ourselves and for the benefit of each of our subsidiaries) as further described in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Euromonitor”	Euromonitor International Limited, an Independent Third Party and an independent market research expert
“Euromonitor Report”	the industry report prepared by Euromonitor and commissioned by our Company, the content of which is quoted in this prospectus
“Executive Director(s)”	executive Director(s) of our Company
“FWL”	Foreign Worker Levy, which is a pricing mechanism to regulate the number of foreign workers (including foreign domestic workers) in Singapore
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Green and Gracious Builder’s Scheme”	a scheme launched by the BCA to promote environmental protection and gracious practices during construction phases of projects
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider

DEFINITIONS

“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries and the businesses carried on by them or their predecessors (as the case may be)
“HDB”	the Housing & Development Board of Singapore, which is Singapore’s public housing authority and a statutory board under the Ministry of National Development
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standards
“HK eIPO White Form”	the application of Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRSs”	Hong Kong Financial Reporting Standards (which include HKASs) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 25,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Hong Kong Public Offering, subject to adjustment as described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares by members of the public in Hong Kong for cash at the Offer Price (plus brokerage, SFC transaction levy, and Stock Exchange trading fees), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar of our Company

DEFINITIONS

“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set forth in the paragraph headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 24 May 2016 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Selling Shareholder, the Executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, particulars of which are summarised in the section headed “Underwriting” of this prospectus
“Hulett Construction”	Hulett Construction (S) Pte. Ltd., a private limited company incorporated in Singapore on 24 November 2005 and is wholly owned by Mr. Alan Lim and his spouse
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“Independent Non-Executive Director(s)”	independent non-executive Director(s) of our Company
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with any of the directors, chief executive, the controlling shareholders or the substantial shareholders of our Company or our subsidiaries or any of their respective associates within the meaning of the Listing Rules
“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters to selected institutional, professional and private investors at the Offer Price, as further described in “Structure and conditions of the Global Offering” in this prospectus
“International Offer Shares”	the 225,000,000 Shares, comprising 145,000,000 New Shares being initially offered by our Company for subscription and 80,000,000 Sale Shares being initially offered by the Selling Shareholder for purchase at the Offer Price under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Options, as described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering, who are expected to enter into the International Underwriting Agreement to underwrite the International Offering

DEFINITIONS

“International Underwriting Agreement”	the conditional underwriting agreement relating to the International Offering and to be entered into on or about the Price Determination Date by, among others, our Company, the Selling Shareholder, the Executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters, particulars of which are summarised in the section headed “Underwriting” of this prospectus
“ISO 9001:2008”	a quality management system standard that is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement
“ISO 14001:2004”	an environmental management system standard that maps out a framework that a company or organisation can follow to set up an effective environmental management system, to provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved
“Joint Global Coordinators”, “Joint Bookrunners” or “Joint Lead Managers”	with respect to the Global Offering, VBG Capital and PFS
“Latest Practicable Date”	16 May 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or about 8 June 2016
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Longlands”	Longlands Holdings Limited, a private limited company incorporated in the BVI on 9 June 2015 and a wholly-owned subsidiary of our Company
“LTA”	the Land Transport Authority of Singapore, which is responsible for planning, operating and maintaining Singapore’s land transport infrastructure and systems

DEFINITIONS

“Main Board”	the main board of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company approved and adopted on 10 May 2016, as supplemented, amended or otherwise modified from time to time, a summary of which is contained in Appendix IV to this prospectus
“MOM”	Ministry of Manpower of Singapore
“Mr. Alan Lim”	Mr. Lim Kui Teng, a Controlling Shareholder and an Executive Director
“Mr. Albert Quek”	Mr. Quek Sze Whye, an Executive Director
“Mr. Bijay Joseph”	Mr. Bijay Joseph, an Executive Director
“Mr. Dicky Lau”	Mr. Lau Yan Hong, an Executive Director
“MRT”	Mass Rapid Transit, the railway system of Singapore
“NEA”	National Environment Agency of Singapore
“New Shares”	the 170,000,000 new Shares being offered by our Company for subscription at the Offer Price under the Global Offering
“NTA”	the net tangible assets
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued, or purchased and sold, pursuant to the Global Offering, which will not be more than HK\$0.88 and is currently expected to be not less than HK\$0.59, to be agreed upon by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	the Hong Kong Offer Shares and the International Offer 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

DEFINITIONS

“Over-allotment Option”	the option to be granted by our Company to the International Underwriters exercisable by PFS (for itself and on behalf of the International Underwriters), at their sole and absolute discretion, to require our Company to allot and issue up to an aggregate of 37,500,000 additional new Shares, representing 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement, subject to the terms of the International Underwriting Agreement
“per cent.” or “%”	per cent
“PFS”	Pacific Foundation Securities Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO, being one of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Underwriters to the Global Offering
“PRC” or “China”	People’s Republic of China, which for the purpose of this prospectus, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Pre-IPO Investor” or “Victory Time”	Victory Time Finance Limited, a company incorporated in the BVI on 4 May 2014 and wholly-owned by Mr. Cheung Yick Chung and Mr. Cheung Ching Ping Stephen in equal proportion
“Pre-IPO Subscription Agreement”	the subscription agreement dated 7 September 2015 entered into between the Pre-IPO Investor as subscriber, Longlands as the issuer and Mr. Alan Lim as the guarantor, relating to the subscription of 7 ordinary shares of Longlands representing 7% of the issued share capital of Longlands on completion on a fully diluted basis but not taking into account of the allotment and issue of Shares pursuant to the Reorganisation and the Global Offering and the Capitalisation Issue prior to or at the time of the Listing
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before the Price Determination Date to record and fix the final Offer Price
“Price Determination Date”	on or about Tuesday, 31 May 2016 and, in any event, not later than Monday, 6 June 2016, on which the Offer Price will be determined for the purposes of the Global Offering
“Principal Share Registrar”	Codan Trust Company (Cayman) Limited, the Cayman Islands share registrar of our Company

DEFINITIONS

“Reorganisation”	the pre-listing reorganisation of our Group, further details of which are described under the section headed “History, Reorganisation and corporate structure — Reorganisation” to this prospectus
“S\$”	Singapore dollars, the lawful currency of Singapore
“Sale Shares”	80,000,000 Shares to be offered for sale by the Selling Shareholder at the Offer Price under the International Offering
“Selling Shareholder”	Brewster Global, particulars of which are set out in the section headed “E. Other information — 10. Particulars of Selling Shareholder” in Appendix V to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by the Shareholders on 10 May 2016 as described in the section headed “D. Share Option Scheme” in Appendix V to this prospectus
“Side Letter”	the side letter dated 31 March 2016 and entered into between the Pre-IPO Investor, Longlands and Mr. Alan Lim in relation to the variation of the long stop date under the Pre-IPO Subscription Agreement
“Sole Sponsor” or “VBG Capital”	VBG Capital Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Global Offering
“Stabilising Manager”	PFS
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into on or about 24 May 2016 between the Stabilising Manager and Brewster Global
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended 31 December 2015
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

Unless otherwise stated, the conversion of S\$ into HK\$ in this prospectus is based on the exchange rate of S\$1.00 to HK\$5.477.

Such conversions shall not be construed as representations that amounts in HK\$ will be or may have been converted into S\$ at such rates or any other exchange rates, or vice versa.

Any discrepancies in any table between the total shown and the sum of the amount (including the percentage) listed are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the English names and their Chinese translations, the English names should prevail. The Chinese translation of the names in English or another language which are marked with “” are translations provided for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group's business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“A&A”	alteration and addition works
“demolition”	tearing-down of buildings and other structures
“earthworks”	engineering works that involve the moving or processing of parts of the earth's surface, quantities of soil or unformed rock, primarily involve the excavation and fill or earth fill
“earth filling”	the process of refilling an excavated area on land
“fill”	to build up the level of an area with earth
“finalisation of accounts”	the completion of billing for the works completed under a project
“general construction”	all types of building works in connection with any structure, being built or to be built, for the support, shelter and enclosure or movable property including A&A works on buildings involving structural changes
“land clearing”	deforestation or removal of a forest or stand of trees where the land is thereafter converted to a non-forest use
“land reclamation”	the process of creating new land from ocean, riverbeds or lake beds
“rock breaking”	a process to separate rock fragments from the rock body
“shore protection”	measures aiming at protecting, preserving or restoring the shore and the dynamic coastal landscape as well as protecting against coastline retreat to the extent possible
“strut”	an earth retaining system designed by a professional engineer
“tipper truck”	a truck having a rear platform which can be raised at its front end, thus enabling a load to be discharged

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

We have included in this prospectus forward-looking statements that are not historical facts, but relate to our intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections headed “Summary and highlights”, “Risk factors”, “Industry overview”, “Business”, and “Financial information”, which are, by their nature, subject to risks and uncertainties.

In some cases, we use the words “aim”, “anticipate”, “believe”, “consider”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “ought”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or similar expressions or the negative of these words or other similar expressions or statements to identify forward-looking statements, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the following:

- our business prospects, operating strategies and plan of operation;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, potential for and future development of our business;
- our operations and business prospects, including new locations of expansion;
- our overall financial condition and performance;
- our planned projects;
- the regulatory environment of our industry in general and restrictions that may affect the industry in which we operate;
- the general industry outlook, competition for our business activities and future development in our industry;
- macroeconomic measures taken by the Singapore government to manage economic growth and general economic trends in Singapore;
- general political and economic conditions in Singapore, Hong Kong and overseas;

FORWARD-LOOKING STATEMENTS

- other statements in this prospectus that are not historical facts
- realisation of the benefits or our future plans and strategies; and
- other factors beyond our Group’s control.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and we have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholders, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Global Offering or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed “Risk factors” and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

In this prospectus, statement of or references to our 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 of the Offer Shares should carefully consider all of the information set out in this prospectus and, in particular, the following risks and special considerations associated with an investment in our Company before making any investment decisions in relation to our Company. 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 market price of the Offer Shares could fall significantly.

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

RISK RELATING TO OUR BUSINESS

Failure to obtain continuity of our order book for new projects (given the non-recurring nature of our projects) could materially affect our financial performance

Our contracts are on a project-basis. The duration of projects relating to earthworks typically range between three to twelve months (except for MRT projects which are generally for a duration of over two years). The duration of projects for general construction works typically range between one to two years. As our revenue is not recurring in nature, we cannot guarantee that we will continue to secure new projects from our customers after the completion of the existing awarded projects. Our Group has to go through a competitive tendering or quotation process to secure new contracts. In the event we are unable to maintain business relationship with existing customers or unable to secure new contracts or obtain similar number of projects, our revenue will be adversely affected. It is critical to our Group to secure new projects of similar or larger value or similar number of projects on a continual basis, and should we fail to do so, the financial performance of our Group will be adversely affected.

Loss of our key management and inability to attract and retain management staff will adversely affect our operations and financial performance

We are dependent on our Executive Directors for key aspects of our business, including but not limited to, sales and marketing, maintenance of customer relationships, project management and on-site supervision. Most of our Executive Directors have been with us for over 10 years and are also supported by a team of experienced management personnel with the requisite industry expertise. Our Group's success and growth therefore depend on our ability to identify, hire, train and retain suitable, skilled and qualified key personnel.

If any of our Executive Directors or key personnel ceases to be involved in our Group in the future and we are unable to find suitable replacements in a timely manner, there will be an adverse impact on our business, our operations and hence, our overall financial performance.

RISK FACTORS

Failure to complete our projects on a timely basis could materially affect our financial performance, reputation or we may be subject to claims

Our revenue is recognised on the percentage of completion method, and billing is based on monthly progress claims. A delay in a project will therefore affect our billings, revenue, operational cash flows and financial performance. We are also required to pay our suppliers and subcontractors notwithstanding the delay in the project if the purchase orders have been fulfilled, therefore affecting our operational cash flows. A delay in the project can be due to various factors, including but not limited to, a shortage of manpower, a shortage of machinery that can be deployed for excavation, materials, delays by subcontractors, adverse weather, congestion at earth disposal sites or factors attributable to the main contractor of the construction projects. If the delay is caused by us, we are liable to pay our contracting parties for the liquidated damages stipulated in our contracts and our reputation could also be materially affected.

Our short-term revenue and profitability may not be indicative of the long-term results of operations

Revenue from some ongoing contracts may be recognised across financial years, depending on the percentage of completion of each contract. The revenue and profitability for different contracts vary and should the progress payments be higher for a certain financial year, that particular financial year will record better short-term results. There is, therefore, no assurance that our short-term results of operations will be indicative of our long-term results of operations.

We are dependent on suppliers and subcontractors to implement certain contracts

Our five largest suppliers accounted for approximately 28.1%, 20.8% and 13.7% of our total direct costs for the three years ended 31 December 2013, 2014 and 2015 respectively. Our five largest subcontractors accounted for approximately 10.3%, 16.8% and 27.0% of our total direct costs for the three years ended 31 December 2013, 2014 and 2015 respectively. As we do not sign any long term contracts with our suppliers and subcontractors (except a two year agreement with a supplier of diesel and maintenance contracts with certain manufacturers of tipper trucks), there is no assurance that they will be able to continue to provide supplies and services to our Group at prices acceptable to our Group or our Group can maintain our relationship with them in the future. In the event that any of the major suppliers and subcontractors are unable to provide the required supplies and services to our Group and we are unable to obtain alternative providers on similar or more favourable terms to us, or the costs for them to provide those required supplies and services increase substantially, our business, results of operations, profitability and liquidity may be adversely affected.

There is no assurance that we are able to monitor the performance of our subcontractors as directly and efficiently as with our own staff. If a subcontractor fails to provide services as required under a contract, we may be required to source these services on a delayed basis or at a higher price than anticipated, which could impact our profitability. If the subcontractor's performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damage claims.

RISK FACTORS

Our capacity is limited by the number of our tipper trucks and excavation machines

We require tipper trucks and excavation machines to carry out our earthworks projects. As at 31 December 2015, we have 94 tipper trucks, 11 mini excavators, 4 telescopic excavators and 79 excavators. The average utilisation rates for our excavation machines were approximately 81% and 81% for the years ended 31 December 2014 and 2015, respectively. The average utilisation rates for tipper trucks for the years ended 31 December 2014 and 2015 were 100% and 100%, respectively. The high utilisation rates meant that we had to rent trucks from third parties from time to time, and re-schedule the delivery requests made by our project teams for the use of the trucks and excavation machines. There is no certainty that we will be able to successfully rent trucks from third parties, or to do so at a competitive rate, or successfully re-schedule requests from our project sites without affecting the fulfillment of our projects. Furthermore, our expansion and growth in the earthworks sector is limited by the number of our tipper trucks and excavation machines. The inability to increase our fleet of tipper trucks and excavation machines would expose us to associated risks in areas of our business expansion, our contract fulfillment and impact our costs and profitability. For further information, please refer to the section headed “Business — Project management and operations — Project implementation phase — Trucks and excavation machines to carry out earthworks”.

The costs associated with the use of earth disposal sites and waiting time to dispose the earth at these sites will affect our costs and materially affect our financial performance

As an earthworks contractor, our work scope, amongst others, include excavation and the disposal of the excavated earth. If we do not have a project that requires the earth, we will have to pay third parties for the use of their earth disposal sites. During the Track Record Period, we incurred the use of earth disposal site costs of approximately S\$8.1 million, S\$5.9 million and S\$4.8 million or approximately 16.7%, 8.0% and 6.0% of our direct costs for the three years ended 31 December 2013, 2014 and 2015 respectively. These costs may fluctuate should there be unexpected and recurring traffic jams at the earth disposal sites when the availability of earth disposal sites did not keep pace with the spike in construction projects then. Moreover, with our trucks in the queue to dispose the earth, there will also be additional costs associated with leasing trucks, diesel and transportation. Therefore, the costs associated with the use of earth disposal sites and waiting time to dispose the earth at these sites will affect our costs and materially affect our financial performance.

Cost overruns in our projects will affect our costs and materially affect our financial performance

Most of our contracts with our customers have a fixed and pre-determined fee throughout the contract period and do not permit any price adjustment. We generally fix our fees when we submit our tender or quotation, after carrying out internal costing and budgeting estimates of labour cost, operating cost of tipper trucks and excavation machinery, use of earth disposal sites, supplies and subcontracting services based either on existing market price or in certain circumstances, quotations from our subcontractors. Once the tender or quotation has been agreed with our customers, we can only adjust our service in certain circumstances as stipulated in the contracts such as a request made by a customer for additional services or changes in specifications. Accordingly, we generally have to bear the risk of cost fluctuations. Therefore, cost management is critical in ensuring that the project meets its budgeted profit margin.

RISK FACTORS

The terms of our contracts with customers are generally for a period of three to twelve months for the provision of earthworks (except for MRT projects which are generally for a duration of over two years) and one to two years for the provision of general construction works. There is no assurance that the costs estimated at the beginning of a contract will not be exceeded during the course of the contract period. Cost overrun may result from inaccurate estimation of costs, increase in costs of materials and wages of our workers, change in the regulatory requirements, disputes with subcontractors, labour disputes as well as accidents and other unforeseen problems. As the contract may be awarded (and hence, the contract value committed) within a couple of months subsequent to the date of quotation submission, there is a possibility that the actual prices obtained from our suppliers and subcontractors will be less favourable. The risk of cost overruns also increases with the duration of a project, due to possible increases in the price of materials and labour. If we are unable to keep our costs (including costs to be paid to our suppliers and subcontractors) within our original estimates, or the price adjustment mechanisms are not provided, or we are not able to fully cover the increases in costs during the project, our business operations, financial results and profitability may be adversely affected.

We may experience delays or defaults in collecting our receivables, and failure to receive payment on time and in full, or that delay in the release of retention monies or that retention monies are not fully released to us after expiry of the defect liability period may affect our liquidity position

We make monthly progress claims to our customers in respect of the value of the work we have performed in the preceding month, and subject to our customer's confirmation, thereafter we will proceed to issue the invoices with a credit term in accordance with provision of the contract. As at 31 December 2013, 31 December 2014 and 31 December 2015, our gross trade receivables were approximately S\$14.8 million, S\$26.5 million and S\$37.0 million respectively. For the three years ended 31 December 2013, 2014 and 2015, the provision for impairment of trade receivables (including retention sum receivables) were approximately S\$1.5 million, S\$2.3 million and S\$2.0 million respectively, accounting for approximately 10.2%, 8.5% and 5.5% of our gross trade receivables for the corresponding period respectively.

A portion of the contract value, normally 5% is withheld by our customers as retention money, of which half will be released upon substantial completion and the remaining released upon final completion (which is after the defect liability period, usually 12 to 18 months from substantial completion date). As of 31 December 2013, 31 December 2014 and 31 December 2015, retention money of approximately S\$2.5 million, S\$6.1 million and S\$3.0 million respectively, was retained by our customer. If a client delays payment, or fails to release our retention monies as scheduled, our cash flow and working capital may be materially and adversely affected. Even where we are able to recover any losses incurred pursuant to the terms of the contract, the process of such recovery is usually time-consuming and requires financial and other resources to settle the disputes. Furthermore, there can be no assurance that any outcome will be in our favour or that any dispute will be resolved in a timely manner. Failure to secure adequate payments in time or to manage past due debts effectively could have a material and adverse effect on our business, financial position, results of operations and prospects.

During the Track Record Period, we have not encountered any material delay in progress payment and retention money by our customers. However, there can be no assurance that such payment will be made on time by our customers in the future. Any failure by our customers to make payment to us on a timely manner may have an adverse effect on our future liquidity position.

RISK FACTORS

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

Our projects normally incur net cash outflows at the early stage of carrying out our works when we are required to pay the setting up expenditures, purchase materials, and commence works prior to payment received from our customers. Our customers will pay progress payments after our works commence and such works and payments are certified by our customers. Accordingly the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress. We undertake a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. Moreover, there is generally more cash outflow for general construction works than earthworks at the initial stage of project as materials for the project have to be purchased. There is less upfront purchases required for earthworks as the main purchases relate to diesel and spare parts for the machinery which are incurred in the course of the projects. Should the mix of the projects be such that more upfront purchases are at the initial stage, our corresponding cash flow position may be adversely affected.

We may occasionally be required by our customers/operators to arrange performance bonds to secure our due performance of contracts, which may adversely affect our cash flows and financial position

It is a common practice in the construction industry that contractors are required by their customers/operators to take out performance bonds at a fixed sum or in a certain percentage of the contract sum to secure due performance and compliance with the contracts. If the contractor fails to comply with the requirements in the contracts, the customer/operator is guaranteed the compensation for monetary loss up to the amount of the performance bonds.

As at 30 April 2016, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, we had contingent liabilities in respect of performance bonds of construction contracts in our ordinary course of business with utilised amount of approximately S\$6.0 million. The amount paid up for the performance bonds may be locked up for a prolonged period of time, depending on contract period. Further, we cannot guarantee we will not undertake projects which have performance bonds requirements in the future, if we fail to satisfactorily complete our works as required by our customers/operators, the amount paid up for the performance bonds will not be released to us, which thereby may adversely affect our cash flows and financial position.

Our operations may subject us to claims relating to late delivery, personal injuries and other matters which may expose us to significant liability claims

As a main contractor, we are principally responsible for the implementation of the entire project and we may from time to time encounter disputes arising from contracts with customers, subcontractors, suppliers or other third parties, which may involve claims against them or us. As a subcontractor, we may also be exposed to similar disputes. Claims against us with customers may involve defective work products, sub-standard works, unfinished work or delays in the completion of contracts, casualties, property damages or breach of warranties which may result in us incurring liquidated damages under the terms of our contracts with our customers. For further details, please refer to the section headed “Business — Key contract terms” of this prospectus. Claims may also arise after disputes with suppliers and sub-contractors due to delay of payment to subcontractors or suppliers. Claims involving us could result in time-consuming and costly litigations, arbitration, administrative proceedings or other legal procedures. Expenses we incur in legal proceedings or arising from claims brought by or against us

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could have a material and adverse effect on our business, financial position, results of operations and prospects. Moreover, legal proceedings resulting in unfavourable judgment or findings may harm our reputation, cause financial losses and damage our prospects of winning future contracts, thereby materially and adversely affecting our business, financial position, results of operations and prospects.

Our employees who have suffered an injury arising out of and in the course of his employment can choose to either submit a claim under the Work Injury Compensation Act for compensation through MOM without needing to prove negligence or breach of statutory duty by employer or commence legal proceedings to claim damages under common law against employer for breach of duty or negligence. Pursuant to the Work Injury Compensation Act, an injured employee is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death, subject to certain stipulated limits. Damages under a common law claim are usually more than an award under the Work Injury Compensation Act and may include compensation for pain and suffering, loss of wages, medical expenses and any future loss of earnings. We are also liable under the Work Injury Compensation Act for the injuries of the employees of our sub-contractors during the course of the work we engaged. Furthermore, we may face claims from third parties from time to time, including those who suffer personal injuries at premises where we provide services.

During the Track Record Period and up to the Latest Practicable Date, we had settled nine employees' compensation claims with an aggregate settlement amount of approximately S\$48,000. All these claims were in relation to personal injuries of employees or ex-employees of our Group (including one employee of our subcontractor). Furthermore, all of these claims were covered by our insurance. As at the Latest Practicable Date, there were fifteen outstanding employees' compensation claims being handled by our insurers of which the quantum of such claims are yet to be assessed. For details of the employees' compensation claims during the Track Record Period, please refer to the section headed "Business — Workplace safety and health policy — Employees' compensation claims" of this prospectus.

We rely on third parties, including subcontractors, to complete certain projects and are subject to risk arising from the non-compliance, late performance or poor performance by such third parties

We may engage subcontractors for part of certain contracts secured by us, for instance, to provide services such as sewerage works for earthworks projects that require larger scale civil engineering works. In the case of our general construction projects, we require subcontractors for the provision of various services, such as air-conditioning and mechanical ventilation works, plumbing, sanitary and sewerage works, electrical works and steelworks. The engagement of subcontractors is subject to certain risks, including difficulties in overseeing the performance of such subcontractors in a direct and effective manner, failure to complete the contracted scope of works or inability to hire suitable subcontractors. As the subcontractors have no direct contractual relationships with our customers, we are subject to risks associated with non-performance, late performance or poor performance by our subcontractors. As a result, we may experience deterioration in the quality of our services, incur additional costs, or be exposed to liability in relation to the performance of subcontractors, which may have impact on our profitability, financial performance and reputation, and may result in litigation or damages claims.

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In addition, we are also subject to claims arising from defective work performed by subcontractors. While we may attempt to seek compensation from the relevant subcontractors, who may be unable to perform their obligations in a timely manner, we may be required to compensate our customers before receiving compensation from the subcontractors. If no corresponding claim can be asserted against a subcontractor, or the amounts of the claim cannot be recovered in full or at all from the subcontractors, we may be required to bear some or all the costs of the claims, in which case our business, financial position, results of operations and prospects could be materially and adversely affected.

Approximately 51% of our workforce is made up of foreign workers and inability to obtain foreign workers could materially affect our operations and financial performance

Our business is highly dependent on skilled, semi-skilled and unskilled foreign worker as the local construction and manufacturing labour force is limited and more costly. Any shortage in the supply of foreign workers or increase in FWL for foreign workers, or any restriction on the number of foreign workers that we can employ for our earthworks and general construction works (including those imposed by MOM for regulatory non-compliances), will adversely affect our operations and financial performance. As at the Latest Practicable Date, approximately 51% of our workforce is made up of foreign workers. On this basis, our operations and financial performance may be adversely affected due to any shortage in the supply of foreign workers and any increase in the cost of foreign labour. The supply of foreign labour in Singapore is subject to the policies and regulations imposed by the MOM.

For example, the MOM imposes a quota on the number of foreign workers that the main contractor and its subcontractors (including our Group and our subcontractors) can employ in respect of each construction project and in manufacturing. Depending on the requirements of our projects, the tightening of such quota on the number of foreign workers that the main contractors and its subcontractors can employ could affect our operations and accordingly our business and financial performance could be adversely affected. Any changes in the policies of the foreign workers' countries of origin may affect the supply of foreign labour and cause disruptions to our operations which may result in a delay in the completion of our projects. The MOM also imposes FWL for foreign workers (subject to changes as and when announced by the Singapore government) whereby the FWL for basic skilled workers under the construction sector will increase to S\$650 from 1 July 2016 and to S\$700 from 1 July 2017. Any increase in FWL will increase our operating expenses and will affect our financial performance.

We may not have sufficient earth of suitable quality for our earth filling projects

Generally, earth filling projects require earth of certain quality, such as that without toxic, rubbish and not material from swamps, peat, logs, stumps, perishable material, material susceptible to spontaneous combustion and materials that are too liquid. There is no assurance that all our excavated earth from our other earthworks projects (that require earth disposal) will be of suitable quality for such earth filling purpose. Should there be unsuitable materials as described above found to be imported to our earth filling projects and we fail to remove them after warnings, we may face forfeiture of amount paid and termination of the earth filling projects. In addition, should there be insufficient earth of suitable quality excavated from our earthworks projects, we will not be able to fulfill our contractual obligation in the agreed period and will need to seek consent to extend our contract period of our earth filling projects, which could harm our reputation and potentially expose us to litigation and damage claims if such consent is refused. Alternatively, we may also allow other earthworks contractors to dump

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their earth at no cost to fulfil the requirements of volume of earth to be filled for our earth filling projects. Otherwise, we may be required to purchase good earth which will increase our costs and adversely affect our business, results of operations, profitability and liquidity.

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

Our Directors are of the view that the future plan of our Group has been prepared after due enquiry by reference to, among other matters, the expected future prospects of the construction industry in Singapore and the continuation of our competitive advantages and other factors considered relevant. Some of our future business plans are based on certain assumptions. The successful implementation of our business plan may be affected by a number of factors including the availability of sufficient funds, government policies relevant for our industry, the economic conditions, our ability to maintain our existing competitive advantages, our relationships with our customers and the threat of substitutes and new market entrants. In particular, our business strategy to secure earth filling project may not materialise if there are no suitable earth filling project, or if we fail to secure such project. There is no assurance that our business plan can be successfully implemented. Should there be any material adverse change in our operating environment which results in our failure to implement any part of our business plan, our prospects may be adversely affected.

Our insurance coverage may not be sufficient to cover all losses or potential claims from our customers which would affect our business, financial condition and results of operations

We have purchased public liability insurance to cover claims in connection with personal injuries or damage to property due to accidents at our premises or from negligence in connection with our business operations. We have also purchased contractors' all risks, industrial all risks and money insurance policies to cover claims in connection with material damage, property damage, loss of profits, accidents and loss of monies in transit (as the case may be). We have purchased required policies for our staff, such as work injury compensation, medical and hospitalisation 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 property damage or personal injury occur in our facilities or to our employees due to accidents, natural disasters, or similar events which are not covered or 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. In addition, we have not maintained insurance policies against losses arising from our environmental liabilities, work stoppages, civil unrest or other activities. Pursuant to Singapore laws and regulations, purchasing such insurance is not compulsory. If we purchase such additional insurance, we would incur additional costs for our business operations.

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. If we face any operating risks resulting from any of the aforesaid events in relation to the failure to purchase insurance, we may bear a substantial cost and experience a loss. In addition, our insurers will review our policies each year and 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. For example,

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insurance covering losses from acts of war, terrorism, or natural catastrophes is either unavailable or cost prohibitive. Any losses that we may incur which we are not insured against may adversely affect our business, financial condition and results of operations.

Our business involves inherent industrial risks and occupational hazards and the materialisation of such risks will affect our business operations and financial results

Our business involves inherent industrial risks and occupational hazards, which may not be eliminated through implementing safety measures. We participate in certain activities presenting risks and dangers, among which are excavation, cut and fill, working in excavated areas that may potentially be destabilised prior to the construction of temporary structures. For certain general construction works, we may have to work at height or at the construction sites. Thus we are exposed to risks related to such activities, such as equipment failure, industrial accidents and fire. We cannot ensure that such risks will not cause a material and adverse impact to us in the future. The materialisation of any of the risks mentioned above in the worst case scenario may disrupt our business and damage our reputation, which may also affect the validity of our relevant qualifications, business operations and results of operations. Our insurance coverage may not be sufficient, and it may not be possible to obtain adequate insurance (or any insurance at all) to cover certain risks on commercially reasonable terms.

Our top five customers accounted for over 35% of our revenue in each of the three years ended 31 December 2015 and any decrease in projects secured from any one of them could affect our operations and financial results

Our largest customer accounted for approximately 11.1%, 18.0% and 23.3% of our revenue, and our five largest customers accounted for approximately 37.0%, 45.4% and 53.0% of our revenue for the three years ended 31 December 2013, 2014 and 2015 respectively. There is no assurance that these major customers will continue to use our services at fees acceptable to our Group or our Group can maintain our relationship with them in the future. In the event that our Group is unable to retain these customers, or seek replacement customers, our business, results of operations, profitability and liquidity may be adversely affected.

Inability to renew our existing qualifications, licences and permits or the existing qualifications or licences are cancelled or suspended could materially affect our operations and financial performance

Our business and construction activities in Singapore are regulated by the BCA and various other regulatory bodies. These regulatory bodies stipulate the criteria that must be satisfied before permits and licences are granted to, and/or renewed and/or maintained for, our business. The maintenance and renewal of our permits and licences is subject to compliance with the relevant regulations. In particular, our Group has to meet the various requirements laid down by the BCA in order to maintain our BCA workhead categories. The requirements to maintain our workhead categories include (i) a minimum paid-up capital and net worth; (ii) qualified personnel with the necessary professional qualifications and experience; (iii) the necessary performance track records and (iv) contracts' profile. The requirements laid down by BCA may change from time to time.

If we fail to comply with the applicable requirements or any required conditions to keep the qualifications and licences, then our qualifications and licences may be downgraded, suspended or cancelled. Delay or refusal may occur when renewing such qualifications and licences upon expiry. In

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cases where we directly tender for public sector projects, we can only participate in tenders if we meet the minimum BCA grading level stipulated. In cases where we give quotes to non-government agency customers, they may take our BCA gradings into consideration. As such, an inability to renew or maintain our BCA gradings may reduce the number of project opportunities for our Group and have an adverse impact on our operations and financial performance. Failure to keep or renew our existing BCA workhead categories could result in suspension of our business operations, restriction or prohibition of certain business activities, or commencement of new business, thereby materially and adversely affecting our business, financial position, results of operations and prospects. For details please refer to the section headed “Business — Main qualifications, licences and certifications” in this prospectus.

Increased depreciation charge from additional capital expenditure could affect our financial performance

We intend to expand our operations by investing mainly in machinery, tipper trucks and various software to streamline our processes. For the year ending 31 December 2016, we expect the capital expenditures to be approximately S\$11.8 million. Arising from these additional purchases, the estimated increased depreciation charge would be approximately S\$1.3 million for the year ending 31 December 2016. The increased depreciation charge could affect our financial performance in the five years that the additional purchases are depreciated.

There is no assurance that we will succeed in tenders

Our major projects are generally obtained through a tender process with the tender document specifying the general terms of the contract to be entered into between us and the customer as well as the necessary requirements of the tender. Our success rates for tender were approximately 37%, 39% and 37% from invited tenders while approximately 29%, 50% and 13% from open tenders for the three years ended 31 December 2013, 2014 and 2015 respectively. There is no guarantee that in the future, we will succeed in the tender process or maintain comparable tender success rates.

In addition, so far as our Directors are aware, most of our customers have maintained an evaluation system for their tenders to ensure that contractors meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. If a contractor receives a poor safety performance review or an accident occurs due to safety negligence, it may lead to a poor evaluation and this may affect its success rate for tenders. In serious cases, the contractor’s qualifications may be suspended and during this suspension period, it may be prohibited from tendering for works requiring such qualification. There is no assurance that our overall score under the evaluation system of our customers will not reduce, such as due to fatal accidents in our projects or material breaches of law. In case of such events, we may not be granted tender and furthermore, our reputation, business operations, financial results and profitability may be adversely affected.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

A reduction in the pipeline of new construction projects could materially affect our financial performance

Our Group is highly dependent on the pipeline of new construction projects as our earthworks relate to new projects where the existing buildings have to be demolished, or land cleared in preparation for the construction of new buildings or infrastructure. New construction projects are in part affected by the general economic conditions, construction industry, resale prices and rental yields (as the case may be), factors which are beyond our control. Fewer available projects will result in more intense competition and a downturn in our industry may lead to tighter liquidity, delay and/or cancellation of projects and slower collection and/or recovery of trade receivables. Should the economic and commercial conditions reduce the pipeline of new construction projects, our financial performance will be adversely affected.

A cyclical fluctuation in the Singapore market, in particularly the construction industry, will affect our financial performance

During the Track Record Period, our revenue was derived solely from our operations in Singapore. Any unforeseen circumstances, such as natural disasters in Singapore, recession in Singapore economy, outbreak of an epidemic in Singapore and any other incidents happening in Singapore may adversely affect our business, prospects, financial conditions and results of operations.

Our Group is dependent on the construction industry in Singapore, which is subject to cyclical and seasonal fluctuations. A downturn in the Singapore construction industry is likely to have an adverse impact on our business and profitability due to the possibility of postponement, delay or cancellation of construction projects and delay in recovery of receivables. Further, projects are often on hold during the Chinese New Year's holidays, which fall in January or February of the year which may lead to an adverse impact on our business and profitability due to the possible postponement of the projects.

There is a material shortage of skilled workers in the construction industry in Singapore. If we are unable to retain or replace such workers, it may affect our business and there is no assurance that our labour costs will not increase

According to the Euromonitor Report, one of the key risk factors in the construction industry in Singapore is the material shortage of skilled workers, which is attributable to factors such as the Singapore government's policy measures restricting foreign manpower hiring, transient employment nature of the construction industry and poor skill development practices. Even without such shortage, we generally compete with similar businesses for such workers. Given that we are in a labour intensive industry, we rely on our workers for our business operations and if we are unable to retain or replace such workers, we may be forced to increase our reliance on subcontractors or otherwise be unable to maintain the quality of our services. We cannot assure you that we will be able to maintain a sufficient labour force necessary for us to execute our business, nor can we guarantee that our staff costs will not increase to attract or maintain workers. If this occurs, it could have a material and adverse effect on our results of operations and inhibit our future growth and expansion plans.

RISK FACTORS

The construction industry which we operate in is highly competitive

The construction industry in which we operate in is highly competitive, with many competitors and some of whom may have more manpower, resources, licences and qualifications and brand names. Due to the large number of competitors, we face significant downward pricing pressure and thereby reducing our profit margins. If we cannot adapt effectively to market conditions and customer preferences or otherwise fail to provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our profitability may be materially and adversely affected. Our competitors may also adopt aggressive pricing policies or develop relationships with our customers in a manner that could significantly harm our ability to secure contracts. We may also compete in other areas including for services of sub-contractors and qualified employees. If we cannot attract their services or are unable to compete in such other areas, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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

Our operations are required to comply with various safety, employee protection and environmental protection laws, regulations and requirements in Singapore, with certain material ones summarised in the section headed “Regulatory overview” of this prospectus. In the event that our operations fail to meet them, we may be subject to fines or required to take remedial measures or they may affect our ability to obtain new projects. During the Track Record Period, in the ordinary course of our business, we transport diesel to our work sites for direct refuelling of our equipment such as our excavators. Some of our work sites (including where we are subcontractors) may not have been accordingly licensed and we may be found to be in breach of Section 36 of the Fire Safety Act (Chapter 109A of Singapore). Please refer to the section headed “Business — Regulatory compliance” for further information. If any of these events occurs, it may adversely affect our reputation, business, financial condition and results of operations. Additionally, any changes in such requirements may result in our Group incurring additional costs to comply which may increase our operating costs and adversely affect our profitability.

Potential impact of IFRS 16 to our Group when it becomes effective

IFRS 16 has been issued in January 2016, which will be effective for accounting periods beginning on or after 1 January 2019. Given the convergence between IFRS and HKFRS, IFRS 16 will presumably have an effect on our Group’s financial results and position in the future. During the Track Record Period, our Group acted as lessee and lessor in agreements related to our daily business operations. Our Group will apply the above new standards and amendments to the existing standards when they become effective. Our Group is in the process of making an assessment of the potential impact of these changes but is not yet in a position to state whether they could have a material financial impact on our Group’s financial statements. For further details, please refer to section “Financial information — Leasing” of this prospectus.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

No assurance of liquidity and possible price and trading volume volatility of our Shares

An active trading market for the Shares may not develop and the trading price of the Shares may fluctuate significantly. Prior to the Global Offering, there has been no public market for the Shares. The Offer Price range has been determined through negotiation between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the final Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Global Offering. In addition, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Global Offering, or that the trading price of the Shares will not decline below the Offer Price.

The pricing and trading volume of the Shares may be volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond control of our Group:

- variations in our operating results;
- changes in the analysis and recommendations of securities analysts;
- announcements made by us or our competitors;
- changes in investors' perception of our Group and the investment environment generally;
- addition or departure of key management;
- developments in the Singapore property and construction industry;
- changes in pricing made by us or our competitors;
- fluctuations in market prices and trading volume of the Shares;
- involvement in litigation; and
- general economic environment and other factors.

These broad market and industry fluctuations may adversely affect the market price of the Shares.

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

CL Construction declared a dividend of S\$3.0 million during the year ended 31 December 2013, S\$3.0 million during the year ended 31 December 2014 and S\$6.0 million during the year ended 31 December 2015 to the then equity owners of CL Construction respectively. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The amount of any dividends to be declared in the future will be subject to,

RISK FACTORS

among other factors, our Directors' discretion, having taken into account the substantial capital requirements of our Group in the foreseeable future, the availability of distributable profits, our Group's earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

In any event, there is no assurance that our Company will receive sufficient distribution from our subsidiaries to support any future profit distribution to our Shareholders, or that the amounts of any dividends declared by our Company in the future, if any, will be of a level comparable to dividends declared and paid by us in the past, or by other listed companies in the same industry as our Group.

Termination of the Underwriting Agreements

Prospective investors should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by PFS (for itself and on behalf of the Underwriters) by giving written notice to our Company (for ourselves and on behalf of the Selling Shareholder) upon the occurrence of any of the events stated in the paragraph headed "Grounds for termination" under the "Underwriting" section of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, act of terrorism, earthquake, strike or lock-out. Should PFS (for itself and on behalf of the Underwriters) exercise its rights and terminate the Underwriting Agreements, the Global Offering will not proceed and will lapse.

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

Except for the Shares issued in the Global Offering, our Company has agreed with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) not to issue any of the Shares or securities convertible into or exchangeable for the Shares during the period beginning from the date of this prospectus and continuing through the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, except with the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Further, the Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this prospectus and up to 12 months after the Listing Date. Please refer to the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering" in this prospectus for a more detailed discussion of restrictions that may apply to future sales of the Shares. After these restrictions lapse, the market price of the Shares may decline as a result of sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, the issuance of the new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

Shareholders' interests may be diluted as a result of additional equity fund-raising

We may need to raise additional funds in the future to finance further expansion of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of us other than on a pro rata basis to existing Shareholders, the percentage of ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

RISK FACTORS

The interests of our Controlling Shareholders may conflict with the interests of our Company's public shareholders

Immediately upon the completion of the Capitalisation Issue and the Global Offering (but without taking into account of Shares that may be allotted and issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), our Controlling Shareholders will own approximately 69.75% of our enlarged issued share capital. Therefore, our Controlling Shareholders will be able to exercise substantial control or influence over our business by directly or indirectly voting at shareholders' meetings in matters that are significant to us and our public Shareholders. For example, they may perform significant corporate actions, affect composition of the Board and affect the issue of dividends. Our Controlling Shareholders may take actions, and exercise influence that favours their interests over the interests of us or our public Shareholders. We cannot assure you that our Controlling Shareholders will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the best interests of our other Shareholders.

Risk of impact of granting options under the Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme although no options have been granted thereunder as at the Latest Practicable Date. Any exercise of the option to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the ownership percentage of the Shareholders and may result in a dilution in the earnings per share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue.

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

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Investors should not place undue reliance on facts, statistics and data contained in this prospectus with respect to the economies and our industry

Certain facts, statistics and data in this prospectus are derived from various sources including various official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst our Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by us, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors, affiliates or advisers. Therefore none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, there is no assurance that they are stated or compiled on the same basis

RISK FACTORS

or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Global Offering

There may be press and media coverage regarding us or the Global Offering, which may include certain events, financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and we make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

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

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our Group’s growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect.

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

(1) WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions which will constitute non-exempt continuing connected transactions for our Company under the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules. For further details, please refer to the section headed “Connected transactions” in this prospectus.

(2) MANAGEMENT PRESENCE IN HONG KONG

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

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

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

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) in addition, all Directors will provide their mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange; and
- (d) furthermore, all Directors have confirmed that they possess valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice.

In compliance with Rule 3A.19 of the Listing Rules, we have appointed VBG Capital as the compliance adviser to act as the alternate channel of communication with the Stock Exchange for the period commencing on the date of the initial listing of the Shares of our Company on the Main Board of the Stock Exchange and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. VBG Capital will provide professional advice on matters relating to compliance with the Listing Rules and other obligations for companies listed in Hong Kong. VBG Capital will, in addition to the authorised representatives and alternative authorised representative, act as an additional channel of communication with the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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 (Miscellaneous Provisions) 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 Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that 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 herein or this prospectus misleading.

Copies of this prospectus required by the Listing Rules and the Companies (Miscellaneous Provisions) Ordinance are available, for information purpose only, at the respective offices of the Joint Global Coordinators and the Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from Wednesday, 25 May 2016 to Monday, 30 May 2016 (both dates inclusive).

SELLING SHAREHOLDER

The International Offer Shares consists of 80,000,000 Sale Shares being sold by the Selling Shareholder. We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the International Offering), and assuming an Offer Price of HK\$0.735 per Share will be approximately HK\$54.7 million. We will not receive any of the proceeds from the sale of the Sale Shares. Please refer to the details in the section headed "E. Other information — 10. Particulars of Selling Shareholder" in Appendix V to this prospectus.

FULLY UNDERWRITTEN

The Global Offering comprises the International Offering and the Hong Kong Public Offering. The Global Offering is an offer of 25,000,000 New Shares under the Hong Kong Public Offering (subject to adjustment) and 145,000,000 New Shares and 80,000,000 Sale Shares under the International Offering (subject to adjustment and the Over-allotment Option), in each case at the Offer Price. Details of the structure of the Global Offering are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus. This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering will be fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the agreement to the Offer Price between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). The Global Offering is managed by the Joint Global Coordinators. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or around Tuesday, 31 May 2016 (Hong Kong time) or such later time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), but in any event no later than Monday, 6 June 2016 (Hong Kong time). The Offer Price will be not more than HK\$0.88 per Offer Share and is currently expected to be not less than HK\$0.59 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$0.88 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.88 per Offer Share.

Joint Global Coordinators (acting for themselves and on behalf of the Underwriters) may, with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, a notice of reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published on our Company's website at www.chuanholdings.com and the website of the Stock Exchange at www.hkexnews.hk, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn.

If, for any reason, the Offer Price is not agreed among our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Monday, 6 June 2016, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms 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, nor is it calculated to invite or solicit offers 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. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an 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 U.S., except in compliance with the relevant laws and regulations of each of such jurisdiction.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this Prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

contained in this prospectus must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering.

This prospectus and any other materials relating to the Offer Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore pursuant to the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”). Accordingly, this prospectus and any other prospectus or materials in connection with the offer or sale, or invitation for subscription or purchase, of Offer Shares, may not be issued, circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with, the conditions of an exemption invoked under any provision of Subdivision (4) of Division 1 of Part XIII of the SFA.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares 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

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme).

No part of the Share or loan capital of our Company is listed or dealt in on any other stock exchange and, at present, no such listing or permission to deal is being or is proposed to be sought on any other stock exchange in the near future.

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. Accordingly, a total of 250,000,000 Offer Shares, which represent 25% of the enlarged issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be made available under the Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Under section 44B(1) of the Companies (Miscellaneous Provisions) 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.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and 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 any other date 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 our Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing, purchasing, holding, disposing or dealing in the Shares. It is emphasised that none of our Company, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription, purchase, holding, disposal or dealing of Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All the Hong Kong Offer Shares and the International Offer Shares will be registered on our Company's branch share register to be maintained in Hong Kong by the Hong Kong Share Registrar. Our principal register of members will be maintained in the Cayman Islands by the Principal Share Registrar. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agree.

Dealings in our Shares registered at our branch register of members in Hong Kong will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please refer to the paragraph headed "Taxation of holders of Shares" under the section headed "Other information" in Appendix V to this prospectus.

Unless our Company determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set out under the section headed “How to apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out under the section headed “Structure and conditions of the Global Offering” in this prospectus.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and the related stabilisation exercise are set out in the section headed “Structure and conditions of the Global Offering” of this prospectus.

STOCK BORROWING ARRANGEMENT

Details of the stock borrowing arrangement are set out in the section headed “Structure and conditions of the Global Offering” of this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on or about Wednesday, 8 June 2016. Shares will be traded in board lots of 4,000 Shares each.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

TRANSLATIONS

Unless otherwise specified, amounts denominated in S\$ have been translated, for the purpose of illustration only, into HK\$ (or vice versa) in this prospectus at the following exchange rates:

S\$1.00 : HK\$5.477

No representation is made that any S\$ amounts were or could have been or could be converted into HK\$, at such rate or any other rate on any date.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Lim Kui Teng (林桂廷)	3A Jalan Cherpen Singapore 769932	Singaporean
Mr. Quek Sze Whye (郭斯淮)	62 Lengkong Tiga #12-08 Singapore 417455	Singaporean
Mr. Bijay Joseph	Blk 38 Choa Chu Kang Street 64 #04-08 Singapore 689102	Singaporean
Mr. Lau Yan Hong (劉仁康)	499 Yio Chu Kang Road #08-01 Singapore 787082	Singaporean
<i>Independent Non-Executive Directors</i>		
Mr. Chow Wing Tung (周永東)	Flat A, 9/F, Perpetto Senso 100 Castle Peak Road Hong Kong Garden Tsing Lung Tau Tsuen Wan New Territories Hong Kong	Chinese
Mr. Phang Yew Kiat (彭耀傑)	12 Jalan Manis Singapore 329247	Singaporean
Mr. Lee Teck Leng (李迪能)	18 Shepherd's Drive Singapore 149010	Singaporean

Further information of the Directors can be found in the section headed "Directors, senior management and employees" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

VBG Capital Limited
A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
18th Floor, Prosperity Tower
39 Queen's Road Central
Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

VBG Capital Limited
18th Floor, Prosperity Tower
39 Queen's Road Central
Hong Kong

Pacific Foundation Securities Limited
11th Floor, New World Tower II
16–18 Queen's Road Central
Hong Kong

Hong Kong Underwriters

VBG Capital Limited
18th Floor, Prosperity Tower
39 Queen's Road Central
Hong Kong

Pacific Foundation Securities Limited
11th Floor, New World Tower II
16–18 Queen's Road Central
Hong Kong

International Underwriters

VBG Capital Limited
18th Floor, Prosperity Tower
39 Queen's Road Central
Hong Kong

Pacific Foundation Securities Limited
11th Floor, New World Tower II
16–18 Queen's Road Central
Hong Kong

UOB Kay Hian (Hong Kong) Limited
15/F, China Building
29 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company

As to Hong Kong laws
Robertsons
57/F, The Center
99 Queen's Road Central
Hong Kong

As to Singapore laws
Rajah & Tann Singapore LLP
9 Battery Road
#25-01 Straits Trading Building
Singapore 049910

As to Cayman Islands laws
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong laws
Howse Williams Bowers
27th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

Auditor and reporting accountant

BDO Limited
Certified Public Accountants
25th Floor Wing On Centre
111 Connaught Road
Central
Hong Kong

Internal control adviser

Ascenda Cachet Risk Consulting Limited
13F Neich Tower
128 Gloucester Road
Wanchai
Hong Kong

Property valuer

Roma Appraisals Limited
Unit 3806, 38/F, China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Receiving bank

Bank of Communications Co., Ltd. Hong Kong Branch
20 Pedder Street
Central
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	57/F, The Center 99 Queen's Road Central Hong Kong
Headquarters and principal place of business	20 Senoko Drive Singapore 758207
Compliance officer	Mr. Quek Sze Whye 62 Lengkong Tiga #12-08 Singapore 417455
Company secretary	Ms. Ngan Chui Wan Judy <i>ICSA, HKICS</i> Room F, 13/F, Block 2 Academic Terrace 101 Pokfulam Road Hong Kong
Authorised representatives	Mr. Lim Kui Teng 3A Jalan Cherpen Singapore 769932 Ms. Ngan Chui Wan Judy <i>ICSA, HKICS</i> Room F, 13/F, Block 2 Academic Terrace 101 Pokfulam Road Hong Kong
Audit committee	Mr. Chow Wing Tung (<i>Chairman</i>) Mr. Lee Teck Leng Mr. Phang Yew Kiat
Remuneration committee	Mr. Phang Yew Kiat (<i>Chairman</i>) Mr. Lim Kui Teng Mr. Chow Wing Tung

CORPORATE INFORMATION

Nomination committee

Mr. Lim Kui Teng (*Chairman*)
Mr. Phang Yew Kiat
Mr. Chow Wing Tung

Compliance adviser

VBG Capital Limited
A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
18th Floor, Prosperity Tower
39 Queen's Road Central
Hong Kong

Principal Share Registrar and transfer office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Share Registrar and transfer office

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

Malayan Banking Berhad
2 Battery Road
Maybank Tower
Singapore 049907

Standard Chartered Bank (Singapore) Limited
8 Marina Boulevard
Marina Bay Financial Centre Tower 1
Singapore 018981

DBS Bank Ltd
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

Company website

www.chuanholdings.com

(Note: The contents of this website do not form part of this prospectus)

INDUSTRY OVERVIEW

Unless otherwise indicated, the information presented in this section is derived from the Euromonitor Report prepared by Euromonitor International Limited, which was commissioned by us and is prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as its opinion as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. Our Directors have no reason to believe that such information and statistics is false or misleading or that any material fact has been omitted that would render such information and statistics false or misleading in any material respect. The information prepared by Euromonitor International Limited and set out in this Industry Overview has not been independently verified by our Group, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering or their respective directors, officers, employees, advisers and agents, and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.

PERIOD COVERAGE

Market review for this report has been carried out for the period covering 2010–2019, unless otherwise stated. Specifically, 2010–2014 will be termed the historical or review period and 2015–2019 will be deemed the forecast period for this entire report.

SOURCES OF INFORMATION

We commissioned Euromonitor, an Independent Third Party, to conduct an independent assessment of the market for construction (which includes building construction and civil engineering) and earthworks in Singapore for inclusion in this prospectus. The report commissioned has been prepared by Euromonitor independent from our influence. We paid Euromonitor, a fee of approximately HK\$651,200 for preparing this report. Established in 1972, Euromonitor is the world leader in strategy research for both consumer and industrial markets.

With both primary and secondary research in place, Euromonitor utilised both types of sources to validate all data and information collected, with no reliance on any single source. Furthermore, each respondent's information and views were cross-checked against those of others to eliminate bias from the report's sources. This Industry Overview contains information extracted from a commissioned research report (“**the Euromonitor Report**”), prepared by Euromonitor for the purposes of this prospectus. The report was completed in September 2015 with selected information updated in January 2016.

So far as our Directors are aware of, there is no adverse change in the market information since the date of the Euromonitor Report which may qualify, contradict or have an impact on the information in this section.

INDUSTRY OVERVIEW

Methodology

The Euromonitor Report was prepared based on the following methodologies to collect information from multiple sources, validate the data collected, and cross-check each respondent's information and views against those of others:

- Secondary research, which involved the review of published sources including National statistics, official sources such as BCA, MOM, Public Utilities Board (“**PUB**”), Urban Redevelopment Authority, HDB, specialist trade press and associations such as Singapore Contractors Association Limited, company reports including audited financial statements where available and independent research reports.
- Primary research involved interviews with a sample of leading industry participants and experts for the latest data and insights on future trends to verify and cross check the consistency of data and research estimates.
- Projected data was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers.
- A review and cross-check of all sources and an independent analysis to build all final estimates, including the size, shape, drivers, and future trends of the construction and earthworks market in order to prepare the final report.

Assumptions

The following assumptions are used in the Euromonitor Report:

- The Singapore economy is expected to maintain steady growth over the forecast period;
- The Singapore social, economic, and political environments are expected to remain stable during the forecast period;
- Key market drivers such as the government's continued regard towards public infrastructure development, policies in relation to housing, workplace skill development and measures to increase construction productivity growth are expected to boost the development of the Singapore construction and earthworks market;
- Key drivers including Singapore's rising gross domestic product (“**GDP**”) growth and the adoption of more advanced construction technology by contractors are likely to drive the future growth of the Singapore's construction and earthworks market.

The research results may be influenced by the accuracy of these assumptions and the choice of these parameters. The market research was completed in September 2015 and all statistics in the Euromonitor report are based on information available at the time of reporting. Euromonitor's forecast data is derived from an analysis of the historical development of the market, the economic environment, and underlying market drivers, and it is cross-checked against established industry data and trade interviews with industry experts.

1. CONSTRUCTION AND EARTHWORKS INDUSTRY IN SINGAPORE

1.1 Construction industry in Singapore

Singapore's GDP grew by a real growth rate of approximately 2.9% to reach approximately S\$390,089.1 million in 2014, with the construction industry accounting for approximately 4.9% of nominal GDP output. Over the 2010 to 2014 review period, the construction industry's contribution to GDP grew by approximately 7.5% CAGR to reach approximately S\$18,961 million in 2014.

Its contribution share towards GDP also maintained the range of approximately 4.6% to 5.1% in the same period, indicating that activity in the construction activity has been in line with that of overall economic performance.

As Singapore is in the process of transitioning to a growth model that relies less on low-wage foreign workers, this has resulted in a tight labour environment and increased pressure on the labour-intensive construction industry. The Government has progressively introduced policy tweaks to reduce the construction industry's reliance on foreign workers and raise overall productivity. This has been implemented through the Man-Year Entitlement Quota, which limits the number of foreign workers that construction companies can hire based on the valuation of the project they are working on. This has in turn, translated into a labour shortage situation and higher labour costs. Levy costs for foreign workers have also increased significantly, further increasing labour-related costs for construction companies.

The overall supply of labour has been expanding over the review period from 2010 to 2014 at a CAGR of approximately 3.0%, albeit at a gradually slower pace due to tightening restrictions on the hiring of foreign workers in Singapore. Overall, the labour force reached approximately 3.5 million people in 2014, of which approximately 2.2 million were residents and the remaining approximately 1.3 million were foreigners.

In line with the policy implemented to tighten foreign labour volume, employment in the construction industry has been slowing down. In 2014, overall employment in the construction industry increased by 14,300 jobs, which is significantly lower compared to the increase of 39,100 jobs in 2012 and 35,200 jobs in 2013. Furthermore, in the first quarter of 2015, employment in the construction sector declined by approximately 3.6%, marking the first quarterly decline in employment within the construction industry. However, the situation improved by the second quarter of 2015 as employment in the construction industry rose by approximately 7.8% or 7,800 new jobs, due to the seasonal nature of construction activities, which are typically relatively slow in the first quarter of the year.

Construction activity in Singapore is categorised into two main categories of activities, namely building works and civil engineering works, required by the public and private sector. All public construction projects valued above S\$3,000 are awarded through an open tender process by government agencies. Specific requirements have to be adhered to qualify for evaluation and award. For private construction projects, the tender process is optional. There is no single centralised portal where private construction projects are listed. Conventionally, private sector projects are published via various construction networks and publicised through word-of-mouth within the industry.

Contracts awarded for construction projects tend to be cyclical in nature and can fluctuate significantly in years when more tenders are released by the public and private sectors. In general, a typical construction project — be it public or private — features an extensive value chain which can be

INDUSTRY OVERVIEW

represented as a pyramid-shape construct, with the developer at the apex, architects, engineers and main contractors occupying the middle tier, and a wide array of specialised sub-contractors at the bottom. In the context of Singapore's construction industry, the industry norm is for the main contractor to sub-contract the majority of the actual construction works to a wide range of specialised sub-contractors. With the construction industry in Singapore being rather competitive, there is intense competition for sub-contracting work at the end of the value-chain.

1.1.1 Market activities

In 2014, construction demand grew by approximately 8.2% to reach a record high of S\$38.7 billion in value, with slightly over half of this value derived from the private sector (approximately S\$19.5 billion). Over the review period, construction contracts awarded by the public sector have been increasingly featured as the main driver of growth for the overall construction industry, growing at a CAGR of approximately 22.5% from approximately S\$8.5 billion in 2010 to approximately S\$19.2 billion in 2014. In contrast, although contracts awarded by the private sector was nearly twice that of contracts awarded by the public sector in 2010, the private sector has grown by a CAGR of only approximately 0.7% over the review period.

Overall, total construction demand rose steadily at a CAGR of approximately 8.9% from 2010 to 2014, recording moderate growth each year with the exception of 2011, which saw a 28.7% increase. In 2011, contract value for public sector civil engineering works and residential developments both tripled from the previous year, due to the award of multiple Downtown Line Stage 3 MRT works contracts, Mechanical and Electrical (M&E) works for various rail lines and the ramping up of the Housing Development Board (HDB)'s Building Programme, as units awarded rose to 33,648 in 2011, compared to 19,283 in 2010. Subsequently, total construction demand declined by approximately 13.3% in 2012, as a result of the unusually high base in 2011.

Contracts awarded for construction projects tend to be cyclical in nature and can fluctuate significantly in years when more tenders are released by the public and private sectors. This is due to the long lead time between the award of contracts and actual project completion, during which the business environment might undergo significant changes. Hence, contracts awarded tend to be a barometer of the existing sentiment within the construction industry. On the other hand, certified payments, which are also revenue receipts for the construction industry, are based on the percentage of overall completion of construction projects and form a better indicator of the actual level of construction activity taking place within a particular year.

Taking this into account, certified payments by public sector projects in the construction industry grew by a CAGR of approximately 7.7% over the review period to reach approximately S\$14.8 billion in 2014. This was significantly lower than the approximately 22.5% CAGR recorded by public sector projects for contracts awarded; in view of the strong demand, the lag between the award of contracts and the receipt of payments also indicates the extent of the potential growth in actual construction activity over the medium term. In contrast, certified payments by private sector projects rose by a CAGR of approximately 6.4% to reach approximately S\$21.1 billion in 2014, which is significantly higher than the CAGR of only approximately 0.7% for contracts awarded in the private sector. This suggests lacklustre expectations for the construction industry among private sector developers due to the slump in the local private property market, even as growth in current private sector construction activities is still supported by contracts awarded in previous years.

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Public residential construction projects accounted for approximately S\$4.8 billion of demand in 2014, while private residential projects contributed another approximately S\$6.4 billion in the same year. However, contracts awarded for residential building works has decreased by a CAGR of approximately 0.4% over the review period, largely due to a steep decline in demand for private residential construction projects, arising from the government's efforts to stabilise the property market.

Although the supply of private residential properties in the pipeline has increased from 289,370 units at end 2013 to 308,814 units available at the end of 2014, vacancy rates have also increased from approximately 6.2% at the end of 2013 to approximately 7.8% at the end of 2014, indicating an oversupply situation in the private residential sector. This is likely to translate into a tapering demand for private residential construction projects. In spite of that, certified payments from residential construction projects grew strongly by a CAGR of approximately 9.7% over the 2010 to 2014 review period, to reach approximately S\$13.8 billion, largely due to the significant amount of residential project contracts awarded in prior years.

On the other hand, civil engineering contracts more than tripled in value over the review period, growing by a CAGR of approximately 34.5% from approximately S\$3.0 billion to reach approximately S\$9.9 billion in 2014, due to public sector projects intended to enhance transport infrastructure, such as new roads and the expansion of the underground MRT line. Specifically, award of various Thomson MRT Line contracts helped to boost the value of contracts awarded to civil engineering projects in 2014.

Institutions and others grew at a CAGR of approximately 9.1% over the review period to reach approximately S\$7.1 billion in 2014. This has largely been driven by new projects aimed at enhancing existing school buildings and facilities, as well as tenders for new hospitals and community facilities, such as the Sengkang General and Community Hospital and the Tampines Town Hub projects.

Over the review period, contracts awarded for commercial and industrial construction projects also experienced a CAGR of approximately 4.2% and 8.5% respectively, with smaller fluctuations from year-to-year compared to other development types and a significantly stronger contribution from the private sector. For industrial construction developments, the approximately 20.7% growth in the value of contracts awarded in 2014 is mainly attributed to the private sector developments at Jurong Island, BS Capital's industrial development at Kranji Road and phase II development of Mapletree Business City. Whereas for commercial developments, major contracts awarded in the private sector include the Changi Airport Group and CapitaLand Mall Asia's Project Jewel at Changi Airport, Oxley Holding's redevelopment of former The Pines Club into a hotel and commercial property and Laguna Hotel Holdings' resort hotel development at Laguna Golf Green.

Earthworks as a key component of construction

Earthworks projects are most prominently featured in civil engineering works, due to the nature of the public infrastructure in Singapore. The scarcity of land and high urban density in Singapore means that the majority of public infrastructure, such as electricity and gas networks, telecommunication network and train system, has to be located underground. Therefore, a substantial proportion of public sector civil engineering works requires extensive amounts of earthworks. Commercial, industrial and institutional developments also represent significant sources of demand for earthworks and examples of such projects include underground bus terminals, large shopping malls and new hospitals. Conversely, residential projects generally

INDUSTRY OVERVIEW

require a relatively low extent of earthworks; as such projects do not include significant underground spaces into their designs. Underground space is usually relegated to storage or parking space for residents, where some degree of excavation is still required.

General construction sector

General construction works, according to the Building and Construction Authority (BCA), include all types of building works in connection with any structure, being built or to be built, for the support, shelter and enclosure of persons, animals, chattels or movable property of any kind, requiring in its construction the use of more than two unrelated building trade and crafts. In the context of Singapore, examples of such building works include the construction of multi-storey car-parks, buildings for parks and playgrounds and other recreational works, housing developments, industrial plants and utility plants.

Specifically, both public and private sector construction works for types of developments including residential, commercial, industrial and institution and others, represent the general construction industry. For general construction projects, it is common for main contractors to sub-contract some or all of the actual site work, such as electrical works, plumbing, sanitary and sewerage works, etc., to various specialist contractors. The main contractors' role would be to oversee and manage the entire construction process, and coordinate the various components to ensure that the construction project is completed in accordance with required building standards and in a timely manner.

Addition and alteration works

Another significant facet of construction is Addition and Alteration (A&A) works, which involves minor works to existing buildings that should not cover more than 50% of gross floor area, external walls or structural elements such as columns, beams and slabs. A&A works tend to feature more prominently in private residential and institution projects, such as the Ministry of Education (MOE)'s initiative to retrofit and enhance existing educational facilities. In particular, institutions and other projects meant to enhance existing schools under MOE's initiative tend to feature a higher degree of A&A works, as the scope of such projects involve retrofitting and enhancement of existing facilities rather than reconstruction of existing buildings or construction of new schools and hospitals. In general, A&A works are carried out when the necessity arises and demand may not be determined by extrapolating the trends of the overall construction industry.

Table 1 Construction Contracts Awarded in Singapore, Historic (2010–2014)

Total Contracts Awarded (<i>S\$ Million</i>)	2010	2011	2012	2013	2014	CAGR 2010–2014
By Public Sector	8,546.5	15,279.7	9,524.8	14,888.4	19,219.8	22.5%
By Private Sector	19,018.1	20,208.2	21,236.6	20,915.2	19,537.4	0.7%
For Building Work	24,541.2	28,746.6	25,951.1	28,862.7	28,854.4	4.1%
— Residential	11,487.0	15,298.1	11,845.9	15,963.2	11,209.5	-0.4%
— Commercial	3,236.8	4,209.6	2,989.6	3,727.5	3,822.8	4.2%
— Industrial	4,789.7	6,220.9	6,418.4	5,490.3	6,627.8	8.5%
— Institutional and Others	5,027.6	3,018.0	4,697.2	3,681.7	7,113.4	9.1%
For Civil Engineering	3,023.4	6,741.3	4,810.3	6,940.9	9,902.7	34.5%

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Certified Payments (<i>S\$ Million</i>)	2010	2011	2012	2013	2014	CAGR 2010–2014
By Public Sector	10,975.7	11,652.9	12,316.0	12,554.8	14,759.1	7.7%
By Private Sector	16,452.2	17,208.5	19,322.7	21,127.0	21,086.1	6.4%
For Building Work	21,412.8	22,783.6	25,447.1	27,798.6	28,812.0	7.7%
— Residential	9,518.2	9,771.6	10,942.8	12,791.3	13,792.8	9.7%
— Commercial	4,524.3	3,608.3	3,293.6	3,220.6	3,053.6	-9.4%
— Industrial	4,570.7	5,669.0	7,413.7	7,806.5	7,060.8	11.5%
— Institutional and Others	2,799.7	3,734.6	3,797.1	3,980.2	4,904.8	15.0%
For Civil Engineering	6,015.0	6,077.9	6,191.6	5,883.2	7,033.1	4.0%

Source: Department of Statistics of the Government of Singapore

Construction Demand Pipeline in Singapore, Forecast (2015–2019)

Value of Contracts Awarded	2014	2015E	2016–2017F	2018–2019F
Total (<i>S\$ billion</i>)	38.8	29.0–36.0	27.0–36.0	26.0–37.0
— Public (<i>S\$ billion</i>)	19.2	18.0–21.0	16.0–20.0	16.0–20.0
— Private (<i>S\$ billion</i>)	19.5	11.0–15.0	—	—

Note: Figures exclude reclamation contracts. From 2016 to 2019, 60% of forecast public sector demand is expected to be derived from building projects, while the remaining 40% is expected to be from civil engineering projects.

Source: Building and Construction Authority, based on data as at 8 January 2015

1.1.2 Legislative and regulatory policies specific to the industry

In Singapore, the BCA is the regulatory body which oversees and regulates the construction industry. All contractors who provide construction-related goods and services to the public sector must be registered with BCA's Contractors Registry. Contractors are awarded different grades based on their financial performance, track record and other capabilities, with different grades resulting in different limits on the maximum valuation of tenders that contractors can bid for. Grading is on the basis of a 7-point scale, from A1 to C3, with the A1 grade requiring the company to have a minimum paid-up capital and net worth of S\$15.0 million, a track record of completing more than S\$150 million worth of contracts over the past 3 years and possessing relevant ISO accreditations and other certifications. Contractors graded A1 are allowed to tender for public sector construction projects of any value, whereas those graded C3 (requiring minimum paid up capital of only S\$25,000 and track record value of S\$100,000) face a tendering limit of only S\$0.7 million for each public sector project. The grading system is applicable for both contractors tendering for earthwork projects and general construction projects.

1.1.3 Construction costs, raw materials and labour issues

In general, the cost of construction projects can be segregated into four main categories — structural costs, architectural costs, mechanical and electrical (M&E) service costs, and external works costs. Structural costs cover major construction and engineering works related to the piling, foundation and structure of a construction project. Architectural costs tend to cover interior design and construction work such as external walls, internal walls, roofing, wall finishes, ceiling finishes, floor finishes,

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sanitary fittings, windows and doors, and joinery fittings. M&E services refer to ancillary services required for construction projects such as electrical services, fire protection, plumbing, vertical transport and others.

The BCA Building Works Tender Price Index (TPI) is an indicator that tracks construction costs in Singapore, through taking into account the tender price movements of building works projects in the construction industry. Overall, construction costs have increased in aggregate as seen in an increase in the BCA TPI, which rose by 2.2 index points to 106.8 in 2014. This marks the second consecutive year of increase in the annualised index, reversing two years of decline in 2011 and 2012. In 2014, labour-related costs for construction projects increased significantly, due to severe restrictions on foreign workers. This has led to contractors raising tender bid prices to make provisions for a more restricted labour supply situation in the future. However, the impact of high labour costs has been partially cushioned by falling prices of basic construction materials.

Overall decline in cost of construction materials

Singapore imports almost all its construction materials, consisting of predominantly ready mixed concrete, steel bars, granite, concreting sand and cement. While the price of steel bars, concreting sand, granite and ready mixed concrete declined by approximately 8.3%, 6.1%, 2.0% and 0.8% CAGR respectively slightly during 2010–2014, the price of cement in bulk increased slightly during 2010–2014. However, in the first quarter of 2015, the price of steel bars declined to S\$565.50 per tonne, with market analysts expecting steel prices to remain low due to the collapse in iron ore prices and the slowdown of the Chinese economy, as China is the dominant source of steel bars. Cement, granite and ready-mixed concrete prices also fell quarter-on-quarter to S\$94.30 per tonne, S\$21.60 per tonne and S\$100.50 per cubic metre respectively in March 2015. However, as earthworks activities typically do not require the abovementioned construction materials, the costs of earthworks projects are not directly impacted by fluctuations in their prices.

Based on data reported by the World Bank and in line with global trends, diesel pump prices in Singapore have also been on the decline. Between 2012 and 2014, pump price for diesel fuel declined from US\$1.26 per litre in 2012 to US\$1.16 per litre in 2014.

Manpower shortage leads to labour cost increase

Employment in the construction industry continued to increase in 2014, as sustained high levels of construction activity increased demand for labour in various construction projects. Contractors find it necessary to offer higher pay to secure additional manpower, or pay higher overtime rates to existing workers for additional man-hours of work. This is reflected in the sustained increase in wages for the construction industry, which grew by approximately 3.8% in 2014, marking the fifth consecutive year of increase in wages for the industry, the highest of which was approximately 5.2% increase recorded in 2013.

Growing concern over workplace safety and health

Accidents are not uncommon in the construction industry. As part of the industry's effort to improve work place safety, a Workplace Safety and Health (WSH) Construction Sub-Committee was formed in 2005. The government has also introduced higher compensation limits for death and permanent incapacity under the Work Injury Compensation Act. Although workplace fatal injury

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rate for the construction industry declined in 2014 to 5.5 from a 4-year high of 7.2 per 100 thousand employed persons in 2013, the construction industry remains the top contributor of workplace fatalities. Additionally, workplace major injury rate increased for the third consecutive year in 2014 to reach 41.2 per 100 thousand employed persons. Workplace minor injury rate also increased to 547.0 per 100 thousand employed persons.

As a result, the government has intervened through the introduction of higher compensation limits for death and permanent incapacity under the Work Injury Compensation Act. With effect from January 2016, the compensation limit for permanent incapacitation will rise by 20% from between S\$73,000 and S\$218,000 to between S\$88,000 and S\$262,000; whereas the compensation limit for death will rise from between S\$57,000 and S\$170,000 to between S\$69,000 and S\$204,000. Maximum claimable amount for medical expenses will also rise from S\$30,000 to S\$36,000. Increases in the compensation amounts may lead to an increase in the insurance premiums of construction workers, resulting in an increase in labour-related costs if the construction industry fails to make progress in moving towards zero incidents.

In addition, with effect from August 2016, all contractors involved in major construction projects with contract values of S\$10 million and above, will have to comply with new Design for Safety regulations, which means that safety features for construction workers have to be built into the design of the project. The Ministry of Manpower will also work with the industry to train 1,000 professionals in Design and Safety by 2018.

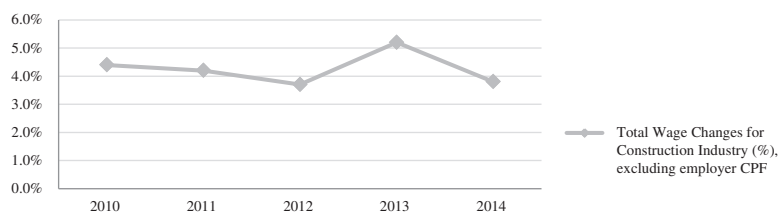
Table 2 Total wage changes for construction industry, historic (2010–2014)

	2010	2011	2012	2013	2014
Total Y-o-Y wage changes (%), excluding employer CPF	4.4	4.2	3.7	5.2	3.8

Data pertain to wage increases granted by private sector establishments (with at least 10 employees) to full-time resident employees in continuous employment for at least a year

Source: Survey on Annual wage change, Ministry of Manpower

Chart 1 Total Wage Changes for Construction Industry, Historic (2010–2014)



Source: Survey on Annual Wage Change, Ministry of Manpower

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Table 3 Market prices of key construction materials at end of period, historic (2010–2014)

	2010	2011	2012	2013	2014	CAGR 2010–2014
Ready mixed concrete (S\$ per cubic metre)	106.70	108.00	110.40	104.00	103.30	-0.81%
Steel bars (S\$ per tonne)	867.50	913.40	827.50	718.80	612.50	-8.33%
Granite (S\$ per tonne)	23.40	19.80	22.10	20.90	21.60	-1.98%
Concreting sand (S\$ per tonne)	29.40	24.50	24.30	22.40	22.90	-6.06%
Cement in bulk (S\$ per tonne)	89.00	96.20	102.10	99.30	95.70	1.83%

Data is based on prices of construction materials in December of each year

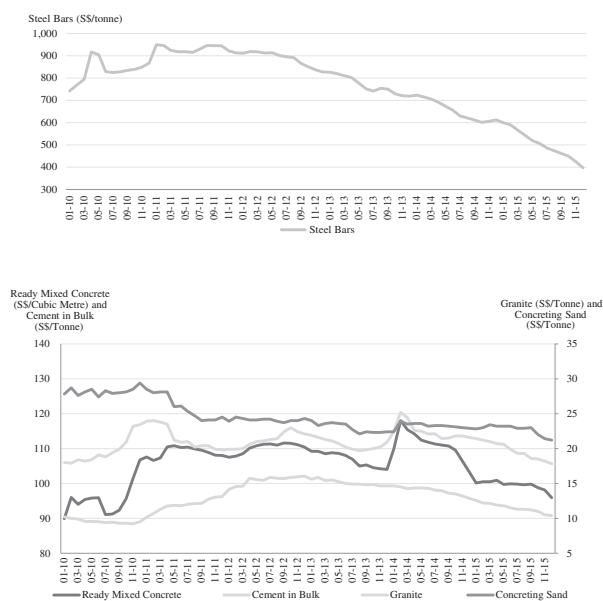
Source: Building and Construction Authority

Table 4 Market Prices of Key Construction Materials in 2014, by Quarter

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Y-o-Y Change
Ready mixed concrete (S\$ per cubic metre)	115.40	111.80	110.70	103.30	-5.9%
Steel bars (S\$ per tonne)	705.90	655.50	611.50	612.50	-15.3%
Granite (S\$ per tonne)	24.40	22.10	21.50	21.60	-3.6%
Concreting sand (S\$ per tonne)	23.50	23.20	23.20	22.90	-2.2%
Cement in bulk (S\$ per tonne)	98.50	98.60	97.20	95.70	-3.6%

Source: Building and Construction Authority

Chart 2 Monthly Current Market Prices of Key Construction Materials, Historic (2010–2015)



Source: Building and Construction Authority

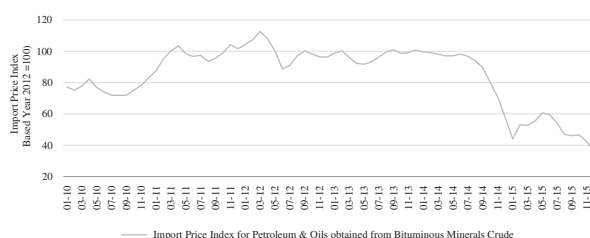
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Table 5 Pump price for diesel fuel in Singapore (US\$ per liter), historic (2010, 2012, 2014)

	2010	2011	2012	2013	2014
Pump price for diesel fuel	1.04	—	1.26	—	1.16

Source: *The World Bank*

Chart 3 Import Price Index for Petroleum & Oils Obtained from Bituminous Minerals Crude (2010–2015)



Due to the unavailability of monthly price trend data for diesel fuel, the monthly price index for petroleum & oils obtained from bituminous minerals crude is presented.

Source: *Department of Statistics of the Government of Singapore*

1.1.4 Market outlook

The construction industry has been expanding continuously over the past decade, driven by an exceptionally strong demand for residential construction. Major infrastructural developments embarked on by the Government have boosted order books and created opportunities for many new construction contracts to be awarded. The pipeline of construction contracts awarded in the past two years provides a strong baseline for construction activity in the short and medium term until 2019.

Some significant construction projects in the pipeline, from the public sector, include reclamation projects in Tuas, the construction of Thomson-East Coast MRT line, the building of the North-South Expressway and the upcoming development of Changi Airport Terminal 5 and Changi East Runway 3, amongst others. New contracts arising from these projects as well as other new and upcoming civil engineering and institutional development projects will help to sustain growth in construction demand over the forecast period.

At January 2015, BCA estimated that a total of 313 public sector construction tenders will be called in 2015 alone. Furthermore, 25.2% of these tenders were expected to be worth above S\$42 million. Nevertheless, construction demand from the public sector is expected to decline from the historical high in 2014 to S\$14.0 billion in 2015, based on the first three quarters of 2015 recording only S\$9.7 billion of construction demand. Some civil engineering construction projects expected to involve significant earthwork components planned for tender in 2015 include the East Coast stretch of the Thomson-East Coast MRT Line, JTC's earthworks at Gali Batu, PUB's sewerage scheme and waterworks at various locations and the development of Changi East Runway 3. In contrast, construction demand from the private sector — which is largely driven by private residential construction projects — is expected to remain weak for the rest of 2015, due to a depressed private residential property market in Singapore. This has resulted in the projected construction demand for the private sector — which reached approximately S\$19.5 billion in 2014 — sliding to between approximately S\$11 billion and

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S\$15 billion in 2015. Nevertheless, private sector construction demand is expected to recover slightly as economic conditions pick up and private property buyer sentiment improves over the rest of the forecast period.

On the whole, construction demand is projected to be between approximately S\$25 billion and S\$29 billion for 2015, which is a fall compared to approximately S\$38.8 billion in 2014. However, its effect on revenue receipts of the construction sector in 2015 should be moderated, due to progress payments from ongoing works derived from the high volume of projects contracted in the previous two years. Going forward, construction demand is expected to be in the range of approximately S\$27 billion to S\$36 billion per annum for the 2016 to 2017 period and the range of approximately S\$26 billion to S\$37 billion for the 2018 to 2019 period.

1.1.5 Earthworks services in Singapore

Earthworks services in Singapore is a relatively niche market as the majority of large-scale earthworks projects are carried out by specialised contractors, which either exclusively provide earthworks services, or have a dominant focus on earthworks service provision. However, there are also numerous small contractors, which are capable of providing a very limited range of earthworks services of a much smaller scale.

Revenue receipts from earthworks services carried out in Singapore grew strongly by approximately 7.3% in 2014 to reach approximately S\$681.4 million, in line with the general trend of growth in the construction industry. Over the period 2010 to 2014, revenue from earthworks services grew by a CAGR of approximately 7.2%, on the back of strong and sustained construction activity. In 2015, revenue receipts for earthworks is expected to fall by approximately 2.1%, primarily due to a significant decline in construction demand from the private sector; declining from over approximately S\$19.5 billion in 2014 to an estimated S\$11 billion to S\$15 billion in 2015, owing to the contraction of residential and commercial property demand from the private sector. Although the impact will be partially offset by the public sector's high and growing demand in the civil engineering sub-sector and stable demand for building works, earthworks revenue receipts is still likely to fall slightly in 2015.

Over the forecast period, revenue receipts of earthwork services carried out in Singapore is projected to grow by approximately 4.9% CAGR over the forecast period to reach approximately S\$807.2 million in 2019. The award of various Thomson MRT Line contracts in 2014, all of which involves significant excavation and tunnelling work underground, is expected to boost growth in civil engineering construction activity. Buildings Works for residential and institutional projects are also expected to continue to sustain the growth in revenue receipts for earthworks services in Singapore over the forecast period.

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Table 6 Earthworks revenues receipts, historic (2010–2014) and forecast (2015–2019)

Historic	2010	2011	2012	2013	2014	CAGR 2010–2014
Revenue Receipts of Earthwork						
Services carried out in						
Singapore (S\$ million)	515.1	550.7	602.5	635.0	681.4	7.2%
Growth (%)		6.9%	9.4%	5.4%	7.3%	—
Forecast	2015E	2016F	2017F	2018F	2019F	CAGR 2015–2019
Revenue Receipts of Earthwork						
Services carried out in						
Singapore (S\$ million)	667.2	707.8	734.8	768.5	807.2	4.9%
Growth (%)	-2.1%	6.1%	3.8%	4.6%	5.0%	—

Source: Euromonitor estimates from desk research and trade interviews with leading earthworks service providers in Singapore

Factors impacting earthworks projects

For contractors delivering earthworks services, economies of scale arising from the ownership of a large fleet of specialised machinery and vehicles, coupled with manpower possessing niche skill sets, are essential for undertaking intensive, large-scale earthworks projects. The provision of earthworks services also incurs significant operating costs in the form of fuel, spare parts and tyre replacement and other maintenance costs.

- Volatile fuel prices a significant operational risk

Most major earthworks service providers operate a large fleet of hundreds of machines and vehicles, fuelled by diesel, which constitutes one of the major cost components. Oil prices have been volatile over the past five years, hitting a high of nearly US\$130 per barrel in 2011. However, as a result of recent geopolitical events and a significant increase in the supply of shale oil, oil prices have begun falling sharply since mid-2014 to less than US\$40 per barrel in 2015. This has seen the price of various types of fuel products decline, which benefited earthworks service providers. Over the forecast period, oil prices are expected to remain low as supply-side conditions such as crude oil production is likely to remain in excess and weigh down on oil prices. This will translate into lower transportation costs for the transportation of excavated materials from the construction site to the dumping site.

- Dumping fees for use of earth disposal sites

Excavation work by earthworks service providers is usually accompanied by dumping work concurrently, whereby the excavated materials are transported to a designated earth disposal site for deposit. In Singapore, dumping of excavated materials have to be carried out at specific authorised sites, and is charged a fee in most cases, with the exception of public construction work commissioned by the LTA, where an earth disposal site will be designated for contractors' use. The cost of dumping, charged by authorised dumping sites, has been relatively stable over the review period and this trend is expected to continue over the forecast period.

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However, in recent years, the popularity of certain earth disposal sites has resulted in the issue of overcrowding, with a long queue of tipper trucks waiting to enter the earth disposal site. This has impacted the productivity and efficiency of earthworks service providers and led to many contractors having to employ more tipper trucks in order to meet project deadlines.

- Earth control and power supply issues

The Public Utilities Board (PUB) also imposes Earth Control Measures (ECM) on all construction sites to ensure that construction work and its ancillary activities do not pollute the water supply. Contractors have to engage a Qualified Erosion Control Professional to draft clear and comprehensive plans for implementing ECM and obtain PUB's approval, before commencing earthworks activities. On the other hand, contractors also have to obtain electricity cable plans from SP PowerGrid Ltd (SPPG) and engage a Licensed Cable Detection Worker to locate the high voltage cables in the construction site before commencing earthworks. In Singapore, the Energy Market Authority is tasked with investigating all cable damage incidents and taking action against parties causing such incidents, indicating the care and expertise required in managing earthworks projects.

- Shortage of experienced and skilled manpower

As a result, the earthworks service sector requires a skilled workforce to manoeuvre complicated heavy machinery and vehicles. Such skilled manpower is in short supply amongst the resident workforce; hence contractors had historically relied on an influx of foreign workers to satisfy its skilled manpower requirements. With the new restrictions on hiring foreign workers, it has become more difficult and expensive for contractors to procure the necessary skilled manpower they require for their operations. Although efforts are well underway to enhance productivity through training existing manpower to be more efficient and through leveraging on technology and automation, these have not been sufficient to bridge the gap left by the shortfall in skilled labour.

1.2 Market drivers, constraints and entry barriers

1.2.1 Key drivers and trends for the construction market

Key driver 1 — Abundant new infrastructural developments in the pipeline

Multiple major construction projects — mostly from the public sector — are expected to sustain construction demand well into the next decade. These include the various MRT Masterplans such as the new Cross Island Line, North-East Line expansion, Tuas West extension, Thomson Line, Eastern Region Line and Jurong Region Line, all of which involve significant earthworks. In addition, the North-South Expressway, Singapore-KL High Speed Rail Link, Pasir Panjang Terminal Phase 3 and 4, Tuas Port, and Phase 2 of the Deep Tunnel Sewerage System will ensure sustained demand for earthworks services.

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Key driver 2 — Government support in developing productivity

The Singapore Government set up a Construction Productivity and Capability Fund in 2010, to fund initiatives that aid improvement in the productivity of the construction sector through three main aspects — workforce development, technology adoption and capability development. This is expected to help construction companies drive productivity gains and enable them to take on larger and more complex projects, even as they grapple with existing manpower constraints.

Key driver 3 — Promoting Singapore as a regional business hub to boost construction

Over the past decades, the Singapore Government has actively engaged in efforts to position Singapore as a business hub for international companies, through a competitive corporate tax rate, a strong regulatory framework to protect intellectual property rights and an extensive network of Free Trade Agreements. These efforts have led to investments into building R&D and manufacturing facilities, contributing towards private sector construction demand.

1.2.2 Market risk factors and typical market entry barriers

Key risk factor 1 — Shortage of skilled labour

Current policy measures restricting foreign manpower hiring, coupled with the transient employment nature of the construction industry and poor skill development practices have resulted in a material shortage of skilled workers in the construction industry in Singapore. In the immediate term, construction companies may encounter risks of construction projects being delayed and cost overruns from paying higher wages for labour. Although some companies may invest in machinery to compensate for the lack of manpower, there is still a limit to which machines can replace skilled manpower. To alleviate this risk, BCA will be working with Singapore Workforce Development Agency to introduce a Skills Future Earn and Learn programme, to build a stronger pool of competent workers.

Key risk factor 2 — Fluctuations in construction material costs

Singapore imports close to 60% of its total cement demand by volume from Japan, the majority of total granite demand from Malaysia and Indonesian and as high as 96% of its steel reinforcement bars from China. This dependence of a high volume of supplies from specific countries makes the construction industry's demand for construction materials highly price inelastic. As a result, industry players are subjected to the risk of fluctuating material prices and the impact it has on their profit margins.

Key risk factor 3 — High land sale prices

There has been a rise in land sale prices in recent years due to intense competition and cooling measures adopted by the government to stabilise the property market. High land sale prices may affect project profitability and deter developers from embarking on new developments, causing the private sector construction demand to slow down.

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Market entry barriers

Construction companies require a high level of capital investment to enter the business, due to the need to purchase or lease specialised machinery and vehicles to facilitate construction works. This is especially true for earthworks companies, which require a large fleet of tipper trucks and excavators to facilitate the execution of projects, as vehicle and machinery fleet is directly correlated to construction project capacity. Although it is possible and not an uncommon practice to rent tipper trucks from another industry player which has spare capacity, this may significantly increase project costs and reduce project margins. Another major entry barrier is the lack of skilled manpower and experience in executing construction projects, as a result of current tight labour conditions. Most importantly, the construction industry is one that relies to a large extent on reputation and reliability, which takes time to build up.

1.3 Competitive landscape

As of December 2015, general building contractors accounted for the majority with 1,878 companies registered on the BCA directory, compared to 941 civil engineering contractors. General building contractors qualifying for A1, A2, B1 and B2 grades, with a minimum paid-up capital and net worth of at least S\$1 million, accounted for approximately 15.5% of all general building contractor; while Grade C3 accounted for approximately 61.6%. Civil engineering contractors had a similar distribution across the grades; with Grade A1, A2, B1 and B2 civil engineering contractors representing approximately 19.6% of all civil engineering contractors; while C3 grade civil engineering contractors were accounting for approximately 57.1%. The tendency is for competition to increase as a contractor moves down the BCA grading system, as there are generally more players eligible to compete for a given construction project.

The smaller general building and civil engineering contractors tend to be small outfits with a low level of paid-up capital, and typically function as specialised sub-contractors who take on jobs of a specific nature from main contractors that are higher up the value chain. Additionally, BCA's grading system also means that smaller contractors can only compete for projects of lower value, causing them to experience more intense competition that may pressure them to lower their bid price. As a result, over time, squeezed profit margins exacerbated by growing competition may eventually force smaller players out of the market.

Over the review period from 2010 to 2014, the number of construction companies grew by a CAGR of approximately 6.3% from 1,725 companies in 2010 to reach 2,202 in 2014. Most of the increase in the number of registered construction companies typically occurs within the C3 grade segment. The healthy growth in the number of contractors indicate that despite a more competitive and constrained business environment, the construction industry still remains profitable and attractive to investors.

The general construction industry in Singapore is a huge and diverse industry sector which is extremely fragmented with 1,878 general building contractors registered with the BCA. Considering the extremely fragmented and complicated nature of the industry, CL Construction's revenue from A&A and other buildings works in 2014 is equivalent to an estimated 0.1% of market share for the overall building works sector in Singapore. Examples of some general building contractors registered under the A1 grade, who have engaged in major A&A works recently in 2014 and 2015, include Shimizu Corporation, Wee Poh Construction Co Ltd and Kajima Overseas Asia Pte Ltd.

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**Table 7 General Building Contractors by BCA Tendering Limits
in CW01 “General Building” workhead**

Grade	Tendering Limits for each Grade (S\$ million)	No. of Contractors	Examples of General Building Contractors in each Grade
A1	Unlimited	75	Boustead Projects Limited, Ho Lee Construction Pte Ltd, Kimly Construction Pte Ltd, Lum Chang Building Contractors Pte Ltd and Santarli Construction Pte Ltd
A2	90.0	53	Gennal Industries Pte Ltd, JDC Corporation, KTC Civil Engineering & Construction Pte Ltd, Rich-Link Construction Pte Ltd and W Y Steel Construction Pte Ltd
B1	42.0	71	Asiabuild Construction Pte Ltd, Chuan Lim Construction Pte Ltd, Daewoo Engineering & Construction Co., Ltd, Hon Industries Pte Ltd and TGG Pte Ltd
B2	14.0	92	Chye Joo Construction Pte Ltd, Kok Tong Construction Pte Ltd, Time Builders Pte Ltd, Yew Seng Heng Construction Pte Ltd and Zhengda Corporation Pte Ltd
C1	4.2	318	Able Construction Pte Ltd, Capstone Engineering Pte Ltd, Chen Guan Builders Pte Ltd, Feng Ming Construction Pte Ltd and Loh & Loh Construction (Private) Limited
C2	1.4	112	Hong Dat Construction Pte Ltd, Joo Seng Construction Pte Ltd, Leng Ee Construction Pte Ltd, Soonly Pte Ltd, TYT Builders Pte Ltd
C3	0.7	1,157	Aik Tai Lee Builders Pte Ltd, C.K. Toh Construction Pte Ltd, E-Tact Builders Pte Ltd, Greatearth Corporation Pte Ltd and Kevin Construction Pte Ltd

Note: Examples of general building contractors are randomly selected and listed in alphabetical order. Number of contractors is accurate as of December 2015.

Source: Building and Construction Authority

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Earth disposal/Earth filling sites

In general, there are three types of earth disposal sites in Singapore, namely land reclamation sites, designated staging grounds and ad-hoc construction projects requiring earthfill; all of which are to a large extent, regulated and controlled by the Singapore Government.

Key information	Details
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Roles, availability and locations of earth disposal sites	
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	(i) <i>Land reclamation sites</i>
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Land reclamation projects refer to the creation of new land from sea and are usually large-scale public earth filling projects that will put up for tender on GeBIZ portal. As of 31 December 2015, there were three major land reclamation sites in Singapore.

Obligation and revenue stream

Upon successfully being awarded the tender for a land reclamation site, the main contractor would then require large volumes of good earth to fill the reclamation site within the contracted duration, usually for a span of two to three years. As a result, some of these main contractors may choose to collaborate with selected major earthworks service providers to supply good earth required for it to fulfil its contractual obligations, failing which a penalty may be imposed. The payment and terms of such collaborations are subject to negotiations between the two parties and may vary on a case-by-case basis. It is not uncommon for main contractors to allow earthworks service providers to dispose at such sites without charging a fee, subjected to fulfilling a minimum disposal volume.

	(ii) <i>Staging grounds</i>
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Staging grounds are facilities located at the fringe of the island, which accept disposed materials and transport them in barges to another location for uses such as land reclamation and stock piling for future earth filling works. In Singapore, the designation of staging grounds is within the purview of the Ministry of National Development, through the Urban Redevelopment Authority, and is usually planned to accommodate the needs of the construction industry based on expected construction project's pipeline. The staging grounds are then allocated to government bodies which carry out construction projects requiring earth disposal. For instance, due to the high amount of excavated earth derived from the tunneling activities for future MRT transport lines, multiple earth disposal sites have been allocated to the LTA, for the exclusive use of contractors working on transport related projects. Another example is the Aviation Park Staging Ground site allocated to the HDB, which accepts excavated material from both private and public projects.

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Key information Details

Although no dumping fees are charged at the staging grounds owned by LTA, they are solely for the use of MRT-related public construction projects. Contractors engaged in such construction projects will have access to these staging grounds, as stipulated in the tender documents, without having to seek further approval for estimated disposal volume. The two main staging grounds owned by LTA are for the disposal of different materials; the Marina South Staging Ground accepts soft clay, which would be transported by barges to Pulau Tekong for land reclamation, while the Changi East Staging Ground accepts good earth for stock piling to be used for future earth filling purposes. To spread out the staging ground and facilitate earth disposal from MRT construction projects across the island, the Marina East Staging Ground is another temporary earth disposal site set up by LTA to accept good earth.

Obligation and revenue stream

For the use of the Aviation Park Staging Ground, formal applications have to be made to the HDB. Upon approval, the contractor would then have to submit a banker's guarantee of an agreed amount to the HDB. Furthermore, dumping fees, calculated by weight, also have to be paid for earth disposal and the fees can vary based on the type of material being disposed. A fee of S\$1.20 per tonne is charged for the disposal of good earth; while S\$5.00 per tonne is charged for the disposal of soft clay. For each excavation project being carried out, soil tests have to be conducted and the soil investigation log with the depth of investigation indicated has to be submitted along with the estimated disposal volume and a copy of the "Letter of Award for Earthwork Contract" to the owner of the site for approval before contractors are allowed access to the staging ground. Often, the owner of the site may not approve the full volume proposed for disposal and contractors will have to seek an alternative for the disposal of any remaining volume of earth. With regards to payment terms, contractors are required to pre-pay 10% of the dumping fee for the approved earth disposal volume prior to commencing disposal and top up payment when the pre-paid amount has been utilised.

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Key information	Details
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(iii) *Ad-hoc Construction Projects*

The last type of earth disposal site is made available by both public and private construction projects which require good earth to fill up low-lying land. The relevant government agency and private land owner will call for a tender via the GeBIZ portal and invited tenders respectively. Typically, earthworks service providers will submit a more competitive bid compared to other contractors, due to the high likelihood of having a substantial amount of readily available earth from its ongoing excavation projects and the prospect of being paid instead of paying for earth disposal.

In certain situations, an earthworks service provider may engage in multiple earthworks projects in close proximity, whereby some projects are for excavation work and others for earthfill work. In such scenarios, the earthwork service provider is able to dispose of good earth from the excavation site to the earthfill site directly to enjoy cost savings both on transportation and avoid paying any dumping fees. This is the most ideal scenario but as it is subjected to many factors such as the timing of the two projects and the suitability of the excavated earth; it is not a very common arrangement.

Additional obligation and procedures/tendering process of the earth disposal sites

Although the staging grounds in Singapore are owned by HDB and LTA, they are usually put up for tender on the GeBIZ portal and awarded to third-party construction companies to manage and operate for a defined period of time. The responsibilities involved in such a contract include the initial construction of the staging ground, and on an on-going basis, the receiving of approved quantities of earth from approved contractors and transport of the earth to a land reclamation site or a stock piling ground. The operator of the staging ground is then paid the contracted fee directly by the owner of the staging ground upon fulfilling its obligations.

To qualify for consideration as an operator of a staging ground or main contractor of a land reclamation site, contractors need to be registered with the government as a trading partner or supplier on the government e-procurement portal GeBIZ. All public tender invitations for earth disposal sites or land reclamation projects would then be released on the portal, where contractors can submit a bid. Contractors would also have to meet certain track record requirements and be subjected to the BCA's tendering limits. For example, in the tender invitation released in 2015 for the design, construction and operation of the Tuas South Staging Ground, the minimum requirement to meet was a grade A1 registration for CW02 — Civil Engineering work head with the BCA, which enables companies to bid for projects larger than S\$90 million.

As a result of the stringent requirements and the high tendering limits, competition to be the operator of a staging ground or main contractor of a land reclamation site is less stiff and usually only among the major civil engineering contractors. For interested contractors that do not meet the

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application requirements on their own or seek to improve their chances of being awarded, they may create a joint venture with another contractor with complementary capabilities to submit a more competitive tender bid.

There is no available information regarding the market share and revenue of each owner and operator. There is also no publicly available source stating the volume of earth collected by the staging grounds and the corresponding revenue collected by LTA and HDB. Typically, operators of staging grounds are also engaged in other lines of business such as dredging, general construction, civil engineering works, etc. and operating the staging ground is only one of the many projects that they carry out. The award of a staging ground contract is dependent on the operator's bid value for the tender, which may in turn be affected by the size and expected capacity of the site. Due to the nature of the industry, it may not be meaningful to compare the market share of the operators.

As at 31 December 2015, the major owners and operators/main contractors for staging grounds and/or land reclamation sites in Singapore are shown below.

Staging grounds	Owner	Operator/main contractor
Aviation Park Staging Ground	Owner #1 ^(note 1)	Operator/Main Contractor #1 ^(note 5)
Changi East Staging Ground	Owner #2 ^(note 2)	Operator/Main Contractor #2 ^(note 6)
Marina South Staging Ground	Owner #2 ^(note 2)	Operator/Main Contractor #3 ^(note 7)
Marina East Staging Ground (temporary)	Owner #2 ^(note 2)	Operator/Main Contractor #1 ^(note 5)
Land reclamation sites	Owner	Operator/main contractor
Jurong Island Westward Extension	Owner #3 ^(note 3)	Operator/Main Contractor #4 ^(note 8)
Tuas Terminal Reclamation Wharf	Owner #4 ^(note 4)	Operator/Main Contractor #5 ^(note 9)
Pulau Tekong	Owner #1 ^(note 1)	Operator/Main Contractor #2 ^(note 6)

Source: Euromonitor estimates from desk research and trade interviews with leading earthworks service providers and operators of earth disposal sites in Singapore.

Notes:

- (1) Owner #1, the public housing authority of Singapore and a statutory board under the Ministry of National Development.
- (2) Owner #2, the land transport development authority of Singapore, a statutory board under the Ministry of Transport.
- (3) Owner #3, the main developer and manager of industrial estates and their related facilities in Singapore.
- (4) Owner #4, the port and maritime development authority of Singapore, a statutory board under the Ministry of Transport.
- (5) Operator/Main Contractor #1, a private company incorporated in Singapore, is principally engaged in the provision of construction services.

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- (6) Operator/Main Contractor #2, a Singapore branch of a Tokyo listed company, is principally engaged in the provision of civil engineering and construction services.
- (7) Operator/Main Contractor #3, a private company incorporated in Singapore, is principally engaged in the provision of civil engineering construction services.
- (8) Operator/Main Contractor #4, a Singapore branch of private company, is principally engaged in land reclamation services.
- (9) Operator/Main Contractor #5, a joint venture company owned by a Singapore private company and a Korea listed company, is principally engaged in construction and land reclamation services.

1.3.1 Ranking of leading earthworks service providers

The earthworks services segment in Singapore is dominated by several major industry players, with many small players. There are approximately 75 earthwork players who take on main contracts or sub-contracts for earthworks in Singapore. The top five earthworks service providers accounted for approximately 54.0% of the market in industry value in 2014. Generally, these players place a strong focus on their earthworks business and have made significant capital investments in building up a sizeable fleet of at least 150 tipper trucks and excavators. The top five players have also each been established for more than 20 years and possess a wealth of experience in earthworks projects.

Table 8 Market share for top five earthwork service providers by revenue receipts (2014)

Ranking	Leading service providers, in terms of revenue receipt generated from earthwork service in Singapore	Revenue receipt (S\$ million)	Market share (%)	Publicly listed company (Y/N)
1	Earthwork Service Provider 1	136.0	19.96%	N
2	Earthwork Service Provider 2	75.0	11.01%	N
3	Earthwork Service Provider 3	56.0	8.22%	Y
4	Chuan Lim Construction Pte Ltd	55.7	8.17%	N
5	Earthwork Service Provider 5	45.0	6.60%	N

Source: Euromonitor estimates from desk research and trade interviews with leading earthwork service providers in Singapore.

The market share data reported above has been determined via a fieldwork programme consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically did not break the revenue or sales numbers into the relevant categories covered in this study. For these companies as well as those that were included in the market shares but are not publicly listed, we have projected the market shares based on estimates provided by various trade sources (i.e. not just the companies themselves) and sought a consensus on these estimates as much as possible.

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1.4 CL Construction's market share

CL Construction's revenue receipts from earthworks services reached approximately S\$55.7 million in 2014, comprising more than half of its total revenue of approximately S\$92.4 million from all activities in the same year. This ranks CL Construction as the fourth largest company in the earthworks sector, by revenue receipts, as of 2014, and gave the company a market share of approximately 8.17% of total earthworks market value in Singapore. CL Construction is also actively involved in building works within the construction activity, although its core business remains the provision of large scale earthworks services. CL Construction generated approximately S\$36.8 million in revenue from A&A works and other building works in 2014, which is equivalent to 0.1% market share for the overall building works sector in Singapore.

Table 9 Revenue and market share of CL Construction for earthwork services (2012–2014)

	2012	2013	2014
CL Construction's revenue receipts — earthworks (S\$'000)	46,640	54,963	55,655
CL Construction's market share by revenue receipts — earthworks (%)	7.74%	8.66%	8.17%

Source: Euromonitor estimates from desk research and trade interviews with leading earthworks service providers in Singapore.

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This section of the prospectus contains a summary of certain laws and regulations currently relevant to our Group's operations and our industry. Having made all reasonable enquiries and to their best knowledge, our Directors confirm that save as disclosed in this section and the sections headed "Risk factors" and "Business" in this prospectus, our Group has complied with all material applicable laws and regulations in Singapore, where our Group operated during the Track Record Period and as at the Latest Practicable Date and has obtained all necessary permits, licences and certificates for our operations. Save as disclosed below, as at the Latest Practicable Date, our business operations are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses incorporated and/or operating in Singapore.

REGULATIONS AND SUPERVISION OF OUR BUSINESS IN SINGAPORE

Overview

The building and construction industry in Singapore is regulated by the BCA, whose primary role is to develop and regulate Singapore's building and construction industry. The Building Control (Amendment) Act 2007 and its subsidiary legislation set out the requirements for licensing of builders. All builders carrying out building works where plans are required to be approved by the Commissioner of Building Control and builders who work in specialist areas which have a high impact on public safety will require a Builder's Licence from 16 June 2009. The requirement applies to both public and private construction projects. There are two types of Builder's Licences, namely, the general builder licence (the "GB Licence") and the specialist builder licence. The BLS and the CRS are administered by the BCA.

A General Builders' ("GB") Licence is issued under the BLS and such a licence is required for companies which intend to carry out private sector building works or public sector building works which include earthworks and general construction works.

Registration with the Contractors Registry maintained by the BCA is a pre-requisite to tender for projects in the public sector. A company which is only involved in private sector projects need not register under CRS and will only need a licence under the BLS. A company would need to have a licence issued under the BLS in order to be registered under the CRS.

CL Construction is issued with a GB1 Licence by BCA under the BLS and is registered by BCA under the CRS under, *inter alia*, the CW01 workhead (for General Building) at the B1 Grade and CW02 workhead (for Civil Engineering) at the B2 Grade. With effect from 1 January 2016, CL Construction has to obtain the certification under the Green and Gracious Builder Scheme (GGBS) in order to maintain its B1 grading in the construction workhead "General Building" and B2 grading in the construction workhead "Civil Engineering". CL Construction has obtained the GGBS certification in October 2015.

Accordingly CL Construction is able to undertake:

- (i) (in its capacity as the holder of a GB1 Licence) contracts for private sector building works of any value.
- (ii) (in its capacity as the holder of a CW01 workhead B1 Grade registration) direct tendering of contracts for building works for government agencies of a contract value not exceeding S\$42 million.

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- (iii) (in its capacity as the holder of a CW02 workhead B2 Grade registration) direct tendering of contracts for civil engineering works for government agencies of a contract value not exceeding S\$14 million.

- (iv) Other than the CW01 and CW02 workheads at the B1 and B2 Grade respectively, CL Construction is also registered under CR03 workhead single grade registration and CR07 workhead L1 Grade registration, further details of which are set out below. The CR03 workhead single grade registration allows CL Construction to undertake direct tendering of government agency contracts for demolition works of a contract value of an unlimited amount. The CR07 workhead L1 Grade registration allows CL Construction to undertake direct tendering of government agency contracts for cable or pipe laying and road reinstatement works of a contract value not exceeding S\$700,000.

Contractors Registration System

Although business entities which are not registered with the BCA are not precluded from conducting business as contractors or suppliers outside the Singapore public sector, registration in the Contractors Registration System maintained by the BCA is a pre-requisite to tendering for projects in the Singapore public sector. At present, there are seven major categories of registration under the CRS: (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 CRS is also subject to six to seven financial grades (“**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).

The qualified Grade of registered companies corresponds with a tendering limit (valid for one year) which, depending on the economy of the construction industry in Singapore, may be adjusted from year to year.

A contractor’s eligibility to qualify under the different BCA 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 BCA.

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CL Construction is currently licensed as a GB1 Licence by the BCA under BLS and registered with the BCA under the following workheads:

Workheads	Title	Scope of work	Grade ⁽¹⁾	Expiry date
CW01	General building	<p>(a) All types of building works in connection with any structure, being built or to be built, for the support, shelter and enclosure of persons, animals, chattels or movable property of any kind, requiring in its construction the use of more than two unrelated building trades and crafts. Such structure includes the construction of multi-storey car-parks, buildings for parks and playgrounds and other recreational works, industrial plants, and utility plants.</p> <p>(b) Addition and alteration works on buildings involving structural changes.</p> <p>(c) Installation of roofs.</p>	B1	1 July 2018
CW02	Civil engineering	<p>(a) Works involving concrete, masonry and steel in bridges, sewers, culverts, reservoirs, retaining walls, canals, drainage systems, underground structures, cutting and filling of embankment, river banks, excavation of deep trenches, scraping of sub-soil, surface drainage works, flexible pavement, rigid pavement or laterite roads, bus bays, open car-parks and related works such as kerbs and footways.</p> <p>(b) Works involving dredging in canal, river and offshore for the purpose of deepening and extraction of mineral or construction material. It also includes reclamation works.</p> <p>(c) Works involving marine piling and the construction of marine structures such as jetties, wharves, sea and river walls. The head does not cover the construction and fabrication of marine crafts, pontoons and oilrigs or any floating platform.</p>	B2	1 July 2018
CR03	Demolition	All general demolition works.	Single grade	1 July 2018

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Workheads	Title	Scope of work	Grade ⁽¹⁾	Expiry date
CR07	Cable/Pipe laying & road reinstatement	Installation of underground cables/pipes and the subsequent reinstatement of roads and other surfaces including detection of underground services.	L1	1 July 2018

Note:

- (1) The differences in BCA Grades relate to the tendering limits for Singapore public sector projects and may be adjusted on a yearly basis depending on the economy of the construction industry in Singapore.

The current tendering limits for major categories of registration under the CRS are as summarised below:

Construction Workheads (CW01 and CW02)

Grades	A1	A2	B1	B2	C1	C2	C3
Tendering limit (S\$ million)	Unlimited	90	42	14	4.2	1.4	0.7

Specialist Workheads (CR03 and CR07)

Grades	Single Grade	L6	L5	L4	L3	L2	L1
Tendering limit (S\$ million)	Unlimited	Unlimited	14	7.0	4.2	1.4	0.7

In order for CL Construction to maintain its existing BCA gradings, there are certain requirements to be complied with, including but not limited to requirements relating to minimum paid up capital and net worth, employment of personnel (including registrable professionals (“**RP**”)⁽²⁾, professionals (“**P**”)⁽³⁾ and technicians (“**T**”)⁽⁴⁾, and track record of past projects or contracts secured.

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Some of the specific requirements for CL Construction's BCA gradings as at the Latest Practicable Date are as follows:

Workhead/Title/ Grade	Requirements	
CW01/General Building/B1	Minimum paid-up capital and minimum net worth	S\$3 million
	Management	To employ at least 6 RP, P or T, with a minimum of 2 RP and 1 RP/P/T with SDCP ⁽⁵⁾ /CCPP ⁽⁶⁾ .
	Track record (over a three-year period)	To secure projects with an aggregate contract value of at least S\$30 million with a minimum S\$22.5 million from main contracts (nominated sub-contracts may be included) and a minimum size single main contract or nominated sub-contract of S\$7.5 million. Percentage of sub-contract value taken into consideration shall be 50%.
	Certification	<ul style="list-style-type: none"> ● ISO 9001:2008 ● ISO 14000 ● OHSAS 18000 ● Green and Gracious Builder Scheme (by 1 January 2016)
	Additional requirement	To possess GB1 Licence.
CW02/Civil Engineering/B2	Minimum paid-up capital and minimum net worth	S\$1 million
	Management	To employ at least 3 RP, P or T, with a minimum of 1 RP and 1 RP/P/T with ACCP ⁽⁷⁾ .
	Track record (over a three-year period)	To secure projects with an aggregate contract value of at least S\$10 million with a minimum S\$5 million from main contracts (nominated sub-contracts may be included) and a minimum size single main contract or nominated sub-contract of S\$2.5 million. Percentage of sub-contract value taken into consideration shall be 75%.
	Certification	<ul style="list-style-type: none"> ● ISO 9001:2008 ● ISO 14000 ● OHSAS 18000 ● Green and Gracious Builder Scheme (by 1 January 2016)
	Additional requirement	To possess GB1 Licence.

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Workhead/Title/ Grade	Requirements	
CR03/Demolition/ Single Grade	Minimum paid-up capital and minimum net worth	S\$10,000
	Management	1T with BCCPE ⁽⁸⁾
	Track record (over a three-year period)	To secure projects with an aggregate contract value of at least S\$100,000. Completed at least one demolition project.
CR07/Cable/Pipe laying & road reinstatement/L1	Minimum Paid-Up Capital & Minimum Net Worth	S\$10,000
	Management	1T with BCCPE ⁽⁸⁾
	Track Record (over a three-year period)	To secure projects with an aggregate contract value of at least S\$100,000.

Notes:

- (2) A registrable professional (“**RP**”) must have a minimum professional qualification of a degree in architecture, civil/structural engineering or equivalent recognised by Professional Engineers Board (PEB), BCA or Board of Architects Singapore (BOA).
- (3) A professional (“**P**”) must have a minimum professional qualification of a recognized degree in architecture, building, civil/structural engineering or equivalent.
- (4) A technician (“**T**”) must have a minimum qualification of (i) a technical diploma in architecture, building, civil/structural mechanical, electrical engineering, or equivalent awarded by BCA Academy, Nanyang Polytechnic, Ngee Ann Polytechnic, Republic Polytechnic, Singapore Polytechnic or Temasek Polytechnic; (ii) a National Certificate in Construction Supervision (NCCS) or Advance National Building Qualification (NBQ) or a Specialist Diploma in M&E Coordination awarded by BCA Academy; or (iii) such other diplomas or qualifications as approved by the BCA from time to time.
- (5) A 5-month Specialist Diploma in Construction Productivity (“**SDCP**”) programme conducted by the BCA Academy to keep participants abreast of the latest productive technologies and trends, and encourage adoption of such technologies and processes.
- (6) The BCA Certified Construction Productivity Professional (“**CCPP**”) Scheme accords recognition and grooms a pool of competent construction professionals who would lead the push for sustained productivity improvement within the construction industry. As part of the registration criteria, the professional must be able to demonstrate his capability and dedicated efforts in improving productivity of construction project sites. These efforts can include contribution and application of ideas, management/technical skills which lead to significant productivity growth for the project sites.
- (7) A 2-month Advanced Certificate in Construction Productivity (“**ACCP**”) conducted by BCA Academy to keep participants abreast of the latest productive technologies and trends and encourage adoption of such technologies and processes.

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- (8) Basic Concept in Construction Productivity Enhancement (Certificate of Attendance) (“**BCCPE**”). This certificate is obtained after having attended a course conducted by the BCA Academy. Should the director of a company be the only person in the company possessing a BCCPE, he cannot utilise the same BCCPE to satisfy the requirements for another company of which he is also part of.

As the holder of a GB1 Licence, CL Construction can undertake private sector contracts of unlimited value. The company’s work scope under a GB1 Licence includes all general building works as well as the following minor specialist building works:

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

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

To qualify for the GB1 Licence, the following conditions must be met by CL Construction:

Class of Builders’ Licence	Financial	Approved person ⁽⁹⁾	Technical controller ⁽¹⁰⁾		
	(minimum paid-up capital)			Course	Course
General Builder Class 1	S\$300,000	A course leading to a Bachelor’s degree or postgraduate degree in any field	At least 3 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification	A course leading to a Bachelor’s degree or postgraduate degree in a construction and construction-related fields ⁽¹¹⁾	At least 5 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification

or

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Class of Builders' Licence	Financial (minimum paid-up capital)	Approved person ⁽⁹⁾ Practical experience	Technical controller ⁽¹⁰⁾ Practical experience
	Course	Course	Course
	A course leading to a diploma in a construction and construction-related fields ⁽¹¹⁾	At least 5 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification	
		or	
	A course conducted by BCA known as "Essential Knowledge in Construction Regulations & Management for Licensed Builders"	At least 10 years (in aggregate) of practical experience in the execution of construction projects in Singapore	

Notes:

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

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- (11) “Construction and construction-related field” means the field of architecture, civil or structural engineering, mechanical or electrical engineering, construction or project management, quantity surveying or building science, facilities or estate management.

As at the Latest Practicable Date, CL Construction satisfied the requirements of GB1 licence (General Builder Class 1) above on approved person and technical controller. Mr. Albert Quek, our Executive Director, who has more than 20 years of experience in project management and contract negotiations in the earthwork industry, is the approved person of CL Construction. Mr. Bijay Joseph, our Executive Director, who has more than 20 years of working experience in the construction industry, is the technical controller of CL Construction. Mr. Tan Keng Guan, the existing assistant contracts manager, who has joined CL Construction since June 2010 and has over 5 years of experience in building contract management in the construction industry, is the alternate to Mr. Albert Quek who also satisfies the requirements to act as an approved person. Mr. Tan Keng Guan graduated from Liverpool John Moores University with a degree of Bachelor of Science (Honours) in Building Contract Management in October 2005. Mr. Shi Hewei, an operation director of CL Construction, who has over 12 years of experience in the construction industry, is the alternate to Mr. Bijay Joseph who also satisfies the requirements to act as a technical controller. Please see section headed “Directors, senior management and employees” for the qualifications and experience of Mr. Albert Quek, Mr. Bijay Joseph and Mr. Shi Hewei. Our Directors are of the view that CL Construction can still comply with the above mentioned requirements on a continuing basis even if any one of Mr. Albert Quek or Mr. Bijay Joseph were to retire or resign as director of CL Construction.

Building and Construction Industry Security of Payment Act

Under the Building and Construction Industry Security of Payment Act, Chapter 30B of Singapore (“BCISPA”) which is regulated by the BCA, any person who has carried out any construction work or supplied any goods or services under a contract is entitled to a progress payment. The BCISPA also contains provisions relating to, amongst others, the amount of the progress payment to which a person is entitled under a contract, the valuation of the construction work carried out under a contract and the date on which a progress payment becomes due and payable. In addition, the BCISPA, amongst others, endorses the following rights:

- (i) the right of a claimant (being the person who is or claims to be entitled to a progress payment) who, in relation to a construction contract, fails to receive payment by the due date of an amount that is proposed to be paid by the respondent (being the person who is or may be liable to make a progress payment under a contract to a claimant) and accepted by the claimant, to make an adjudication application in relation to the payment claim. The BCISPA has established an adjudication process by which a person may claim payments due under a contract and enforce payment of the adjudicated amount;
- (ii) the right of a claimant to suspend the carrying out of construction work or supply of goods or services, and to exercise a lien over goods supplied by the claimant to the respondent that are unfixed and which have not been paid for, or to enforce the adjudication determination as if it were a judgment debt, if, amongst others, such claimant is not paid after the adjudicator has determined that the respondent shall pay an adjudicated amount to the claimant; and

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- (iii) where the respondent fails to pay the whole or any part of the adjudicated amount to a claimant, the right of a principal of the respondent (being the person who is liable to make payment to the respondent for or in relation to the whole or part of the construction work that is the subject of the contract between the respondent and the claimant) to make direct payment of the outstanding amount of the adjudicated amount to the claimant, together with the right for such principal to recover such payment from the respondent.

For further details, please refer to the section headed “Business — Key contract terms” of this prospectus.

Environmental Public Health Act (Chapter 95) of Singapore (“EPHA”)

Section 19(1)(b) of the EPHA states, *inter alia*, that anyone who causes or permits any dirt, sand, earth, gravel, clay or any other similar matter or thing to be dropped, scattered, spilled or thrown, in any public place shall be guilty of an offence. Section 20(1) of the EPHA prohibits, *inter alia*, the dumping or disposal of any refuse, waste of any other article from a vehicle in a public place. A public place includes any place whether privately owned or not to which the public has access.

Earth disposal sites utilised by CL Construction can be broadly categorised into three categories, (i) land reclamation sites; (ii) staging grounds; and (iii) ad-hoc construction projects requiring earth filling. CL Construction will take into consideration various factors when considering the disposal of earth at such sites, including, the approval obtained to dispose earth at the HDB-managed disposal sites, the distance of such sites from its excavation projects, the financial costs and/or benefits to disposal at such sites and the required specifications at each sites. For further details, please refer to sections headed “Industry overview” and “Business — Earth filling site” of this prospectus.

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

The EPHA also regulates, among others, the disposal and treatment of industrial waste and public nuisances. Under the EPHA, the Director-General of Public Health may, on receipt of any information respecting the existence of a nuisance liable to be dealt with summarily under the EPHA and if satisfied of the existence of a nuisance, serve a nuisance order on the person by whose act, default or sufferance the nuisance arises or continues, or if the person cannot be found, on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with summarily under the EPHA include any factory or workplace which is not kept in a clean state, any place where there exists or is likely to exist any 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.

The Environmental Protection and Management Act, Chapter 94A of Singapore seeks to provide for the protection and management of the environment and resources conservation and regulates, amongst others, air pollution, water pollution, land pollution and noise control. Under the Environmental

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Protection and Management (Control of Noise at Construction Sites) Regulations, the owner or occupier of any construction site shall ensure that the level of noise emitted from his construction site shall not exceed the maximum permissible noise levels prescribed in such regulations.

Earth Control Measures (“ECM”) under the Sewerage and Drainage Act (Chapter 294 of Singapore) (“SDA”)

Under the SDA, all contractors have to obtain a clearance certificate or approval from the Public Utilities Board (“PUB”) before commencing earthworks in the following cases:

- (i) any works which affect or are likely to affect any storm water drainage system, drain or drainage reserve, directly or indirectly; or
- (ii) any works that could lead to the discharge of silt directly or indirectly into any storm water drainage system, drain or drainage reserve.

Contractors have to comply with the Sewerage and Drainage (Surface Water Drainage) Regulations (“SDR”) which requires them to, *inter alia*:

- (a) comply with the Code of Practice on Surface Water Drainage (“SD Code”);
- (b) ensure earth control measures are provided and maintained in accordance with the SD Code;
- (c) ensure runoff within, upstream of and adjacent to the work site shall be effectively drained away without causing flooding within or in the vicinity of the work site;
- (d) ensure that all earth slopes shall be set outside a drainage reserve;
- (e) ensure that all earth slopes adjacent to any drain shall be close turfed; and
- (f) ensure that adequate measures are taken to prevent any earth, sand, top-soil, cement, concrete, debris or any other material to fall or to be washed into the storm water drainage system from any stockpile thereof.

Under the SD Code, the contractor is required to, *inter alia*, prior to the commencement of works, engage a Qualified Erosion Control Professional to plan and design a system of earth control measures, with the detailed ECM proposals to be submitted to the PUB. “Qualified Erosion Control Professional” means a Professional Engineer who is registered under the Professional Engineers Act (Chapter 253 of Singapore), and has in force a practicing certificate issued thereunder, and has satisfactorily completed a specialized professional course in erosion and sediment control.

Electricity Act (Chapter 89A of Singapore) (“Electricity Act”) and Gas Act (Chapter 116A of Singapore) (“Gas Act”)

Under the Electricity Act, except where necessary to do so in the interest of public or private safety, no person other than the electricity licensee (the “**Electricity Licensee**”) shall commence, carry out, cause or permit the commencement of any earthworks within the vicinity of any low voltage

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electricity cable, which belongs to or which is under the management or control of an Electricity Licensee unless the person has caused cable detection work to be carried out by a licensed cable detection worker.

In respect of high voltage electricity cables, no person other than an electricity licensee shall commence or carry out, or cause or permit the commencement or carrying out of, any earthworks within the vicinity of any high voltage electricity cable which belongs to or which is under the management or control of an Electricity Licensee unless the person:

- (i) has given to the Electricity Licensee not less than 7 days notice in writing of the date on which it is proposed to commence the earthworks;
- (ii) has obtained from the Electricity Licensee the necessary information on the location of such high voltage electricity cable and has consulted the electricity licensee on the steps to be taken to prevent the high voltage electricity cable from damage while the earthworks are being carried out; and
- (iii) has caused cable detection work to be carried out by a licensed cable detection worker in order to confirm the location of the high voltage electricity cable.

Under the Gas Act, no person other than a gas transporter shall commence or carry out, or cause or permit the commencement or carrying out of, any earthworks within the vicinity of any gas plant or gas pipe in a gas pipeline network owned by, or under the management or control of, the gas transporter unless the person:

- (a) has given to the gas transporter not less than 7 days' notice in writing of the date on which it is proposed to commence the earthworks;
- (b) has obtained from the gas transporter the necessary information on the location of the gas plant or gas pipe; and
- (c) has consulted the gas transporter on the steps to be taken to prevent the gas plant or gas pipe from being damaged while the earthworks are being carried out.

Employees

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).

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, (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.

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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.

Employment of foreign workers in Singapore

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

The availability of foreign workers to the construction and/or manufacturing 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; and
- quotas based on the man year entitlements (“MYE”) in respect of workers from non-traditional sources (“NTS”) and the PRC.

REGULATORY OVERVIEW

Please refer to the sections headed “Risk factors” and “Directors, senior management and employees — Employees” in this prospectus for further details.

Approved source countries

Construction

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

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

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

Requirements	Type of workers
Skills Evaluation Certificate (“SEC”) or Skills Evaluation Certificate (Knowledge) (“SEC(K)”) ⁽¹²⁾ , issued or accepted by the BCA	NTS countries and the PRC under the PA (Type: New); NAS countries
Sijil Pelajaran Malaysia (“SPM”) or its equivalent, the SEC or SEC(K)	Malaysia
Attend and pass full day Construction Safety Orientation Course (“CSOC”)	NTS counties, NAS countries, the PRC and Malaysia (All)
Pass medical examination by doctor registered in Singapore	NTS counties, NAS countries, the PRC and Malaysia (All)

Note:

(12) Both the SEC and SEC(K) schemes are initiatives by the BCA to raise skills, productivity and safety in the construction sector.

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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 would be allowed to work up to 22 years. There is no maximum employment period for all other foreign workers (from NAS and Malaysia). The maximum age limit for all foreign workers to work in Singapore, regardless of country of origin, is up to 60 years old.

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

All foreign workers in the construction sector must attend the CSOC, a two-day course conducted by various training centres accredited by MOM and obtain a valid CSOC Pass. The 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. At the end of the course, the workers will receive a safety orientation pass if they pass its requirement or assessment. Foreign workers who have failed the CSOC must retake the CSOC as soon as possible. Employers who fail to ensure that their workers take and pass the CSOC will be barred from applying for any new work permits for three months, while the affected workers will have their work permits revoked.

Manufacturing

The approved source countries for manufacturing workers are Malaysia, the PRC and NAS.

With respect to PRC manufacturing workers, basic skilled workers are allowed to work up to a maximum of 10 years, while higher skilled workers would be allowed to work up to 18 years. There is no maximum employment period for all other foreign workers from NAS and Malaysia. The maximum age limit for all foreign workers to work in Singapore, regardless of country of origin, is up to 60 years old.

Security bonds and levies

In both the construction and manufacturing sectors, 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.

REGULATORY OVERVIEW

Construction

For the construction sector, employers pay the requisite 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.

Worker Category	Monthly Levy rate (\$) (current)	Monthly Levy rate (\$) (1 July 2016)	Monthly Levy rate (\$) (1 July 2017)
Higher skilled and on MYE (see below for more details on MYE)	300	300	300
Basic skilled and on MYE	550	650	700
Higher skilled, experienced and MYE waiver ⁽¹³⁾	600	600	600
Basic skilled, experienced and MYE waiver ⁽¹³⁾	950	950	950

Note:

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

Manufacturing

For the manufacturing sector, employers pay the requisite levy according to the percentage of the foreign workers employed out of the total workforce of the company. The levy rates for 2016 and 2017 are subject to changes as and when announced by the Singapore government. The current levies payable are as follows:

Pass Type	Tiers	Percentage	Worker category	Monthly Levy rate (\$) (current)	Monthly Levy rate (\$) (1 July 2016)
S-Pass Quota: 20%	Basic/Tier 1	Up to 10% of the total workforce	Skilled/Unskilled	315	330
	Tier 2	Above 10% and up to 20% of the total workforce	Skilled/Unskilled	550	650
Work Permit Quota: 60%	Basic/Tier 1	Up to 25% of the total workforce	Skilled	250	250
			Unskilled	370	370
	Tier 2	Above 25% to 50% of the total workforce	Skilled	350	350
			Unskilled	470	470
Tier 3	Above 50% to 60% of the total workforce	Skilled	550	550	
		Unskilled	650	650	

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The calculation of the total levy bill for the manufacturing sector is as follows:

Levy tier	Levy bill for each tier	Total levy bill
Tier 1	$T_1 \times \text{Tier 1 levy rate} = \text{Levy for Tier 1}$	Total levy bill = Levy for Tier 1 + Levy for Tier 2 + Levy for Tier 3
Tier 2	$T_2 \times \text{Tier 2 levy rate} = \text{Levy for Tier 2}$	
Tier 3	$T_3 \times \text{Tier 3 levy rate} = \text{Levy for Tier 3}$	

Dependency ceilings

Construction

The dependency ceiling for the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers. This means that for every full-time Singapore citizen or Singapore permanent resident employed by a company in the construction sector with regular full month CPF contributions made by the employer, the company can employ seven foreign workers. However, the quota may not apply to higher skilled foreign employees.

Manufacturing

The dependency ceiling for the manufacturing industry is currently set at one local full time employee to one-and-a-half foreign workers. Therefore for every two local employees in the manufacturing sector, the company may hire a maximum of three foreign employees. However the manufacturing industry is further subject to different sub-quotas: (i) sub-quota for foreign workers from the PRC (ii) sub-quota for foreign workers under each different levy tier:

- (i) Sub-quota for foreign workers from the PRC:

For workers from the PRC the sub-quota is calculated using the following formula:
 $25\% \times (\text{company's total workforce} + 1)$

- (ii) Foreign workers under each different levy tier (see below for levy tier details)

Levy Tiers

Tier 1 $T_1 = 25\% \times \text{total workforce}$

Tier 2 $T_2 = (50\% \times \text{total workforce}) - T_1$

Tier 3 $T_3 = \text{Actual number of foreign workers} - T_1 - T_2$

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.

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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. All levels of subcontractors are required to obtain their MYE allocation from their main contractors. 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. NTS or PRC construction workers who have worked with any employer for a cumulative period of two or more years in the construction industry, may be hired by main contractors without the need for MYE.

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

- that the foreign worker performs only those construction activities specified in the conditions;
- ensuring that the foreign worker is not sent to work for any other person, except as provided for in the conditions;
- providing safe working conditions for their foreign workers; and
- purchasing and maintaining medical insurance with coverage of at least S\$15,000 per 12-month period of the foreign worker’s employment (or for such shorter period where the worker’s period of employment is less than 12 months) for the foreign worker’s in-patient care and day surgery except as the Controller of Work Passes may otherwise provide by notification in writing. Where the employer purchases group medical insurance policy for its foreign workers, the employer shall not be considered to have satisfied the 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.

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

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

Female employees

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) 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 90 days 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.

Workplace safety and health safety measures

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.

The Workplace Safety and Health (Construction) Regulations 2007 sets out additional specific duties on employers which include, *inter alia*, appointing a workplace safety and health co-ordinator in respect of every worksite to assist and identify 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 (“**WSHR**”). 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.

Pursuant to the WSHR, the following equipment are required to, amongst others, be tested and examined by an authorised examiner (“**Authorised Examiner**”) before they can be used and thereafter, at specified intervals:

- hoists or lifts
- lifting gears
- lifting appliances and lifting machines

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

In addition to the above, under the WSHA, inspectors appointed by the Commissioner for Workplace Safety and Health (“**CWSH**”) 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

REGULATORY OVERVIEW

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.

Under the WSHA, the CWSH may issue a stop-work order in respect of a workplace if he is satisfied that (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (ii) any person has contravened any duty imposed by the WSHA; or (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work. The stop-work order shall, amongst others, direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

The MOM has also implemented an enhanced demerit points system for the construction sector since 1 July 2015. All main contractors and subcontractors in the construction sector will be issued with demerit points for breaches under the WSHA and relevant subsidiary legislation. The number of demerit points awarded depends on the severity of the breach. Under the single-stage Demerit Points System (DPS) for the construction industry, the number of demerit points awarded depends on the severity of the infringement. An accumulation of a minimum of 25 demerit points within a period of 18 months would immediately trigger debarment for the contractor. Applications from the company for all types of work passes for foreign employees will be rejected by the MOM. The accumulation of more demerit points will result in longer periods of debarment. During the Track Record Period and up to the Latest Practicable Date, we received cumulative demerit points of two points with a validity of 12 months due to certain incidents for breaches of workplace safety regulations that took place on 24 March 2015 under the previous demerit point system. For details of such non-compliance incidents, please refer to section headed “Business — Regulatory compliance — Workplace safety breaches”.

The number of demerit points issued to contractors will be based on the severity of the offences committed:

Type of incident	Demerit Points	Effective Date
Composition fines	1 point per fine from the 4th composition fine onwards	Date of MOM’s decision to offer composition fines
Stop work order (partial)	5	Date of stop work order issued
Stop work order (full)	10	Date of stop work order issued
Prosecution action taken for accident that led to serious injuries to any person	18	Date of MOM’s decision to prosecute

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Type of incident	Demerit Points	Effective Date
Prosecution action taken for dangerous occurrence (potential for multiple fatalities)	18	Date of MOM's decision to prosecute
Prosecution action taken for accident that led to death of one person	25	Date of MOM's decision to prosecute
Prosecution action taken for accident that led to death of more than one person	50	Date of MOM's decision to prosecute

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

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

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

Under the Workplace Safety and Health (Registration of Factories) Regulations 2008 (“**Factories Regulations**”), any person who desires to occupy or use any premises as a factory falling within any of the classes prescribed under the First Schedule of the Factories Regulations is required to register the premises as a factory with the Commissioner for Workplace Safety and Health (“**Commissioner**”), while any person who desires to use or occupy any premises as a factory not falling within such classes shall only be required to submit a notification in the prescribed form to the Commissioner before the commencement of operation of the factory. In the latter case, the occupier of the factory is required to inform the Commissioner, *inter alia*, of any changes in any of the particulars of the factory, type of work carried out in the factory or any cessation of occupation or use of the factory.

Pursuant to the Workplace Safety and Health (Risk Management) Regulations, the employer in a workplace is supposed to, *inter alia*, conduct a risk assessment in relation to the safety and health risks posed to any person who may be affected by his undertaking in the workplace, take all reasonably practicable steps to eliminate or minimise foreseeable risks, implement measures/safety procedures to

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address the risks, and to inform workers of the same, maintain records of such risk assessments and measures/safety procedures for a period of not less than 3 years, and submit such records to the Commissioner from time to time when required by the Commissioner.

Please refer to the section headed “Business — Workplace safety and health policy” in this prospectus.

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 or independent contractors. However, as the WICA provides that, where any person (referred to as the principal) in the course of or for the purpose of his trade or business contracts with any other person (referred to as the subcontractor employer), the principal shall be liable to compensate those employees of the subcontractor employer who were injured while employed in the execution of work for the principal.

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.

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.

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 him, unless specifically exempted.

Storage of diesel

Under the Fire Safety Act, Chapter 109A of Singapore (“**FSA**”), no person shall store or keep, or cause to be stored or kept, any class of petroleum or any flammable materials, except, *inter alia*, under the authority of and in accordance with the provisions of a storage licence from the Commissioner of Civil Defence (“**CCD**”) and every condition specified therein, and such licence shall be applied for in

REGULATORY OVERVIEW

accordance with the Fire Safety (Petroleum and Flammable Materials) Regulations (“**FS(PFM)R**”). Under the FS(PFM)R, a separate licence is required for the storage of petroleum or flammable material at each location in which petroleum or flammable material will be stored.

Pursuant to the FS(PFM)R, the licensee is required to, amongst others:

- (i) keep and maintain up-to-date records of all petroleum and flammable materials stored or kept at the licensed premises;
- (ii) ensure that the ventilation, means of escape, structural fire precautions, fire prevention and extinguishing systems of the licensed premises are constructed and installed in accordance with the provisions of the Fire Safety (Building and Pipeline Fire Safety) Regulations and an accepted code of practice;
- (iii) take all practicable steps to prevent the occurrence on the licensed premises of accidents through fire, explosion, leakage or ignition of any petroleum or flammable material or vapours thereof or other causes;
- (iv) not do or allow the doing of any act in or on those licensed premises that may cause fire, explosion or any other dangerous occurrences, unless it is reasonably necessary for the purpose of, or incidental to, the storage or keeping of petroleum or flammable material at those licensed premises;
- (v) so far as is reasonably practicable, take necessary steps to ensure that:
 - (a) all the entrances, passageways, exits and other means of escape in the licensed premises are free from obstruction at all times; and
 - (b) those licensed premises are accessible at all times to fire engines, ambulances or other emergency vehicles;
- (vi) take all practicable precautions to prevent persons from entering the licensed premises or having access to any petroleum or flammable material in or on the licensed premises, except with the licensee’s permission;
- (vii) provide, implement and maintain such fire protection, detection and mitigation measures, materials and equipment in the licensed premises as the CCD may reasonably require for the purposes of fire safety;
- (viii) establish and maintain a competent in-house, on-site emergency response team comprising such number of persons as the CCD may direct;
- (ix) adopt such security measures as the CCD considers fit for the licensed premises; and
- (x) prepare and keep up-to-date an emergency response plan to deal effectively with any spillage, leakage, accidental discharge or emergency which may arise from the storage of petroleum or flammable material at the licensed premises.

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Personal Data Protection Act 2012 (the “PDPA”)

The main data protection rules in the PDPA came into full effect on 2 July 2014. The PDPA governs the collection, use and disclosure of personal data by organisations in a manner that recognizes both the right of individuals to protect their personal data and the need of organisations to collect, use or disclose the same for purposes that a reasonable person would consider appropriate in the circumstances. Under the PDPA, personal data is defined as data, whether true or not, about an individual (whether living or deceased) who can be identified (a) from that data; or (b) from that data and other information to which the organisation has, or is likely to have access. Generally, the PDPA imposes the following obligations on organisations collecting, using or disclosing personal data of individuals (“**relevant persons**”): obligations of obtaining consent, giving notification and access and correction rights to the relevant persons, purpose limitation in respect of use of, and retention limitation and transfer limitation in respect of personal data collected, ensuring accuracy and protection of data collected and openness in making information available on its privacy policies and procedures relating to protection of personal data.

Company laws and regulations

CL Construction, which is an indirect wholly-owned subsidiary of our Company, is a private company limited by shares, incorporated and governed under the provisions of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and its regulations.

The Companies Act generally governs, amongst others, matters relating to the status, power and capacity of a company, shares and share capital of a company (including issuances of new shares (including preference shares), treasury shares, share buybacks, redemption, share capital reduction, declaration of dividends, financial assistance, directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), protection of minority shareholders’ rights, accounts, arrangements, reconstructions and amalgamations, winding up and dissolution.

In addition, members of a company are subject to, and bound by the provisions of the memorandum and articles of association of the company. The memorandum of association of a company provides for, inter alia, the objects of the company while the articles of association of the company contains, inter alia, provisions relating to some of the matters in the foregoing paragraph, transfers of shares as well as sets out the rights and privileges attached to the different classes of shares of the company (if applicable).

Singapore taxation

Corporate tax

The prevailing corporate tax rate in Singapore is 17% with effect from Year of Assessment 2010. In addition, the partial tax exemption scheme applies on the first S\$300,000 of normal chargeable income; and specifically 75% of up to the first S\$10,000 of a company’s normal chargeable income, and 50% of up to the next S\$290,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17%. Further, companies will be granted a corporate income tax rebate of 50% of the tax payable for the Years of Assessment 2016 to 2017, subject to a cap of S\$20,000 per year of assessment.

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Dividend distributions

(i) One tier corporate taxation system

Singapore adopts the one-tier corporate taxation system (“**One-Tier System**”). Under the One-Tier System, the tax collected from corporate profits is a final tax and the after-tax profits of the company resident in Singapore can be distributed to the shareholders as tax-exempt (One-Tier) dividends. Such dividends are tax-exempt in the hands of the shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

(ii) Withholding taxes

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

Productivity and Innovation Credit Scheme

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

Goods and Services Tax (“GST”)

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

We have over 20 years of experience in the provision of earthworks to the construction industry in Singapore. Our history can be traced back to June 1992 when our founder, Controlling Shareholder and Executive Director, Mr. Alan Lim, established “Chuan Lim Construction & Engineering” as a sole proprietorship, which was initially engaged in earthworks and rental of machinery. Prior to establishing our Group, Mr. Alan Lim has had around 7 years of experience in the construction industry in Singapore. On 27 January 1996, CL Construction was incorporated as a private limited company which was then owned by Mr. Alan Lim together with his brother, Mr. Lim Ching Mong in equal share, through their personal resources. “Chuan Lim Construction & Engineering” was subsequently dissolved on 31 December 2003.

In November 1997, CL Construction obtained a public residential project for the provision of excavation works at Bukit Panjang, Singapore. Following this project, we started to establish our relationships with main contractors and gradually built our reputation and track record in the construction industry which has enabled us to secure more excavation projects for public infrastructures and industrial buildings. As at 31 December 2015, our resources have grown to over 90 tipper trucks and over 90 excavation machines with a staff strength of over 300. Our other notable projects in relation to earthworks were excavation works, including provision of civil engineering services for a cable tunnel; tunnel excavation works of Marymount MRT Station, excavation works, including provision of civil engineering services for pavement and drain works at an air base; and excavation works for an industrial project, including provision of roads, drainage, sewerage and ancillary works at an aerospace park.

In March 2000, CL Construction obtained ISO 9001:2008 certification for building and civil engineering construction services. In August 2006, CL Construction obtained OHSAS 18001:2007 certification for the scope of provision of general building and civil engineering works. In June 2009, we first registered for GB1 Licence by the BCA under the BLS. In November 2010, CL Construction became wholly-owned by Mr. Alan Lim.

In January 2013, CL Construction upgraded to B1 grading in the workhead category of “General Building”, enabling it to tender directly for public sector projects of up to S\$42 million. In April 2013, CL Construction obtained ISO 14001:2004 certification for the scope of provision of general building and civil engineering works.

CL Construction also diversified its business into general construction works so as to be less reliant on the pipeline of new construction projects. In April 2009, CL Construction obtained a notable project for A&A works of an integrated resort with a contract value of approximately S\$19.9 million. Our other notable projects in relation to general construction works were commercial building project for a cruise centre, public residential project to design and build of upgrading HDB projects at Teban Gardens Estate, Clementi Street 13 and Telok Blangah Crescent area and a theme park at Sentosa in Singapore.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Key milestones of our Group

The following table sets forth major development milestones of our Group:

Date	Milestones
November 1997	CL Construction obtained a public residential project for excavation works at Bukit Panjang, Singapore with a contract value of approximately S\$1.9 million.
April 1999	CL Construction obtained a private residential project at Sembawang Road providing excavation works with a contract value of approximately S\$0.7 million.
November 1999	CL Construction obtained its first public infrastructure project for excavation works, including provision of civil engineering services for a cable tunnel with a contract value of approximately S\$5.9 million.
February 2004	CL Construction obtained a public infrastructure project for tunnel excavation works of Marymount MRT Station, with a contract value of approximately S\$4.9 million.
June 2007	CL Construction obtained a commercial building project for excavation works at Kaki Bukit, Singapore with a contract value of approximately S\$1.3 million.
December 2008	CL Construction obtained a public industrial project for excavation works, including provision of civil engineering services for pavement and drain works at an air base with a contract value of approximately S\$8.0 million.
April 2009	CL Construction obtained a private commercial building project for A&A works of an integrated resort, with a contract value of approximately S\$19.9 million.
May 2009	CL Construction obtained a public industrial project for excavation works at an airport with a contract value of approximately S\$1.4 million.
May 2011	CL Construction obtained a commercial building project for A&A works of a cruise centre, with a contract value of approximately S\$9.2 million.
June 2013	CL Construction obtained a contract for A&A works for a theme park at Sentosa, with a contract value of approximately S\$2.0 million.
August 2013	CL Construction obtained an industrial project for excavation works, including provision of roads, drainage, sewerage and ancillary works at an aerospace park, with a contract value of approximately S\$7.1 million.
December 2013	CL Construction obtained a public residential project for A&A works for HDB to design and build of upgrading projects at Teban Gardens Estate, Clementi Street 13 and Telok Blangah Crescent area, with a contract value of approximately S\$36.9 million.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date	Milestones
January 2015	CL Construction obtained a public residential project for A&A works for HDB to design and build of upgrading projects at Yishun area, with a contract value of approximately S\$27.1 million.
April 2015	CL Construction obtained a multi-storey carpark project for general construction works for HDB, with a contract value of approximately S\$16.1 million.
March 2016	CL Construction obtained a government institution project for excavation works, including drainage diversion, tree felling and removal and site clearance, with a contract value of approximately S\$1.8 million.

Our corporate development

As at the Latest Practicable Date, our Company had established one investment holding company and one operating subsidiary to carry on our business. The corporate development of our principal operating subsidiary is set out below.

CL Construction

On 27 January 1996, our founder, Mr. Alan Lim, together with his brother, Mr. Lim Ching Mong incorporated CL Construction as a private limited company in Singapore and both were appointed as directors on the same date. The share capital as at the date of incorporation was S\$2, with one share allotted and issued to each of Mr. Alan Lim and Mr. Lim Ching Mong. On 9 April 1996, 34,999 shares, 9,999 shares and 5,000 shares were allotted and issued to Mr. Alan Lim and his two brothers, Mr. Lim Ching Mong and Mr. Lim Alek respectively, who made cash contributions out of their personal resources for these shares at S\$34,999, S\$9,999 and S\$5,000 respectively. The resultant shares held by each of Mr. Alan Lim, Mr. Lim Ching Mong and Mr. Lim Alek were 35,000 shares, 10,000 shares and 5,000 shares representing approximately 70%, 20% and 10% respectively of the then entire issued share capital of CL Construction as at 9 April 1996.

On 21 May 1996, a total of 50,000 shares were allotted to Mr. Alan Lim, Mr. Lim Ching Mong and Mr. Lim Alek in proportion of their shareholding by way of cash contribution out of their personal resources of S\$35,000, S\$10,000 and S\$5,000 respectively. The resultant shares held by each of Mr. Alan Lim, Mr. Lim Ching Mong and Mr. Lim Alek were 70,000 shares, 20,000 shares and 10,000 shares representing approximately 70%, 20% and 10% respectively of the then entire issued share capital of CL Construction as at 21 May 1996.

On 5 October 1998, 400,000 shares were allotted and issued to Mr. Alan Lim, who made a cash contribution out of his personal resources for these shares at S\$400,000. On 5 November 1999, Mr. Alan Lim transferred 125,000 shares to an Independent Third Party, who was appointed as a director of CL Construction on 16 November 1998, at an agreed consideration of S\$221,250 with reference to net asset value of the shares transferred based on the audited accounts as at 31 December 1998, which was paid in cash to Mr. Alan Lim out of the Independent Third Party's personal resources. On 30 June 2000,

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

the Independent Third Party resigned as a director of CL Construction and transferred all of his 125,000 shares back to Mr. Alan Lim at an agreed consideration of S\$125,000 with reference to par value of the shares which was paid in cash and out of personal resources of Mr. Alan Lim.

On 29 December 2000, 500,000 shares were allotted and issued to Mr. Alan Lim, who made a cash contribution out of his personal resources for these shares at S\$500,000. The resultant shares held by each of Mr. Alan Lim, Mr. Lim Ching Mong and Mr. Lim Alek were 970,000 shares, 20,000 shares and 10,000 shares representing approximately 97%, 2% and 1% respectively of the then entire issued share capital of CL Construction as at 29 December 2000.

On 28 December 2005, Mr. Lim Ching Mong resigned as a director of CL Construction and transferred all of his 20,000 shares in CL Construction to Mr. Alan Lim at an agreed consideration of S\$20,000 with reference to his investment cost which was paid in cash and out of personal resources of Mr. Alan Lim. On 10 November 2010, Mr. Lim Alek, who resigned as a director of CL Construction on 18 April 2001, transferred all of his 10,000 shares in CL Construction to Mr. Alan Lim at an agreed consideration of S\$200,000 with reference to net asset value of the shares transferred based on the audited accounts as at 31 December 2009 which was paid in cash and out of Mr. Alan Lim's personal resources. Subsequently on 10 December 2012, a sum of S\$2,000,000 profits was capitalised and distributed by way of fully paid up bonus shares in the proportion of two new ordinary shares for every one existing ordinary share whereby an aggregate of 2,000,000 shares were issued to Mr. Alan Lim with the resultant share capital of CL Construction being wholly held by Mr. Alan Lim with 3,000,000 shares.

The share capital of CL Construction remained unchanged after the aforesaid allotment and issue of shares in December 2012. On 13 October 2015, pursuant to the Reorganisation, CL Construction became an indirect wholly-owned subsidiary of our Company held through Longlands. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section. The abovementioned transfers had been properly and legally completed.

Disposal of associated companies

In February 2003, CL Construction acquired 28% of the issued and paid-up capital of ECO CDW Management Pte. Ltd., a company incorporated in Singapore on 8 October 2002 with the principal activity of processing and recycling construction and demolition waste. The acquisition was for 56,000 shares transferred from an Independent Third Party, at a cash consideration of S\$56,000 with reference to par value of the shares, paid via the internal resources of CL Construction. Subsequently in September 2005, CL Construction acquired a further 17% of the issued and paid-up capital of ECO CDW Management Pte. Ltd. The acquisition was for 34,000 shares transferred from an Independent Third Party, at a cash consideration of S\$34,000 with reference to par value of the shares, paid via the internal resources of CL Construction. In December 2013, CL Construction disposed its 90,000 shares, or 45% equity interest, in ECO CDW Management Pte. Ltd. to an Independent Third Party, for a cash consideration of approximately S\$1.5 million with reference to the net tangible assets of ECO CDW Management Pte. Ltd. as at 30 November 2013.

In November 2010, CL Construction acquired 15% of the issued and paid-up capital of Bluconnection Pte. Ltd., a company incorporated in Singapore with the principal activity of manufacturing and distribution of dyestuff and chemicals, and the provision of services for textile industry. CL Construction was allotted and issued 176,500 shares for the cash consideration of

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

S\$900,000 with reference to the projected earnings, paid via the internal resources of CL Construction. On 30 May 2014, CL Construction disposed its 176,500 shares in Bluconnection Pte. Ltd., to an Independent Third Party, for a cash consideration of S\$450,000 with reference to the initial investment costs and the net tangible liabilities of Bluconnection Pte. Ltd. as at 31 December 2013.

PRE-IPO INVESTMENT

Overview

On 7 September 2015, Longlands entered into the Pre-IPO Subscription Agreement with the Pre-IPO Investor as subscriber, Longlands as the issuer and Mr. Alan Lim as guarantor to Longlands, pursuant to which the Pre-IPO Investor agreed to subscribe and Longlands agreed to allot and issue seven ordinary shares in the share capital of Longlands, representing 7% of the enlarged issued share capital of Longlands (the “**Subscription Shares**”), for a total cash consideration of HK\$12,000,000 (“**Pre-IPO Investment**”).

Details of Pre-IPO Investment

Date of the relevant agreement	Pre-IPO Investor	Aggregate consideration paid under the Pre-IPO Investment	Basis of consideration	Date of completion (and settlement of full payment) of the Pre-IPO Investment	Approximate percentage of shareholdings in Longlands after Pre-IPO Investment	Approximate percentage of interests in our Company upon Listing (without taking into account any Shares that may be allotted and issued upon exercise of the options to be granted under the Share Option Scheme)	Approximate cost of investment per Share upon Listing	Approximate percentage of discount to the mid-point Offer Price of HK\$0.735 per Share
7 September 2015 (Pre-IPO Subscription Agreement)	Victory Time	HK\$12,000,000	The net profit of CL Construction for the year ended 31 December 2014	7 September 2015 (settled on the same date)	7%	5.25%	HK\$0.23	68.7%

Beneficial owners of Pre-IPO Investment

To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, Victory Time is wholly-owned by Mr. Cheung Yick Chung and Mr. Cheung Ching Ping Stephen equally. Mr. Cheung Yick Chung is an investor and Mr. Cheung Ching Ping Stephen is also an investor with a SFC representative licence and the two are father and son respectively. Mr. Cheung Ching Ping Stephen was acquainted with Mr. Alan Lim during numerous social occasions in Singapore and Mr. Alan Lim was aware that Mr. Cheung Ching Ping Stephen and his father had directly or indirectly invested in numerous listed companies in Singapore as pre-IPO/cornerstone investors.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Save for the Pre-IPO Investment, each of Victory Time, Mr. Cheung Yick Chung and Mr. Cheung Ching Ping Stephen are independent of and not connected with our Group and/or any connected person(s) of our Company.

Benefits of the introduction of the Pre-IPO Investor

In light of our Group's needs for additional capital to finance our growing business and in view of the expenses to be incurred during the preparation of the Listing, we are of the view that the investment made by the Pre-IPO Investor would serve the purpose of fund raising.

Basis of consideration

The terms of the Pre-IPO Subscription Agreement were arrived at after arm's length negotiations among Longlands, the Pre-IPO Investor and Mr. Alan Lim and the consideration paid by the Pre-IPO Investor thereunder was determined with reference to the net profit of CL Construction in its audited accounts for the year ended 31 December 2014. The proceeds from the Pre-IPO Subscription Agreement will be used to partially finance the costs of the Listing and for general working capital of our Group.

Rights of the Pre-IPO Investment

Call Option under the Pre-IPO Subscription Agreement

Under the Pre-IPO Subscription Agreement, the Pre-IPO Investor granted Mr. Alan Lim the right (the "**Call Option**") to require the Pre-IPO Investor to sell the shares in Longlands (the "**Option Share(s)**") to Mr. Alan Lim at the option price of HK\$1.00.

The Option may be exercised in whole but not in part by Mr. Alan Lim at any time after 30 June 2016 for the sole reason that the Listing does not materialise other than as a result of a default event.

For the purpose of the Option, a default event means the inability to conduct the Listing due to reasons of (i) unsuitability of controlling shareholders and/or the directors as a result of events/actions, regulatory sanctions or reprimands leading to such person unsuitable to be a director or controlling shareholder of a listed company; or (ii) material breaches of CL Construction or any member of our Group of laws and regulations during the relevant Track Record Period; or (iii) Mr. Alan Lim ceases to proceed with the Listing for whatever reason (a "**Default Event**").

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, no Default Event had occurred since the entering into of the Pre-IPO Subscription Agreement and up to the Latest Practicable Date.

Exit right under the Pre-IPO Subscription Agreement

Pursuant to the Pre-IPO Subscription Agreement, Longlands and Mr. Alan Lim agreed to undertake to the Pre-IPO Investor that for the sole reason that if the Listing does not materialise by 30 June 2016 as a result of a Default Event, then either Mr. Alan Lim shall acquire the Subscription Shares from the Pre-IPO Investor for an amount equal to the consideration paid by the Pre-IPO Investor under the Pre-IPO Subscription Agreement (the "**Consideration**") or Mr. Alan Lim shall, subject to compliance with

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

the relevant laws and requirements, repurchase the Subscription Shares at the Consideration. Such acquisition or repurchase (provided that the Listing does not materialise by 30 June 2016) shall take place as soon as possible after 30 June 2016.

Pursuant to the Side Letter, the parties to the Pre-IPO Subscription Agreement have agreed to amend the longstop date for a Listing from 30 June 2016 to 30 June 2017. Save as disclosed above, all other terms and conditions of the Pre-IPO Subscription Agreement shall remain unchanged and continue in full force and effect.

Based on the Pre-IPO Subscription Agreement and the Side Letter, there is no amendment to the major terms of the Pre-IPO Subscription Agreement. Based on the advice from our legal adviser as to the laws of Hong Kong, the terms of the Side Letter were regarded as a clarification of the obligations of the parties to the Pre-IPO Subscription Agreement when the Listing does not materialise due to a default event, which had been provided for in the Pre-IPO Subscription Agreement. As such, we are of the view that the Side Letter would not constitute a new agreement with respect to the Pre-IPO Subscription Agreement.

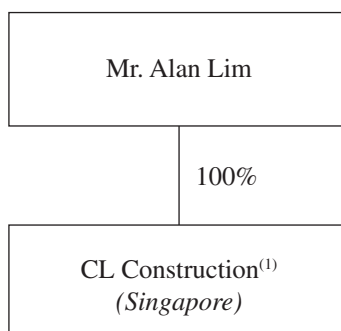
For the avoidance of doubt, neither the Call Option nor the exit right may be exercised in any other event other than as stated above.

On the above basis, the Sole Sponsor is not aware of any terms of the pre-IPO investment which are not in compliance with Guidance Letter HKEx-GL43-12 and it is of the view that the pre-Listing investment is in compliance with the “Interim Guidance on Pre-IPO Investments” issued by the Listing Committee since the consideration under the pre-Listing investment was settled on 7 September 2015, which was more than 28 clear days before the date of the first submission of the listing application form to the Listing Committee of the Stock Exchange in relation to the Listing.

REORGANISATION

In May 2015, we commenced the Reorganisation for the Listing pursuant to which our Company became the holding company of our Group.

The shareholding structure of our Group, immediately prior to the implementation of Reorganisation, is illustrated below:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Note:

- (1) As at the Latest Practicable Date, the issued and paid-up share capital of CL Construction is S\$3,000,000 comprised 3,000,000 shares of S\$1 each and the directors of CL Construction are Mr. Alan Lim, Mr. Albert Quek, Mr. Bijay Joseph and Mr. Dicky Lau. CL Construction is our main subsidiary undertaking the principal activities of provision of earthworks and general construction works.

In preparation for the Listing, our Group has undergone the Reorganisation and the steps are as follows:

(i) Incorporation of Longlands, Brewster Global and our Company

On 9 June 2015, Longlands was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US\$1, of which 92 fully paid shares have been allotted and issued at par to Mr. Alan Lim on 31 July 2015. On 7 September 2015, Pre-IPO Investor entered into a subscription agreement amongst Longlands and Mr. Alan Lim to subscribe for seven shares in Longlands for a consideration of HK\$12,000,000.

On 20 May 2015, Brewster Global was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US\$1, of which one fully paid share has been allotted and issued at par to Mr. Alan Lim on 31 July 2015.

On 25 August 2015, our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law and the initial one nil-paid subscriber share was issued to Carig Fulton and transferred to Brewster Global nil-paid on the same day. Our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

(ii) Acquisition of CL Construction

On 13 October 2015, Mr. Alan Lim transferred the entire issued share capital of CL Construction to Longlands in consideration of Longlands allotting and issuing one share to Mr. Alan Lim credited as fully paid (with reference to the net asset value and anticipated future earnings of CL Construction). After completion of the above transaction, CL Construction was wholly-owned by Longlands.

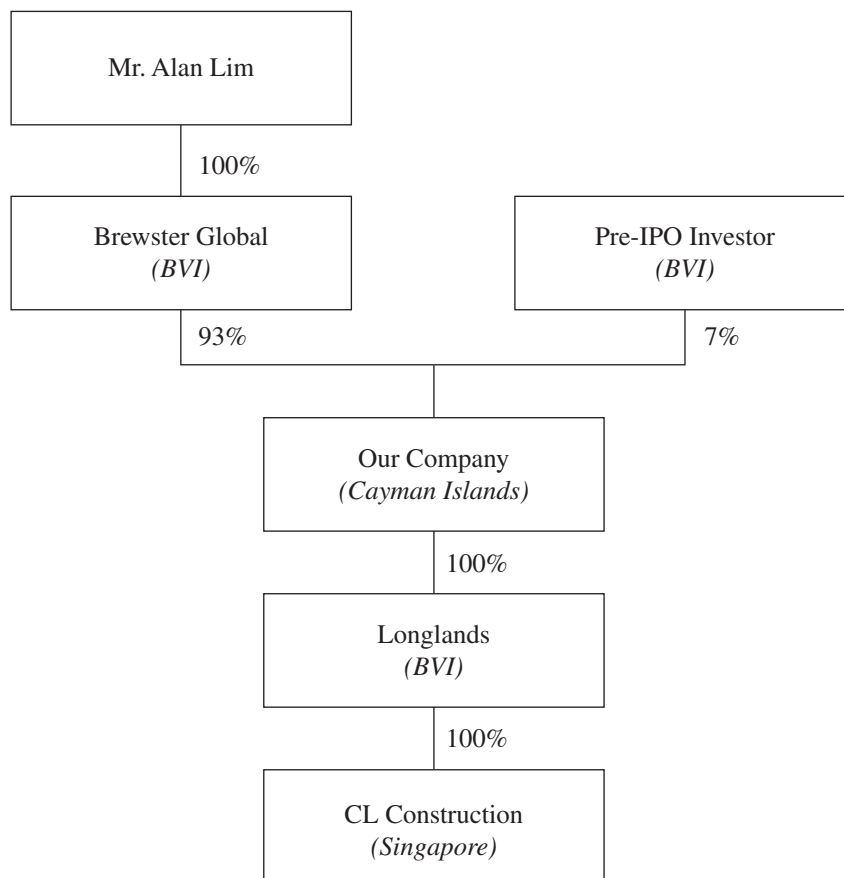
On 10 May 2016, Mr. Alan Lim and the Pre-IPO Investor transferred their entire shareholding interests in Longlands to our Company in consideration of (i) the initial share held by Brewster Global being credited as fully paid and (ii) our Company allotting and issuing 92 shares and seven shares to Brewster Global and the Pre-IPO Investor respectively, credited as fully paid.

Based on the foregoing arrangements as agreed by the parties, the acquisition of CL Construction by our Company was properly and legally completed and settled.

Our Directors confirm that the change of shareholdings in CL Construction, under the Reorganisation would not require any approval or permit from any relevant government authorities in the Cayman Islands or Singapore.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram sets forth our shareholding structure immediately after the completion of the Reorganisation but before the Listing:



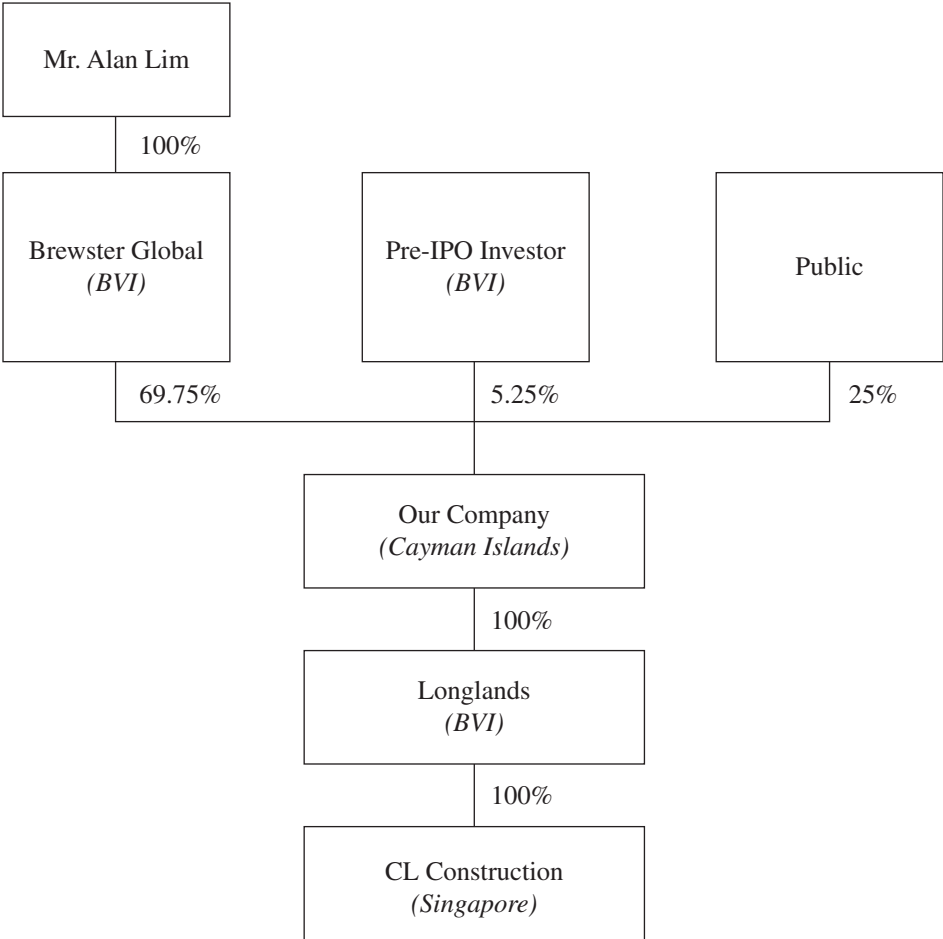
Capitalisation Issue and Global Offering

Conditional upon the creation of our Company's share premium account as a result of the issue of the new Shares pursuant to the Global Offering, an amount of HK\$8,299,999 standing to the credit of the share premium account of our Company will be capitalized by applying such sum towards paying up in full at par a total of 829,999,900 Shares for allotment and issue to the then existing Shareholders.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

GROUP STRUCTURE

The following chart sets out our shareholding structure immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account of the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and assuming the Over-allotment Option is not exercised):



OVERVIEW

Company overview

We have over 20 years of experience in the provision of earthworks to the construction industry in Singapore. According to the Euromonitor Report, we are one of the top five earthworks contractors (by revenue) for the construction industry in Singapore as of 2014. As at 31 December 2015, we have over 90 tipper trucks and over 90 excavation machines with staff strength of over 300.

During the Track Record Period, our Group had completed 199 projects in relation to the provision of earthworks and related services. Approximately 89.5%, 60.2% and 49.0% of our total revenue was derived from the provision of earthworks and related services for the three years ended 31 December 2013, 2014 and 2015. Our Company is actively involved in the Singapore government projects such as HDB and MRT stations.

Our competitive advantage lies in our ability to manage and execute earthworks projects on a timely and reliable basis, including larger scale and complex projects. Our established track record and experienced management team are key factors that build up our reputation in the local construction industry.

We have also provided general construction works including A&A works during the Track Record Period. Approximately 10.5%, 39.8% and 51.0% of our revenue was derived from the general construction works for the three years ended 31 December 2013, 2014 and 2015 respectively.

Our Group was founded by our Executive Director and our Controlling Shareholder, Mr. Alan Lim, who is supported by our Executive Directors, Mr. Albert Quek, Mr. Bijay Joseph and Mr. Dicky Lau, and our various department heads. Mr. Alan Lim has the responsibility for overall management, strategic planning and business development. Mr. Albert Quek, Mr. Bijay Joseph and Mr. Dicky Lau have a hands-on approach in tendering, contracts administration, project management and monitor closely the fulfilment of our commitment to our customers.

Our Group holds a GB1 Licence since 16 June 2009 issued by BCA under the BLS which enables us to undertake contracts for general building works in both public and private sectors. As a holder of GB1 Licence, we are able to undertake contracts for general building works in the private sector of any value while public sector projects will be subject to the limit set by BCA. In addition, our Group is also registered by BCA under the CRS under, *inter alia*, the CW01 workhead for “General Building” at B1 Grade since 10 January 2013 and CW02 workhead for “Civil Engineering” at B2 Grade since 9 October 2008, which would enable us to tender directly for Singapore public sector projects of amounts up to S\$42 million and S\$14 million, respectively. Our Group is also registered under the CR03 workhead for “Demolition” at single Grade since 6 February 1999 and CR07 workhead for “Cable/Pipe laying and road reinstatement” at L1 Grade since 27 November 2015.

Our revenue for the three years ended 31 December 2013, 2014 and 2015 was approximately S\$61.4 million, S\$92.4 million and S\$99.3 million, respectively.

BUSINESS

Construction demand is expected to be sustained by pipeline of public sector projects including various MRT masterplans such as the Eastern Region Line. These projects will require extensive construction works and being one of the top five earthworks contractors (by revenue) for the construction industry in Singapore as of 2014, our Executive Directors believe that we will be able to be a part in some of these projects.

OUR BUSINESS MODEL

Our principal business activities

The following table sets forth the revenue of our Group for each of the three years ended 31 December 2013, 2014 and 2015 respectively:

	For the year ended 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Earthworks	54,963	55,655	48,642
General construction	6,423	36,757	50,680
Total	61,386	92,412	99,322

The following table sets forth the number of ongoing contracts and its outstanding value as at each of the three years ended 31 December 2013, 2014 and 2015 respectively:

	For the year ended 31 December					
	2013		2014		2015	
	Number of ongoing contracts	Outstanding contract value S\$'000	Number of ongoing contracts	Outstanding contract value S\$'000	Number of ongoing contracts	Outstanding contract value S\$'000
Earthworks	66	42,682	63	47,956	54	31,858
General construction	11	61,812	8	75,732	8	75,458
Total	77	104,494	71	123,688	62	107,316

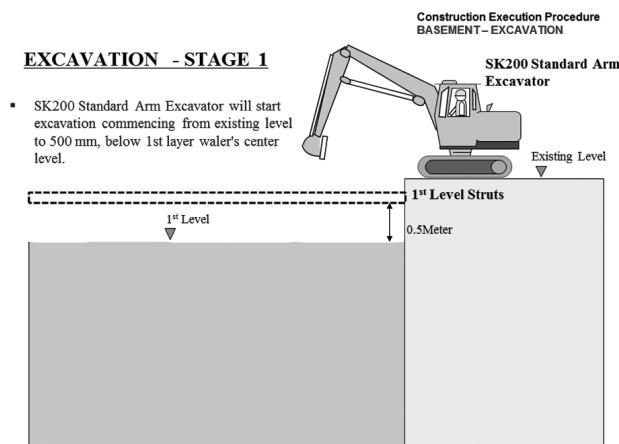
(1) Earthworks

Our principal business activities are the provision of earthworks and related services. Earthworks include land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation, earth disposal, earth filling and shore protection. Certain earthworks projects may require civil engineering works such as road diversions, road reinstatements, overhead bridge, sewerage, drainage, pipe laying and cable trench works, which may be subcontracted to other parties. For the majority of our earthworks projects, we are the subcontractor of main contractors, whose contract is for the construction of the entire building/development and who subcontracts the earthworks portion to us. Our earthworks related services include rental of machinery, motor vehicles and labour where we rent from time to time and when there is available capacity, to other construction contractors.

BUSINESS

Although there is no specific licensing requirement for being a subcontractor of marine-related excavation works and land-bound earthworks, it is our Group's strategy to focus on landbound earthworks and related services only and accordingly, our Group did not engage in any land reclamation projects which is marine-related during the Track Record Period. Land reclamation is the process of creating new land from ocean, riverbeds or lakebeds. Generally, land reclamation is marine-related as it mainly involves dredging the seabed and filling up land in the ocean, rivers or lakes. The scope of work for a sub-contractor principally involves the filling of sand and good earth into the sea bed with a depth of 12 metres or more from the sea level and is limited to rock sorting, stockpile works, surcharge works and supply of good earth. Generally, the existing sea bed will be filled with sand or dredged materials until a certain level, which will then be filled with layers of sand and good earth. The excavators used in land reclamation works are usually larger in capacity and involved the use of other machinery such as articulated truck, wheel loader, track screen and the excavators will be operated from a barge at the sea level and along the sea side, which have not been utilised by our Group in earthworks projects during the Track Record Period. To undertake a land reclamation project, the contractors are required to be registered by BCA under the CRS under the CW02 workhead for "**Civil Engineering**". In addition, as land reclamation is marine-related, customers may also assess the track records and expertise on dredging and the required machines suitable for use in the ocean, rivers or lakes. In Singapore, all the land reclamation projects are called upon by the Singapore government and the main contractors of these land reclamation projects are mainly multinational players, of which none of them were customers of the Group during the Track Record Period.

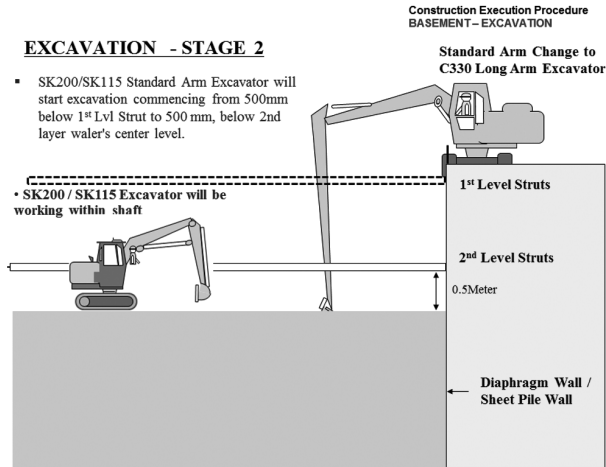
Excavation works may involve top-down construction, whereby an underground retaining structure is installed before excavation commences. The retaining structure can be a concrete diaphragm wall, a concrete bored pile wall or a steel sheet pile wall depending on the site condition, soil type and the excavation depth. Reference level and gridlines will then be marked by the surveyor at site at reasonable spacing for the convenience of the excavation. The stages of a typical basement excavation works are as follows:



EXCAVATION - STAGE 2

- SK200/SK115 Standard Arm Excavator will start excavation commencing from 500mm below 1st Lvl Strut to 500 mm, below 2nd layer waler's center level.

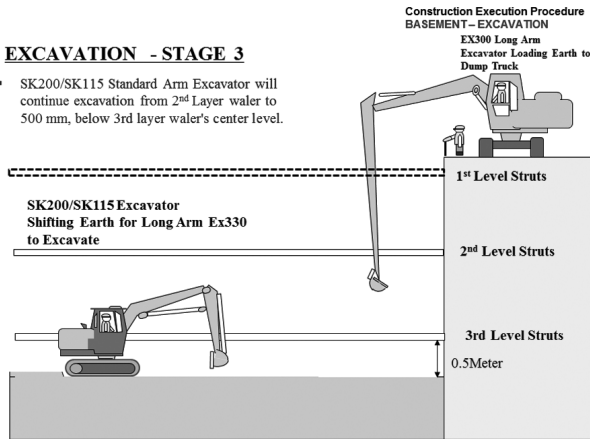
- SK200 / SK115 Excavator will be working within shaft



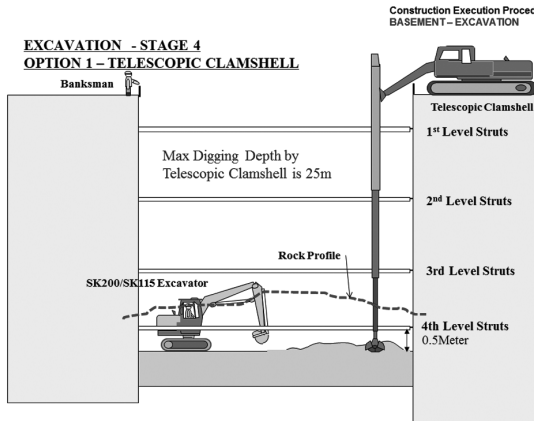
EXCAVATION - STAGE 3

- SK200/SK115 Standard Arm Excavator will continue excavation from 2nd Layer waler to 500 mm, below 3rd layer waler's center level.

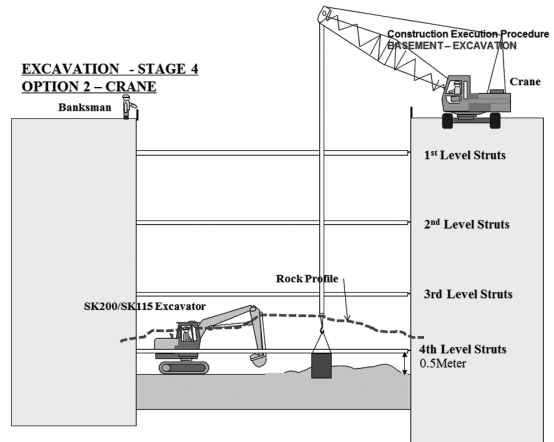
- SK200/SK115 Excavator Shifting Earth for Long Arm Ex330 to Excavate



**EXCAVATION - STAGE 4
OPTION 1 - TELESCOPIC CLAMSHELL**



**EXCAVATION - STAGE 4
OPTION 2 - CRANE**



Excavation — Stage 1

The excavation work will commence with standard arm excavators from existing level (ground level) to the first strut level. The stage 1 of excavation is typically complete once it reaches 0.5 metres below the first strut level. The first level strut is installed before the excavation proceeds further.

Excavation — Stage 2

The excavation works continue to the next strut level and the second level strut is installed. The standard arm excavators will continue the excavation works within the shaft while the long arm excavators will excavate at the ground level. Stage 2 will end once it reaches 0.5 metres below the second strut level.

Excavation — Stage 3

As the excavation works progress to third strut level, the standard excavator will shift the earth to the long arm excavator to remove the excavated materials from the shaft. The long arm excavator then load the excavated earth to tipper trucks for disposal.

Excavation — Stage 4

As the excavation works progress to fourth level strut, the standard arm excavators will continue the excavation works within the shaft while we will either deploy the telescopic clamshell excavator, which can reach a maximum depth of 25 metres, or a crane to transfer the excavated earth to ground level for disposal. Earth disposal involves the removal of excavated materials from the project site to the dedicated earth disposal sites.

During the Track Record Period, we completed (based on the finalisation of accounts for a project) 199 earthworks and related services contracts with an aggregate contract sum of approximately S\$115.7 million. As at 31 December 2015, the contract sum of approximately S\$107.1 million (excluding ancillary services) is the aggregate amount of 54 ongoing projects and together with the related minor projects, of which approximately S\$74.4 million has been recognised as revenue. The remaining balance of approximately S\$31.3 million and S\$1.4 million is expected to be recognised as our revenue for each of the years ending 31 December 2016 and 2017 respectively.

(2) General construction works

For general construction works, the scope of works varies depending on customers' requirements. For A&A works, it is broadly classified into (i) interior works or (ii) works affecting building systems or components such as structural works, additions of lifts and reinforcement works. These may include but are not limited to making good the defects to buildings, structural steel and reinforced concrete works, flooring, tiling, wall and partition, and electrical systems. We have also undertaken general construction works such as the construction of a workers' dormitory and multi-storey carparks. We generally serve as the main contractor in general construction works with responsibility for full scope of works requested by our customer. Our main responsibilities consist of (i) overall building construction including A&A works and project management; (ii) supply or procure the supply of materials and where

BUSINESS

necessary, engagement of subcontractors; (iii) ensure the works are in accordance with the contract specification and customers' requirements; and (iv) liaise with various professional parties to ensure the project is on schedule.

During the Track Record Period, we completed (based on the finalisation of accounts for a project) 23 general construction works contracts with an aggregate contract sum of approximately S\$35.4 million. As at 31 December 2015, we had eight ongoing general construction works contracts with an aggregate contract sum of approximately S\$149.2 million of which approximately S\$73.7 million has been recognised as revenue. The remaining balance of approximately S\$43.0 million and S\$32.5 million is expected to be recognised as our revenue for each of the years ending 31 December 2016 and 2017 respectively.

Our Group recorded a significant increase in revenue from general construction sector for the year ended 31 December 2015, which was mainly attributable to two reasons: (i) CL Construction was engaged by Hulett Construction for construction of a building comprising office, workers dormitory, workshop and parking lots at No. 20 Senoko Drive, Singapore, with the total contract value of approximately S\$39.7 million, of which approximately S\$23.1 million was recognized as revenue for the year ended 31 December 2015; and (ii) the fact that CL Construction became more reputable among the general construction sector following the completion of various landmark general construction projects in year 2013 to 2014, allowing us to undertake more government general construction works in year 2014 to 2015, as a result we have been awarded by HDB for its three upgrading projects and one amusement park resort project, with aggregate revenue of approximately S\$19.6 million recognized for the year ended 31 December 2015. Our Directors believe that after the completion of the Hulett Construction project, the revenue generated from the general construction sector will be lowered and our Directors confirm that the earthwork sector will continue to be our Company's main focus, and has no intention to shift its business focus to general construction sector in future.

COMPETITIVE STRENGTHS

Our Directors believe that our Group's competitive strengths set out below have driven growth in our business and financial performance.

We are one of the top five earthworks contractors (by revenue) for the construction industry in Singapore as of 2014 with over 20 years of experience, with an established track record of providing timely and reliable earthworks.

We are one of the top five earthworks contractors (by revenue) for the construction industry in Singapore as of 2014, with an established track record of providing timely and reliable earthwork to our existing markets that comprise residential, public infrastructure, commercial and industrial, and institutional building projects. Our experienced management team under the leadership of our founder, Mr. Alan Lim, contributed to our successful growth to be the top five earthworks contractors (by revenue) in Singapore as of 2014. We believe that our capabilities in earthworks, including disposal of earth and excavations for higher level of difficulty projects such as top-down construction, and to do so on a timely and reliable basis have contributed to our reputation and track record.

Our experienced contracts department, overseen by our Executive Director, Mr. Albert Quek who has more than 20 years of experience in the earthwork industry and capable of handling large-scale projects, including analyses in tenders for potential projects, allows us to evaluate a project's

BUSINESS

specifications, resource needs and level of difficulty accurately and our experienced projects department ensures that projects are carried out on a timely and reliable basis. Our contracts and projects departments communicate closely to make sure that the technical, resource and scheduling challenges are addressed and monitored closely throughout the project. We also established a good rapport with our customers, via close communication with their management and supervisory teams. We believe our Group's long-term presence in the industry gives our customers an overall confidence in our ability to complete quality works in a timely manner.

We have a fleet of over 90 tipper trucks and over 90 excavation machines such as mini excavators and telescopic excavators which enables us to take on various large-scale excavation and disposal of earth projects.

Our fleet of tipper trucks and various excavation machines allow us to undertake large-scale excavation and earth disposal projects. We have the capacity to undertake several earthwork projects and larger scale projects at the same time, and our excavation machines such as mini excavators and telescopic excavators allow us to undertake projects with different depth requirements. Having our own fleet of trucks and machines allow us to expediently deploy them to various locations as required as we do not need to rely on rental from third parties. We also have an experienced in-house servicing team for our tipper trucks and excavation machines to ensure that they are well maintained and operating efficiently. Our projects department works closely with the main contractor on-site, ensuring that the earthworks are carried out as per the project schedule and specifications.

We have in-house civil engineering expertise which enables us to take on earthworks projects that require civil engineering services, such as for MRT projects.

We have in-house civil engineering expertise which enables us to undertake earthwork projects that require civil engineering services such as sewerage, cable trench and road works. Our civil engineering team, led by our Executive Director Mr. Bijay Joseph, comprised five team members with an average of around 11 years of experience. In this respect, we are able to undertake additional scope in earthwork projects as we have the capability to plan and execute civil engineering works to meet customers' requirements. We are also able to monitor subcontractors who provide civil engineering works for certain of our projects. For instance, for MRT projects, the scope of works can include earthworks, civil engineering works, disposal of excavated materials, earth fill and related drainage and roadworks. We are able to effectively manage these MRT projects and monitor our subcontractor with our civil engineering expertise. This expertise also allows us to take on earthworks projects with civil engineering works to expand our market share in this industry.

Our good relationships with our suppliers and subcontractors enable us to execute our projects on a timely and reliable basis, consistent with the project requirements.

Our Group has an established and maintained a good relationship with a network of suppliers and subcontractors, some of whom had known or worked with us for over 5 years. We maintain good relationships with our suppliers and subcontractors through strong communication on project-related matters, prompt payment and therefore, our suppliers and subcontractors have typically delivered to us on a timely basis which consistent with our project schedule.

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We have an experienced and dedicated management team and each of our Executive Directors has over 15 years of experience in the construction industry in Singapore.

Each of our Executive Directors has over 15 years of experience in the construction industry and our Directors believe that the combination of our strong management expertise and knowledge of the industry, together with our qualified employees to complete projects reliably and timely, have been and will continue to be our Group's valuable assets. Our Executive Directors are supported by experienced senior management team who has over 10 years of experience in the construction industry. Our project director, Mr. Tan Swee Hong and our operation director, Mr. Shi Hwei each has over 20 years and 12 years of industry experience, respectively. Our financial controller, Ms. Ong Sok Hun has approximately 10 years of experience in the construction industry. Please refer to the section headed "Directors, senior management and employees" in this prospectus for detailed work experience of our Directors and senior management team.

BUSINESS OBJECTIVES AND STRATEGIES

Objectives

Our mission is to deliver our services on a timely and reliable basis, with integrity and good workmanship to meet customers, safety and regulatory requirements. Our corporate objective is to achieve a sustainable growth in our business and create long-term shareholders' value. We intend to achieve this by implementing the following corporate strategies:

Strategies

(a) Expand our capacity to strengthen our market position in the earthworks sector

We are one of the top five earthworks contractors (by revenue) for the construction industry in Singapore as of 2014 with over 90 tipper trucks and over 90 excavation machines. Our revenue attributable to earthworks was approximately 89.5%, 60.2% and 49.0% of our total revenue for the three years ended 31 December 2013, 2014 and 2015 respectively. We intend to expand our capacity to strengthen our market position in this sector by purchasing more tipper trucks and excavation machines to take on more and larger-scale projects.

(b) Increase our competitiveness via the securing of earth filling projects for earth disposal and streamlining our processes using technology

As we strengthen our position as a leading earthworks contractor in Singapore, we believe that reducing a significant direct cost will benefit our financial performance. Specifically, the use of earth disposal sites amounted to approximately 16.7%, 8.0% and 6.0% of direct costs and leasing costs amounted to approximately 12.9%, 5.4% and 6.1% of direct costs for the three years ended 31 December 2013, 2014 and 2015 respectively. The securing of earth filling projects will lead to cost savings. We had previously secured such earth filling project from the Singapore Land Authority in 2006. Please refer to the section headed "Business — Earth filling site" in this prospectus for further details.

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(c) *Enhance and expand our workforce to keep up with our business expansion*

For our expansion, we will seek to expand and enhance our workforce, in terms of both the staff strength and staff skills. We intend to increase the number of workers, including office staff, site staff and vehicle operators, and enhance our staff skills by providing opportunities for them to attend courses. We will also review our remuneration packages to ensure they are sufficiently attractive to acquire and retain a talented workforce.

MAIN QUALIFICATIONS, LICENCES AND CERTIFICATIONS

Qualifications and licences in Singapore

Our Group holds a GB1 licence issued by BCA under the BLS which enables us to undertake contracts for general building works in both public and private sectors. Such a licence is required to carry out private sector buildings work or public sector building works. Our Group is also registered by BCA under the CRS for a number of workheads which enable us to tender for public sector building works. The following table sets out a summary of the main qualifications and licences of CL Construction for the carrying out of our business and operations in Singapore:

Relevant authority/ organisation	Relevant list/ category	Qualification/ Licence/ Grading	Date of first grant/ registration	Date of expiry
BCA	General Builder Class 1	GB1	16 June 2009	16 June 2018
BCA	CW01, General Building	B1 ⁽¹⁾	10 January 2013	1 July 2018
BCA	CW02, Civil Engineering	B2 ⁽¹⁾	9 October 2008	1 July 2018
BCA	CR03, Demolition	Single grade ⁽¹⁾	6 February 1999	1 July 2018
BCA	CR07, Cable/Pipe laying and road reinstatement	L1 ⁽¹⁾	27 November 2015	1 July 2018

Note:

- (1) The differences in BCA gradings relate to the tendering limits for Singapore public sector projects. As at the Latest Practicable Date, B1 refers to tender values up to S\$42 million and B2 refers to tender values up to S\$14 million. Single grade refers to unlimited tender values.

Our Group is required to hold the GB1 licence (General Builder Class 1) to carry out private or public sector building works for both earthworks and general construction works. We are required to be registered under the CW01 (General Building) and CW02 (Civil Engineering) workheads to tender directly to government agencies or statutory boards for general construction projects and earthworks projects respectively, in the public sector. Our Executive Directors are of the view that our existing BCA gradings are adequate for our business needs.

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Our BCA construction workheads registration under the CRS, *inter alia*, CW01 (General Building), CW02 (Civil Engineering) and CR03 (Demolition) have been renewed on 27 July 2015 and this registration previously expired on 1 July 2015. Such registration under the CRS is a pre-requisite to tender directly to government agencies or statutory boards for projects in the Singapore public sector. Given that we did not submit any open tender to the public sector during the period of 1 July 2015 to 27 July 2015, our Directors consider that there was no material impact to our financial performance during this period and our existing projects were not affected as our GB1 licence under the BLS, which is required to carry out private and public sector building works, remained valid.

Our Directors confirm that our Group has as at the Latest Practicable Date obtained all the necessary licences which are required to carry on our principal business activities in Singapore. Our Directors also confirm that our Group has been in compliance with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

With effect from 1 January 2016, CL Construction has to obtain the certification under the Green and Gracious Builder Scheme (GGBS) in order to maintain its B1 grading in the construction workhead “General Building” and B2 grading in the construction workhead “Civil Engineering”. On 26 October 2015, CL Construction has obtained the GGBS certification. For details of relevant licensing requirements, please refer to the section headed “Regulatory overview” in this prospectus.

Certifications

The following table sets out our major certifications:

Relevant authority/ organisation	Relevant list/category	Qualification/ Licence/ Grading	Date of first grant/ registration	Date of expiry
EQA IMS Certification Pte Ltd	Quality management system for the provision of general building & civil engineering works	ISO 9001:2008	10 March 2000	9 March 2018
EQA IMS Certification Pte Ltd	Occupational health & safety management system for the provision of general building & civil engineering works	OHSAS 18001:2007	2 August 2006	9 March 2018
European Quality Assurance	Environmental management system for the provision of general building & civil engineering works	ISO 14001:2004	30 April 2013	9 March 2018
Workplace Safety and Health Council	bizSAFE	Level Star	15 April 2013	9 March 2018

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Relevant authority/ organisation	Relevant list/category	Qualification/ Licence/ Grading	Date of first grant/ registration	Date of expiry
BCA	Environmental protection and gracious practices during construction phase of projects	GGBS	26 October 2015	19 October 2018

PROJECTS

Completed projects with contract value of over S\$2 million during the Track Record Period

The following table sets forth our projects that are completed during the Track Record Period with contract value of over S\$2 million:

Type of services	Project	Contract value (\$ million) ⁽¹⁾	Year of completion ⁽²⁾	Revenue recognised (S\$ million)			Track Record Period
				For the year ended 31 December			
				2013	2014	2015	
Earthworks and related services	1. Private residential	4.8	2015	0.5	3.0	1.3	4.8
	2. Public residential	2.3	2015	0.4	—	0.1	0.5
	3. Public infrastructure	3.2	2015	—	0.2	3.0	3.2
	4. Public residential	3.8	2015	1.4	0.3	1.1	2.8
	5. Public residential	2.4	2015	—	—	2.4	2.4
	6. Public residential	3.2	2014	0.2	0.4	—	0.6
	7. Public residential	5.6	2014	3.7	1.9	—	5.6
	8. Public residential	5.3	2014	0.2	0.8	—	1.0
	9. Commercial and industrial	4.9	2014	0.8	1.9	—	2.7
	10. Public infrastructure (MRT)	6.3	2013	1.8	0.9	—	2.7
	11. Public residential	2.4	2013	(0.3) ⁽³⁾	—	—	(0.3)
	12. Public residential	4.6	2013	1.4	0.2	—	1.6
	13. Government institution	2.2	2013	0.4	—	—	0.4
	14. Private residential	3.0	2013	—	—	—	—
	15. Government institution	2.3	2013	0.1	—	—	0.1
Subtotal		56.3		10.6	9.6	7.9	28.1
General construction works	1. Commercial and industrial	10.2	2014	0.3	0.2	—	0.5
	2. Private residential	3.1	2014	0.6	0.1	—	0.7
	3. Commercial and industrial	4.2	2015	—	3.5	0.7	4.2
	4. Commercial and industrial	4.9	2015	—	3.3	1.6	4.9
Subtotal		22.4		0.9	7.1	2.3	10.3
Total		78.7		11.5	16.7	10.2	38.4

Notes:

(1) The contract value includes additional works or variation orders (where applicable).

(2) The year of completion is based on the finalisation of accounts for the project.

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- (3) This was the only instance of reversal of revenue during the Track Record Period and up to the Latest Practicable Date, which arose out of revenue recognised but subsequently, we obtained a letter of notification of liquidation of this customer. Revenue of approximately S\$2.1 million had been recognised in the year ended 31 December 2012, while approximately S\$2.4 million had been cumulatively settled by the customer and approximately S\$0.3 million was not yet settled. Upon liquidation of this customer, the receivables of approximately S\$0.3 million due from this customer were considered as irrecoverable and accordingly this amount was charged to profit or loss. As this amount was immaterial and had no effect on the net profit of our Group, no reallocation of amount upon debit balance of revenue was considered. Save as disclosed above, our Group has no material adjustment of similar nature during the Track Record Period.

New projects secured from 1 January 2016 to the Latest Practicable Date

The following table sets forth our new projects secured for earthworks and related services from 1 January 2016 to the Latest Practicable Date. We did not secure any new project for general construction works during the same period.

Type of services	Project	Contract value (\$'000)	Expected completion date ⁽¹⁾	Percentage of completion (approximate) as at Latest Practicable Date	Revenue (approximate) recognised from 1 January 2016 to the Latest Practicable Date (\$'000)
Earthworks and related services	1. Public residential	380.0	December 2016	29.3%	111.3
	2. Commercial and industrial	55.0	September 2016	—	—
	3. Commercial and industrial	419.0	September 2016	6.6%	27.7
	4. Commercial and industrial	235.0	September 2016	—	—
	5. Commercial and industrial	70.0	June 2016	39.1%	27.4
	6. Public residential	1,100.0	August 2016	4.7%	51.7
	7. Public residential	1,267.2	December 2016	22.7%	287.7
	8. Government institution	1,800.0	December 2016	8.7%	156.6
	9. Private residential	30.0	September 2016	5.8%	1.7
	10. Public residential	614.3	January 2017	0.5%	3.1
	11. Government institution	1,750.0	August 2016	2.8%	49.0
	12. Commercial and industrial	1,580.0	March 2017	0.3%	4.7
	13. Public infrastructure	14,337.6	May 2019	—	—
	14. Public residential	998.0	December 2016	—	—
	15. Public residential	1,106.0	August 2016	—	—
	16. Private residential	2,180.0	October 2018	—	—
	17. Public residential	580.0	September 2016	—	—
Total		<u>28,502.1</u>			<u>720.9</u>

Note:

- (1) Expected completion date in general refers to the expected completion date as specified in the relevant contract, and if an extension of time has been ordered or approved by the customers, or if on the other hand management expects completion will occur earlier than contractually required, such updated completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, or where the final accounts are still being finalised, expected completion date refers to the completion date to the best estimation of the management of our Group.

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Ongoing projects as at 31 December 2015 with contract value of over S\$2 million

The following table sets forth our projects that are ongoing as at 31 December 2015 with contract value of over S\$2 million:

Type of services	Project	Contract value ⁽¹⁾ (\$ million)	Expected completion date ⁽²⁾	Percentage of completion as at 31 December 2015 ⁽³⁾	Revenue recognised (\$'million)			Track Record Period
					For the year ended 31 December			
					2013	2014	2015	
Earthworks and related services	1. Public residential	2.3	March 2016	93.9%	1.8	0.2	0.1	2.1
	2. Private residential	3.0	March 2016	79.1%	1.1	1.3	—	2.4
	3. Public infrastructure	2.1	October 2016	99.9%	0.4	0.3	1.4	2.1
	4. Public residential	3.0	March 2016	99.0%	0.9	2.0	0.1	3.0
	5. Public residential	2.4	March 2016	99.5%	0.4	—	—	0.4
	6. Public residential	2.5	March 2016	81.1%	—	1.9	0.1	2.0
	7. Public residential	2.8	March 2016	83.0%	1.6	0.5	0.1	2.2
	8. Government institution	2.5	March 2016	78.3%	0.1	1.8	0.1	2.0
	9. Public residential	3.6	March 2016	82.8%	2.6	0.1	—	2.7
	10. Commercial and industrial	2.7	March 2016	79.4%	2.0	0.1	—	2.1
	11. Public infrastructure (MRT)	6.3	September 2016	20.0%	—	0.2	1.1	1.3
	12. Private residential	4.0	March 2016	75.7%	—	0.1	2.9	3.0
	13. Public infrastructure (MRT)	2.2	March 2016	66.3%	0.2	—	—	0.2
	14. Public infrastructure	3.8	May 2016	80.8%	—	1.6	1.5	3.1
	15. Government institution	8.2	March 2016	74.3%	1.3	4.0	0.7	6.0
	16. Public infrastructure (MRT)	6.6	November 2016	24.7%	—	0.9	0.8	1.7
	17. Commercial and industrial	7.7	March 2016	94.0%	—	4.2	3.1	7.3
	18. Public infrastructure (MRT)	6.9	March 2016	95.8%	3.8	1.9	0.3	6.0
	19. Public infrastructure (MRT)	7.2	August 2017	12.8%	—	—	0.9	0.9
Subtotal		<u>79.8</u>			<u>16.2</u>	<u>21.1</u>	<u>13.2</u>	<u>50.5</u>
General construction works	1. Commercial and industrial	39.7	March 2016	80.3%	—	8.8	23.1	31.9
	2. Private residential	3.9	August 2016	94.9%	0.6	1.1	2.0	3.7
	3. Private residential	2.8	June 2016	4.4%	—	—	0.1	0.1
	4. Public residential	36.9	January 2017	42.7%	—	0.4	15.3	15.7
	5. Commercial and industrial	20.3	August 2016	90.9%	—	16.6	1.8	18.4
	6. Public residential	27.1	July 2017	3.0%	—	—	0.8	0.8
	7. Public residential	16.1	May 2017	6.9%	—	—	1.1	1.1
	8. Government institution	2.3	June 2016	79.9%	—	—	1.8	1.8
Subtotal		<u>149.1</u>			<u>0.6</u>	<u>26.9</u>	<u>46.0</u>	<u>73.5</u>
Total		<u>228.9</u>			<u>16.8</u>	<u>48.0</u>	<u>59.2</u>	<u>124.0</u>

Notes:

- (1) The contract value includes additional works or variation orders (where applicable).
- (2) Expected completion date in general refers to the expected completion date as specified in the relevant contract, and if an extension of time has been ordered or approved by the customers, or if on the other hand management expects completion will occur earlier than contractually required, such updated completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, or where the final accounts are still being finalised, expected completion date refers to the completion date to the best estimation of the management of our Group.
- (3) Percentage of completion is calculated based on revenue recognised divided by contract value.
- (4) Although our Group recorded a significant increase in revenue from ongoing general construction projects for the year ended 31 December 2015, the provision of earthworks and related services remained our Group's principal business activities and our Group still focus to expand its capacity to strengthen its market position in the earthworks sector.

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Our Group recorded a significant increase in revenue from general construction projects for the year ended 31 December 2015 and the outstanding contract value of general construction projects is significantly higher than that of the earthwork projects, were due to the following reasons: (i) the approximately S\$23.1 million revenue recognised for the provision of construction services for our Company's related party, Hulett Construction, in which, it accounted for the largest revenue portion of the general construction work for the year ended 31 December 2015 was of one off nature; (ii) the significantly high outstanding contract value from general construction were derived from the three newly awarded public residential projects (#4, #6 and #7) and from our Company's related party Hulett Construction (with an outstanding contract sum of S\$39.7 million), which in aggregate accounted for approximately S\$119.8 million of the approximately S\$149.1 million contract value of the ongoing projects in the general construction sector; and (iii) during the period from 1 January 2016 to the Latest Practicable Date, our Group has secured 17 new projects for the provision of earthwork and its related services with aggregate contract value amounted to approximately S\$28.5 million but no new projects in relation to general construction works during the same period. Further, as at the Latest Practicable date, we have tendered for 29 earthworks and related services projects whereby the status of the award is still pending which potentially form part of our order book and record revenue for the coming two financial years, while we only tendered for eight general construction project whereby the status of the award is still pending. However, there is no assurance that our Group will succeed in these tenders as stated in the "Risk factors" section of this prospectus. Given the various factors stated above, our Directors are of the view that there is no change in our Group's business focus, as our Group remains focus on earthwork sector.

Additional works or variation orders

From time to time, we may have additional works such as earth disposal where such works are in addition to our contracted earthworks. Our customers may also issue variation orders to vary the original scope of earthworks or general construction works.

Project duration of completed and ongoing contracts with contract value of over S\$2 million

Based on the range of contract period for (i) our completed contracts during the Track Record Period and (ii) our ongoing contracts as at 31 December 2015, the range of contract period for our contracts with contract value of over S\$2 million with customers was generally 8 to 24 months for earthworks and related services and one to two years for general construction works.

SEASONALITY

Our principal business activities are generally subject to seasonal nature of construction activities, which are typically relatively slow in the first quarter of the year.

PRICING

When we receive an invitation to quote or tender for a project, our contracts department will prepare the tender documents/quotation. The tender quotation and the budgeted gross profit margin to be earned from the project, will depend on various factors, including but not limited to, the scale, complexity and specifications of the project, our capacity and resources, the potential to optimise or share resources for projects located in proximity to each other, prevailing market price, indicative pricing of our suppliers and subcontractors, and our past experience in tendering for similar projects. Based on our past experience, we may have an estimate of the market rate, our competitors' pricing or the competitive environment that our customers face.

Our contracts department heads, with the assistance of our in-house quantity surveyors, possess the experience, skills and knowledge to analyse the project requirements, the market and competitive environment. Where subcontractors will be engaged for the project we are tendering, quotations from these subcontractors will typically be obtained, as well as quotations from suppliers. Key cost of sales

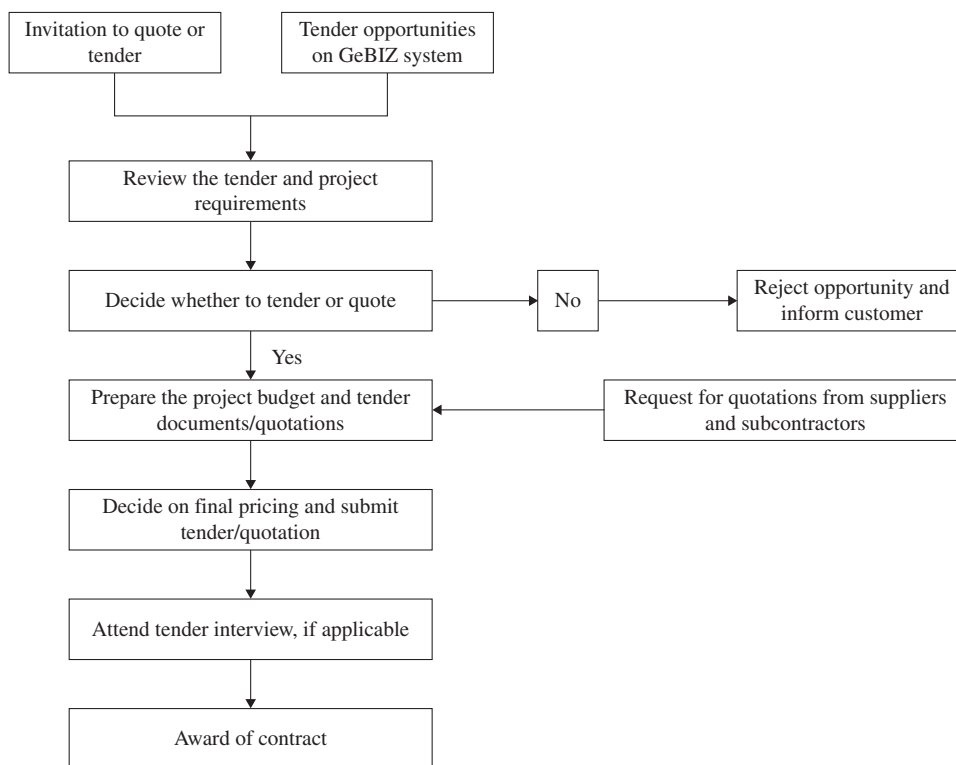
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that impact the budgeted gross profit margin in earthworks projects are (i) diesel, (ii) operating cost of tipper trucks and excavation machines, such as spare parts and tyres, (iii) use of earth disposal sites and (iv) labour. Key cost of sales that impact the budgeted gross profit margin in general construction works projects are (i) material purchases, (ii) subcontracting costs and (iii) labour. Our Executive Director(s) will make the final decision on our pricing and the submission of our quotation, which is typically valid for 90 days (or extended upon customer's request). Once the contract is signed, no pricing adjustment for the contracted scope of works will be made.

PROJECT MANAGEMENT AND OPERATIONS

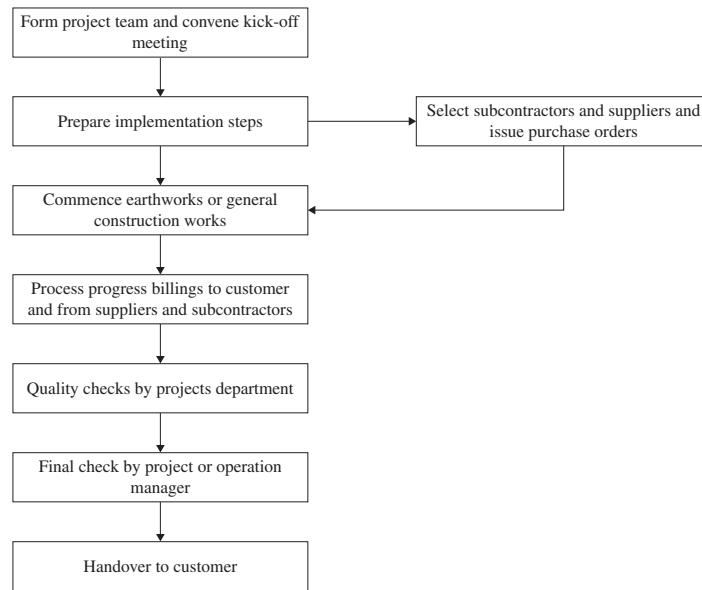
The following diagram illustrates the general steps undertaken by us in assessing a project:

Tender/quotation phase

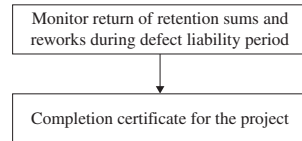


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Project implementation phase



Post-project phase



Tender/quotation phase

Our projects come mainly from two sources, (i) an invitation to quote or tender from customers or (ii) tender opportunities published on the GeBIZ system (the Singapore government's one-stop e-procurement portal). When we receive an invitation to quote or tender for a project, our contracts department will review the tender documents and/or project requirements. We also monitor the GeBIZ system weekly for relevant tenders that we can participate in. Our contracts department has assigned staff who are knowledgeable in the assessment of projects' requirements for earthworks and general construction works. The contracts department heads have the experience, skills and knowledge of the market and competitive environment. Our Executive Directors will make the decision on whether to proceed to tender, based on various factors including the scope of projects, potential to optimise or share resources for projects located in proximity to each other, our capacity and resources.

Should the decision be made to proceed with the tender, our contracts department will prepare the tender documents/quotation, with the assistance of our in-house quantity surveyors. For every project, there is a project budget, which includes an estimate of the budgeted gross profit margin. For earthworks projects, the main cost estimate will be operation costs of the tipper trucks and excavation machines, diesel, use of earth disposal sites and labour. In particular, for the estimation of the cost for the use of earth disposal site, we will estimate based on (i) dumping fee per load based on prevailing market rate and (ii) volume of earth to be disposed for the project. Should our Group's contracts department be aware of certain factors that will lead to a cost increase, such as traffic jam at the earth disposal sites, subsequent new tenders will be quoted at a higher rate for disposal of earth in order to factor in such congestion, which will lead to increases in other truck associated costs such as leasing, diesel and

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transportation. In certain instances, we may request for quotation from subcontractors for sewerage works, road works and other civil engineering works at the point of quoting to our customers. For general construction works, we will estimate the material and labour costs as well as obtain quotations from subcontractors such as for plumbing, sanitary and sewerage works, steel works, mechanical and electrical engineering works. The budgeted gross profit margin will depend on various factors, including but not limited to, the scale, complexity and specifications of the projects, our capacity and resource, and our past experience in tendering for similar projects.

Our Executive Directors will make the final decision on our pricing and the submission of our quotation, which is typically valid for 90 days (or extended upon customers' request). Subsequent to the submission of the tender documents, we may be requested to attend tender interviews which are attended by one or two of our Executive Directors. Once the contract is signed, typically no pricing adjustment for the contracted scope of works will be made. We will keep track of tenders which we have submitted in a report, with information such as (i) project names/description, (ii) identities of main contractors, (iii) tender sum, (iv) tender submission dates and (v) tender closing dates.

The following table sets forth our tender success rates during the Track Record Period:

	Year ended 31 December 2013				Year ended 31 December 2014				Year ended 31 December 2015			
	Number of projects awarded —		Number of projects awarded		Number of projects awarded —		Number of projects awarded		Number of projects awarded —		Number of projects awarded	
	Invited tenders	Success rate (%)	— Open tender	Success rate (%)	Invited tenders	Success rate (%)	Open tender	Success rate (%)	Invited tenders	Success rate (%)	Open tender	Success rate (%)
Earthworks	48	37%	2	50%	33	38%	0	0%	22	37%	0	0%
General construction works	4	44%	0	0%	3	60%	1	100%	3	33%	1	17%
Total	52	37%	2	29%	36	39%	1	50%	25	37%	1	13%

Our success rates for earthworks projects were approximately 37%, 38% and 37% from invited tenders and 50%, 0% and 0% from open tenders in the three years ended 31 December 2013, 2014 and 2015, respectively. We mainly secure contracts from main contractors instead of directly from government agencies via open tenders. Although the number of projects secured decreased, these secured projects are larger scale projects such as MRT projects which require relatively more resources.

For general construction works, our success rates from invited tenders were approximately 44%, 60% and 33% and from open tenders were approximately 0%, 100% and 17% in the three years ended 31 December 2013, 2014 and 2015, respectively. As we are one of the top five earthworks contractors (by revenue) for the construction industry in Singapore as of 2014, our focus is typically on earthworks projects and we will only submit tenders for general construction projects when we have the resources to fulfill the projects.

Project implementation phase

Upon the award of the contract, a kickoff meeting or project briefing will be held with the relevant personnel. Our projects are headed by either our operation manager or project manager, who is a supervisory staff from the projects department. He has the overall responsibility to manage the project, in terms of meeting both the timing and project specifications. All project information including the tender documents, clarifications/amendments made in respect to tender, contract and project

specifications will be transferred from the contracts department to the projects department. Our projects department will prepare detailed steps to be taken for the project and the resources required at each stage.

Earthworks

For earthworks projects, we will obtain the relevant permits (for instance, notice to commence excavation), planning the steps and resources required such as that involved in demolition, excavation and disposal of the earth. Our projects department will also analyse the difficulties that may be involved in the earthworks project, such as limited accessibility to the excavation site, the area and depth of the excavation works and the level of difficulty which is typically higher in a top-down construction method. The top-down construction method is used for MRT underground stations where (i) the underground retaining walls are first installed, followed by (ii) excavation to just below the roof slab level of the underground structure, (iii) construction of the roof and base slabs and side walls and (iv) earth fill and reinstatement of the earth. This is a higher level of difficulty as the opening is narrower for our excavation machines. Our projects department will also coordinate with our contracts and purchasing department on the required purchases and engage our subcontractors who may have previously provided a quotation to us during our tender process.

Our capacity for earthworks is limited by the number of tipper trucks and excavation machines available at any one time; please refer to the paragraph headed “Trucks and excavation machines to carry out earthworks” in this section of this prospectus for more details on the approximate utilisation rates. At certain times where our tipper trucks and excavation machines are not able to be scheduled across our on-going projects, we will hire machinery from other parties. We incurred costs for tipper trucks and excavation machines leasing of approximately S\$6.3 million, S\$4.0 million and S\$4.8 million for the three years ended 31 December 2013, 2014 and 2015, respectively. Our tipper trucks and excavation machines typically have an estimated useful life span of five years. These machines are maintained regularly by our in-house servicing team, and spare parts are purchased from our suppliers.

Trucks and excavation machines to carry out earthworks

For the three years ended 31 December 2013, 2014 and 2015, our Group acquired tipper trucks and excavation machines in the aggregate sum of approximately S\$5.1 million, S\$5.3 million and S\$0.6 million, respectively. As at 31 December 2015, the aggregate net book value of our tipper trucks and excavation machines recorded in the combined statement of financial position of our Group totalled approximately S\$6.7 million. Our tipper trucks and excavation machines are recorded as non-current assets in the combined statements of financial position of our Group. Our Group normally performs a stock take on our tipper trucks and excavation machines once a year.

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The table below sets out the function and usage of our tipper trucks and excavation machines as at 31 December 2015:

Truck/Machine	Number of units	Countries of origin	Function and usage	Approximate Age	Average remaining useful life (approximate year)
Tipper truck	94	Japan and Sweden	Used for transporting earth	1 to 17 years	1
Mini excavator	11	Japan	Excavation machine used in tight spaces	2 to 8 years	2
Telescopic excavator	4	Japan	Excavation machine used for deep excavation purpose	2 to 6 years	2
Excavator	79	Japan, Sweden and U.S.	Excavation	1 to 13 years	2

As per the applicable accounting policies adopted by our Group, depreciation of our tipper trucks and excavation machines are calculated using the straight line method to allocate their costs to their residual values over the estimated useful lives of the tipper trucks and excavation machines, which is 5 years. The residual values, useful lives and depreciation methods of the tipper trucks and excavation machines are reviewed and adjusted if appropriate, at each reporting date.

We do not have a fixed replacement cycle policy as we have an experienced in-house servicing team for our tipper trucks and excavation machines to ensure that they are well maintained and operating efficiently. There is therefore no pre-determined period of use for our trucks and machines but instead assess on a vehicle-by-vehicle basis. On average, the replacement cycle of our trucks and machines are 10 years and 6 years respectively. The replacement cost of a tipper truck and excavator is approximately S\$200,000 each.

The table below sets out the approximate utilisation rates of our tipper trucks and excavation machines for the years ended 31 December 2014 and 2015:

	Year ended 31 December 2014 ⁽⁶⁾	Year ended 31 December 2015 ⁽⁶⁾
Excavation machines		
Actual engine hours ⁽¹⁾	194,999	178,075
Standard engine hours ⁽²⁾	241,280	218,816
Average utilisation rate ⁽³⁾	81%	81%
Tipper trucks		
Number of trucks supplied to project sites	29,458	28,932
Number of trucks available ⁽⁴⁾	29,458	28,932
Average utilisation rate ⁽⁵⁾	100%	100%

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Notes:

- (1) Every excavation machine has an hour meter that displays the total engine running time in hours. The actual engine hours for each excavation machine in use at the project sites are recorded monthly and are determined by subtracting the total engine hours at the beginning of the month from the total engine hours at the end of the month. The actual engine hours for the years ended 31 December 2014 and 2015 is the sum of the monthly actual engine hours of all excavation machines that are in used at our project sites.
- (2) The standard engine hours is calculated based on (i) number of excavation machines; (ii) number of hours worked per day and (iii) number of days worked per year. For the purpose of calculating the standard engine hours, it is assumed that all machines in use at the project sites worked for 8 hours per day and 312 days per year (i.e. 26 days per month).
- (3) The average utilisation rate for excavation machines is determined based on total actual engine hours divided by the total standard engine hours.
- (4) Number of trucks available refers to the total sum of trucks owned by us available on a daily basis for the years ended 31 December 2014 and 2015.
- (5) The average utilisation rate for tipper trucks is determined based on total number of trucks supplied to project sites divided by the number of trucks available.
- (6) Tracking of utilisation rates was performed manually for the year ended 31 December 2013 and such data was not kept after the end of the year.

The average utilisation rates for our excavation machines were approximately 81% and 81% for the years ended 31 December 2014 and 2015, respectively. The average utilisation rates for tipper trucks for the years ended 31 December 2014 and 2015 were 100% and 100%, respectively. In view of the high utilisation rate for both our excavation machines and tipper trucks, approximately HK\$41.1 million of our net proceeds from the Global Offering will be used to purchase more tipper trucks and excavation machines to expand and strengthen our market position in the earthworks sector out of which approximately HK\$6.0 million will be used to replace our existing tipper trucks. For further details, please refer to the sections headed “Business — Business objectives and strategies” and “Future plans and use of proceeds” of this prospectus.

Regarding our process on the selection of suppliers and subcontractors for earthworks, it will either be one who is on our approved vendor list, or based on factors such as who quoted the most favourable terms and/or one who has delivered quality products or services on schedule in our past working relationship with them. Our contracts and purchasing departments will negotiate on pricing and contract terms with the subcontractor and/or supplier, collate the quotations and make recommendation to our Executive Directors for approval. Once approval is obtained, we will arrange for the signing of contract/purchase order and the subcontractor and/or supplier is obligated to fulfill the services or delivery at the agreed price and in accordance with the schedule. We maintain good working relationships with our subcontractors and suppliers and do not foresee any material difficulties in sourcing for services and materials in the future. Our project department also holds regular meetings to discuss progress and issues (if any) encountered or anticipated in a project.

Our finance department is responsible for recording of accounts payables, receivables and preparation of progress billings and invoices. Our projects department will coordinate with our finance department on the progressive billings to our customers, based on the progress of services performed. We invoice our customers, and typically up to a maximum of 5% of the progress claims will be retained by our customer for a period agreed with our customer after completion of each project. Upon receiving

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our payment request, our customer will have its own personnel to acknowledge the progress claim, typically based on inspection by its quantity surveyor. We will then be requested to issue an invoice to our customers, typically with a credit terms of 30 days. Similarly, we will make payment to our suppliers and subcontractors within the credit terms of generally 30 days and 35 days, respectively; for subcontractors, they will submit their payment request to us and we will ascertain the completion of their works. Once ascertained, we will request for their invoice and make payment within the credit term. When our scope of works under the project is completed, our project manager will perform a final check and arrange for an inspection by our customer's representative who will acknowledge the acceptance of our earthwork. Please refer to the paragraph headed "Quality control" under the section headed "Business" in this prospectus for further information of various inspection checks throughout the project implementation. Our Executive Directors will also monitor our progress claims and deployment of excavation machines in order to manage any foreseeable cost overruns in our projects.

There was one project during the Track Record Period with material cost overrun; the project was in relation to an earthwork project of contract value of approximately S\$1.6 million for which the cost overruns resulted in an accumulated loss of approximately S\$1.1 million. This one project had negatively affected our profits for the years ended 31 December 2013 and 2014 by approximately S\$0.5 million and S\$0.04 million, respectively.

The loss was mainly due to unanticipated long waiting time at earth disposal site leading to increase in dumping fees and truck associated costs. Save for the above, there were no other projects with material cost overrun during the Track Record Period. To mitigate reliance on the use of third party's earth disposal site, one of our use of proceeds is for the securing of earth filling project site.

Our projects usually span a duration ranging between three to twelve months for the provision of earthworks (except for MRT projects which are generally for a duration of over two years). The duration will depend on the scale and complexity of the project, the construction schedule set up by the main contractor and the project schedule. There may also be instances of variation orders where specification and scope of works are amended from that originally contracted. A variation order may increase, omit or vary the original scope of work and alter the original contract sum. Should the amendment in the variation order require us to amend our purchases with our suppliers or our agreed terms with our subcontractors, these will be separately negotiated. In instances where our customers require performance bonds with a financial institution made in favour to them for a certain percentage of or the full amount stipulated in the contract, our finance department will coordinate with the financial institution and ensure that it is appropriately discharged at the end of the contract.

General construction works

For general construction project, we will obtain the relevant permits (for instance, permit to commence work or certificate of factory registration, as the case may be) and planning the project schedule. Prior to the commencement of general construction works, relevant general construction works have to be approved by the architect engaged by our customer. Certain purchases may also have to be pre-approved by our customer. Our projects department will coordinate with our contracts department on the required purchases and engagement of our subcontractors.

Our process on the selection of suppliers and subcontractors for general construction works is similar to earthworks as described above. For general construction works, our projects are dependent on labour resources.

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Our process for recording of accounts payables, receivables and preparation of progress billings and invoices is similar as earthworks, with a minor difference: (i) where we are the main contractor, our customer will issue us with a substantial completion certificate; and (ii) we can coordinate for the return of the retention monies after the defect liability period (typically twelve months, and in certain cases up to eighteen months).

Our projects usually span a duration ranging between one to two years for the provision of general construction works. The duration will depend on the scale and complexity of the project, the construction schedule set up by our customer and the project schedule. There may also be instances of variation orders where specification and scope of works are amended from that originally contracted. Similarly, certain projects may require performance bond whereby the process is similar to earthworks as described above.

Post-project phase

Earthworks

Upon the completion of our earthworks, we will typically issue a notice of completion to our customer to notify them of the handover of the project. There may be a subsequent maintenance period for earthworks of up to twelve months.

General construction works

For general construction works, we will typically receive a certificate of substantial completion from our customer's architect, which indicates that our services have been completed, inspected and approved. From the date of substantial completion of our general construction works, the defect liability period commences and we are required to rectify any defects brought to our attention during this period. For certain general construction projects, we may be required to provide joint warranties for specialist products such as water-proofing roofs. We will, from time to time, also monitor our receipts and the return of retention monies. Upon substantial completion, usually 2.5% of the contract amount shall be released to us and the balance of 2.5% upon expiry of the defect liability period. During the Track Record Period, no material deduction was made against the retention monies.

QUALITY CONTROL

We have a quality control policy and we are committed to complying with and continually improving our quality management system to ensure that we provide quality building and construction services that consistently meet our customers' expectations, legal requirements and safety standards. Our Group has the OHSAS 18001:2007 certification and bizSAFE Level Star, for further information, please refer to the paragraph headed "Workplace Safety and Health Policy" under the section headed "Business" in this prospectus. Our Group also has the ISO 9001:2008 and ISO 14001:2004 certifications.

Our operation director, Mr. Shi Hewei, has over 12 years of industry experience. He has also obtained a certificate of completion for Construction Safety Course for Project Managers conducted by The Singapore Contractors Association Ltd. Our operation manager, Mr. Oh Chee Tiong, has over 14 years of industry experience and completed numerous trainings and courses such as Certificate in Building Construction Safety Supervisors Course, Work-At-Height Course for Supervisors, Occupational

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First Aid Course, Construction Safety Management Course for Contractors, Risk Management Course and Internal Audit training. Our senior project coordinator, Mr. Tan Kian Tong, has over seven years of industry experience and graduated with a Bachelor of Science in Construction Project Management degree. He has also completed numerous trainings and courses such as Building Construction Supervisors Safety Course, Work-At-Height Course for Supervisors, Construction Safety Course for Project Managers, CONQUAS Training for Builders and Awareness Training for ISO 9001:2008 and OHSAS 18001:2007. They are involved in various aspects of quality control in our projects.

For incoming purchases at our warehouse such as spare parts for our tipper trucks and excavation machines, our warehouse department will conduct incoming inspections. For incoming purchases at our work sites such as prefabricated reinforcement steel, ready-mix concrete and steel products, our site supervisors will conduct visual inspections and sample tests. The criteria include ensuring the right quantity, type, grade or size of materials (as the case may be) and evidence of defects such as dent, grease, rust or coating defects. We also maintain an approved vendor list and a vendor is first admitted to our list based on the factors, including but not limited to, their market reputation, quality, responsiveness, track record, and existence of quality, environmental, health and safety management systems. The approved vendor list is reviewed annually and each approved vendor will be reviewed based on its performance, such as its quality, timeliness, responsiveness and environmental, health and safety record.

During the project, our projects department have assigned site supervisors to inspect the works being carried out by our workers and by our subcontractors. For earthworks, in-process inspection includes ensuring that project specifications are met, such as adherence to control levels and horizontal alignment for excavation and compaction effort for earth fill works. For general construction works, in-process inspection includes ensuring that each scope of works are carried out as per contract specifications and/or instructions from the customer's representative. Our site supervisors will also inspect the works completed at each stage to ensure that the relevant requirements are met. Please refer to the section headed "Business — Subcontractors" of this prospectus for further information on the monitoring of our subcontractors.

At the completion of the project, our staff will conduct a final check before arranging for handover to our customer. For earthworks, the checks include ensuring that all control levels are in accordance with the project specifications. For general construction works, the checks include inspection on the quality of the finishes (such as of paint, plaster or tiling works) to ensure that there is no visual defect, for instance, misalignment, discolouration, stain or water mark. Safety and regulatory requirements are also to be complied with.

Our Group has not experienced any material disputes on its projects relating to the quality of our earthworks and general construction works nor significant delay in the delivery of our projects during the Track Record Period and up to the Latest Practicable Date.

SALES AND MARKETING

Our customers typically come to know of us by word-of-mouth or are repeat customers who invite us to quote or tender for their new projects. We also monitor the Singapore government's online public tender system GeBIZ weekly for any relevant tenders. Please refer to the section headed "Business — Project management and operations" of this prospectus for details of our tender success rates during the Track Record Period. Tender invitations mainly come from word of mouth, reputation and established

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track record, rather than advertising and promotion. We also rely on our Executive Directors to network with other contractors and property developers in Singapore. Further, CL Construction is a member of the Singapore Contractors Association Ltd since October 2001 which provides us an opportunity to network among the contractors in Singapore. In addition, our Executive Directors have a hands-on approach in project management and monitor closely the fulfilment of our commitments to customers, with a view to maintaining our Group's reputation, relationships with other industry participants and potential for project referrals. We do not have a dedicated sales and marketing team.

CUSTOMERS

Our customers comprise mainly main contractors of building projects, property developers and government agencies in Singapore. For the majority of our earthworks projects, we are the subcontractor of main contractors, whose contract is for the construction of the entire building/development who subcontract the earthworks to us. In certain projects where earthworks form the main nature of the project scope, we will be the main contractor. With regards to general construction works, we will typically be the main contractor. All our contracts are on a project-by-project basis and non-recurring.

We had 114, 129 and 127 customers for our earthworks and general construction projects for the three years ended 31 December 2013, 2014 and 2015, respectively, of which revenue from the provision of earthworks and related services comprised approximately 89.5%, 60.2% and 49.0%, respectively.

Our projects usually span a duration ranging between three to twelve months for the provision of earthworks (except for MRT projects which are generally for a duration of over two years) and between one to two years for the provision of general construction works. Repeat customers made up approximately 73.7%, 52.7% and 52.4% of our revenue for the three years ended 31 December 2013, 2014 and 2015, respectively. In the local construction industry, word-of-mouth and therefore reputation is an important factor for securing new projects and over the years, and we have established ourselves as a reputable earthworks contractor. Our customers typically consider us for new project opportunities based on our experienced management team and track record of delivering timely and reliable earthworks. For MRT projects, the main contractors will submit CL Construction as a subcontractor for the provision of earthworks to the LTA for approval. During the Track Record Period, we have a total of seven ongoing and completed MRT projects of an aggregate contract value of approximately S\$38.9 million, mainly involving earthworks, civil engineering works, disposal of excavated materials, earth fill and related drainage and roadworks.

For the three years ended 31 December 2013, 2014 and 2015, revenue from our five largest customers amounted to approximately S\$22.7 million, S\$42.0 million and S\$52.6 million, and accounted for approximately 37.0%, 45.4% and 53.0% of our revenue, respectively. Revenue from our largest customer for the same periods amounted to approximately S\$6.8 million, S\$16.6 million and S\$23.1 million, and accounted for approximately 11.1%, 18.0% and 23.3% of our revenue, respectively.

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The following table sets forth our five largest customers for each of the three years ended 31 December 2013, 2014 and 2015, respectively:

For the year ended 31 December 2013

Customer	Approximate years of relationship with our Group	Scope of services provided by our Group	Payment and credit terms granted	Revenue contribution Amount (S\$' million)	% of revenue of our Group
Customer A (Note 1)	14	Earthworks	Payable by cheque or direct credit to bank account at respective progress claims, 30 days due upon issuance of invoice	6.8	11.1%
Customer B (Note 2)	8	Earthworks	Payable by cheque or direct credit to bank account at respective progress claims, 30 days due upon issuance of invoice	5.9	9.7%
Customer C (Note 3)	4	Earthworks	Payable by cheque at respective progress claims, 30 days due upon issuance of invoice	3.8	6.3%
Chuan Lim Engineering Pte. Ltd. (Note 4)	12	Rental of machinery	Payable by cheque at respective progress claims, 30 days due upon issuance of invoice	3.2	5.2%
Customer D (Note 5)	7	Earthworks	Payable by cheque at respective progress claims, 30 days due upon issuance of invoice	2.9	4.8%
Total				22.7[#]	37.0%[#]

Notes:

[#] The sum of figures does not add up to total due to rounding differences.

- (1) Customer A, a private company incorporated in Singapore, is principally engaged in the provision of construction services.
- (2) Customer B, a private company incorporated in Singapore, whose business includes design, building and management of construction project.
- (3) Customer C is the Singapore branch of a Korean company which provides civil engineering and construction services.
- (4) Chuan Lim Engineering Pte. Ltd. is a company incorporated in Singapore which was previously owned by our Executive Directors, Mr. Alan Lim, Mr Bijay Joseph and Mr. Albert Quek as to 60%, 30% and 10%, respectively. All of the shares in Chuan Lim Engineering Pte. Ltd. held by our Executive Directors were disposed of to two Independent Third Parties in August 2015. Chuan Lim Engineering Pte. Ltd. is principally engaged in the provision of civil engineering services, and is also our subcontractor. Please refer to the section headed "Business — Subcontractors" of this prospectus for further details.
- (5) Customer D, a subsidiary of a Singapore listed company, is a private company incorporated in Singapore which is principally engaged in the provision of construction services.

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For the year ended 31 December 2014

Customer	Approximate years of relationship with our Group	Scope of services provided by our Group	Payment and credit terms granted	Revenue contribution Amount (S\$' million)	% of revenue of our Group
Customer E (Note 6)	2	A&A works	Payable by cheque at respective progress claims, 30 days due upon issuance of invoice	16.6	18.0%
Hulett Construction (Note 7)	2	General construction works	Payable by cheque at respective progress claims, 30 days due upon issuance of invoice	8.8	9.5%
Customer F (Note 8)	8	A&A works	Payable by direct credit to bank account at respective progress claims, 30 days due upon issuance of invoice	7.0	7.5%
Customer G (Note 9)	7	Earthworks and civil engineering works	Payable by cheque at respective progress claims, 30 days due upon issuance of invoice	4.9	5.3%
Customer A (See Note 1 above)	14	Earthworks	Payable by cheque or direct credit to bank account at respective progress claims, 30 days due upon issuance of invoice	4.7	5.1%
Total				<u>42.0</u>	<u>45.4%</u>

Notes:

- (6) Customer E, a subsidiary of a Singapore listed company, is a private company incorporated in Singapore principally engaged in property investment.
- (7) Hulett Construction is a company incorporated in Singapore with limited liability, for which Mr. Alan Lim, our Executive Director, and Ms. Yee Say Lee, the spouse of Mr. Alan Lim each owned 65% and 35% respectively. Hulett Construction Pte. Ltd. is principally engaged in property investment. The company was incorporated in November 2005 and is based in Singapore. Please refer to the section headed "Connected transactions" of this prospectus for further details.
- (8) Customer F, a subsidiary of a Singapore listed company, is a private company incorporated in Singapore, which principally develops and operates an integrated resort.
- (9) Customer G, a private company incorporated in Singapore, is principally engaged in the provision of construction services.

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For the year ended 31 December 2015

Customer	Approximate years of relationship with our Group	Scope of services provided by our Group	Payment and credit terms granted	Revenue contribution Amount (\$' million)	% of revenue of our Group
Hulett Construction <i>(See Note 7 above)</i>	2	General construction works	Payable by cheque at respective progress claims, 30 days due upon issuance of invoice	23.1	23.3%
Customer H <i>(Note 10)</i>	9	General construction works	Payable by direct credit to bank account at respective progress claims, 30 days due upon issuance of invoice	17.3	17.4%
Golden Empire Civil Engineering Pte. Ltd. <i>(Note 11)</i>	1	Earthworks	Payable by cheque at respective progress claims, 30 days due upon issuance of invoice	4.6	4.6%
Customer I <i>(Note 12)</i>	7	General construction works	Payable by cheque at respective progress claims, 30 days due upon issuance of invoice	4.1	4.1%
Customer J <i>(Note 13)</i>	1	Earthworks	Payable by cheque at respective progress claims, 35 days due upon issuance of invoice	3.6	3.6%
Total				<u>52.6[#]</u>	<u>53.0%</u>

Notes:

[#] *The sum of figures does not add up to total due to rounding differences.*

- (10) Customer H, the public housing authority of Singapore and a statutory board under the Ministry of National Development.
- (11) Golden Empire Civil Engineering Pte. Ltd. is a company incorporated in Singapore, for which Mr. Alan Lim, our Executive Director, and an Independent Third Party each owned 50% respectively. Golden Empire Civil Engineering Pte. Ltd. is principally engaged in civil engineering. Please refer to the section headed "Connected transactions" of this prospectus for further details.
- (12) Customer I, a private company incorporated in Singapore, is principally engaged in the provision of construction services.
- (13) Customer J, a subsidiary of a Singapore listed company, is a private company incorporated in Singapore principally engaged in the provision of construction services.

Customer who is also our supplier

Customer G is one of our top five customers for the year ended 31 December 2014 and also one of our suppliers. It is a private company incorporated in Singapore principally engaged in the provision of construction services. Customer G subcontracts the earthworks and related services of their main

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contract to us and is also one of our suppliers for rental of tipper trucks in instances when we require extra trucks to meet the demands of our on-going projects. From time to time, we may also rent tipper trucks to Customer G when they are in need as and when and we have tipper trucks available on an ad-hoc basis. The value and type of transactions with Customer G during the Track Record Period is as below:

	For the year ended		
	31 December		
	2013	2014	2015
<i>Customer G as our customer</i>			
— Our total revenue from Customer G as percentage of our total revenue (<i>Approximate %</i>)	2.3%	5.3%	0.8%
Gross profit for the contracts where we provided earthworks and related service to Customer G (<i>Approximate S\$' 000</i>)	129	706	74
<i>Customer G as our supplier</i>			
— As percentage of total direct costs (<i>Approximate %</i>)	1.0%	0.3%	0.3%

Customer G is an Independent Third Party, and to the best of our Directors' knowledge and belief, it is not uncommon in the construction industry, in particular between companies who own their own fleet of tipper trucks, to rent the tipper trucks to another company as and when one is in need and the other has spare capacity. Our Directors confirmed that the terms of the transactions and contracts with Customer G (whether as a customer or supplier) were negotiated on an arm's length basis and during the Track Record Period, we did not have any material disputes with Customer G.

Save for Chuan Lim Engineering Pte. Ltd. and Customer G as disclosed, none of our five largest customers during the Track Record Period is also our supplier or subcontractor. Please refer to the section headed "Business — Our five largest subcontractors during the Track Record Period — Subcontractors who were also our customers" for details. All of our five largest customers are Independent Third Parties, except for Chuan Lim Engineering Pte. Ltd., Hulett Construction and Golden Empire Civil Engineering Pte. Ltd. During the Track Record Period, we have not had any material disagreement or dispute with any of our customers. Save as disclosed in this prospectus, none of our Directors, or any of their respective close associates or any existing Shareholders which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue, had any interest in any of our five largest customers during the Track Record Period.

KEY CONTRACT TERMS

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

Duration

For earthwork contracts, the duration may not be expressly stated but typically span approximately from three to twelve months (except for MRT projects which are generally for a duration of over two years). For general construction works, the duration will typically be stated in the contract and is usually between one to two years, depending on the scale and complexity of the project.

Progress claims

We make monthly progress claims to our customers in respect of the value of the work we have performed in the preceding month, and subject to our customer's confirmation, thereafter we will proceed to issue invoices with a credit term in accordance with the contract. Under the Building and Construction Industry Security of Payment Act, Chapter 30B of Singapore ("BCISPA"), any person who has carried out any construction work or supplied any goods or services under a contract is entitled to a progress payment. Monthly progress claims are to be certified by the customer within 21 calendar days from the submission of our progress claims and payment within 35 days of such certification. The BCISPA also contains provisions relating to, amongst others, the amount of the progress payment to which a person is entitled under a contract, the valuation of the construction work carried out under a contract and the date on which a progress payment becomes due and payable. Therefore, we have the right to the progress claims that we make in accordance with the work that we carried out and based on the agreed contract terms with our customers. Please refer to the section headed "Regulatory overview" in this prospectus for further details of the BCISPA.

Retention money

A portion of the contract value, normally 5% is withheld by our customers as retention money, of which half will be released upon substantial completion and the remaining released upon final completion (which is after the defect liability period if applicable, usually being 12 to 18 months from substantial completion date). The substantial and final completion certificates are certificates issued by the customer's architect to us to acknowledge that the projects are completed. Substantial completion implies that the works to be completed under the contract have been substantially completed, and that there is no apparent defect. It is the start of the defect liability period. The final completion certificate is usually issued after the end of the defect liability period.

Defect liability period

Our general construction contracts will generally include a defect liability period, during which we are responsible to rectify works defects which were due to our fault at no extra cost to the client. The defect liability period is usually 12 to 18 months from the date of substantial completion. If the materials used are not in accordance with the contract, we will replace them during the defect liability period or request our subcontractors to do so. There was no material claim which was brought against our Group by our customers during the Track Record Period. There was no significant customer complaint during the Track Record Period.

Insurance

Where we are the main contractor for our projects, we are required to procure insurance such as public liability insurance and work injury compensation insurance specifically for the project. Where we are the subcontractor, we typically procure additional insurance if the contract sum exceeds S\$1.5 million. We also insure our tipper trucks and machinery. For details of insurance policies taken out by our Group, please see the paragraph headed “Insurance” in this section of the prospectus.

Performance bonds

For certain of our contracts, we are required to have stipulated value (typically 5% or 10% of the contract value) of performance bonds with financial institutions made in favour to our customer, which will remain in effect until the return of the performance bond or upon expiry of the bond, which is upon or after completion of the project. The customer may utilise the performance bond to make good any loss or damages sustained as a result of any breach by us of the contract with them. There was no claim on any performance bonds during the Track Record Period.

Foreign workers

We are responsible for ensuring that both our own workforce for the relevant project and those of our subcontractors do not have any illegal foreign workers. We are liable for and shall indemnify our customers against any losses or liabilities arising from our hiring of illegal foreign workers for the relevant project. During the Track Record Period, we did not hire any illegal foreign workers and no action or notifications were taken against us or issued to us in connection with hiring of illegal foreign workers.

Liquidated damages

Our contracts typically include a liquidated damages clause, where if we fail to complete the work scope within the stipulated time and/or cause unnecessary delay to the entire project that result in liquidated damages imposed on our customer, we shall reimburse the customer for some or all of the incurred liquidated damages. There were no material liquidated damages paid by our Group during the Track Record Period.

Variation

We may be given variation orders where our customers amend the specification and scope of works from that originally contracted. A variation order may increase, omit or vary the original scope of work and alter the original contract sum. Should the amendment in the variation order require us to amend our purchases with our suppliers or our agreed terms with our subcontractors, these will be separately negotiated.

Termination

Our contracts can typically be terminated by the customer if, among others, we: (i) have abandoned the contract; (ii) have without reasonable cause failed to commence the contract works or have failed to proceed with the contract works diligently; (iii) have failed to comply with the written notices or orders issued by our customers; or (iv) become bankrupt or insolvent.

EARTH FILLING SITE

Earth filling is the process of refilling an excavated area on land, the scope of work principally involves the supply of good earth to fill the land area with a depth of up to 3 metres. The excavators used in earthfill projects on land are generally of a smaller capacity compared with land reclamation projects and we normally use road tipper truck for the transportation of earth. To undertake the earth filling activities, the permits required are the same as that for earthworks and the licence to undertake such works falls under the GB1 Licence issued by the BCA. Typically, standard machines such as tipper trucks and excavators we possess are suitable for such earth filling projects. Our major customers for earthfill projects are usually main contractors of buildings or MRT construction services. For example, to construct underground MRT projects, an area will be excavated for underground construction and thereafter, the area needs to be refilled with suitable earth after the underground construction has been completed.

In general, there are three types of earth disposal sites in Singapore, namely land reclamation sites, designated staging grounds and ad-hoc construction projects requiring earthfill; all of which are to a large extent, regulated and controlled by the Singapore Government. To undertake a land reclamation sites and designated staging ground projects, the operators/main contractors are required to be registered by BCA under the CRS under the CW02 workhead for “Civil Engineering”. Although there is no specific licensing requirement for being a subcontractor of marine-related excavation works and landbound earthworks, it is our Group’s strategy to focus on landbound earthworks and related services only. During the Track Record Period, we did not tender for any land reclamation sites which are marine-related and designated staging ground projects. We only act as the earth provider to dispose the good earth from our current earthwork projects to land reclamation site at Jurong Island Westward Reclamation. Please refer to section headed “Industry Overview” in this prospectus for further details on land reclamation sites and staging grounds.

With regards to the securing of earth filling projects, the background information, the reasons of this business strategy, key factors when considering to tender for an earth filling site and the impact on our business model, risk profile and cost structure or profitability are set out below:

Key information	Details
Background	<p>Our scope of work as an earthworks contractor, amongst others, includes the excavation and the disposal of the excavated earth. Securing earth filling projects will enable us to dispose the excavated earth from our earthworks projects to our designated earth filling project site without having to pay third parties for the use of their earth disposal sites.</p> <p>With many construction projects taking place consistently that involve the excavation of large quantities of earth, such as the underground MRT system extension projects, earth disposal site is a key issue in land-scarce Singapore. As main contractors of major construction projects in Singapore typically subcontract the earth excavation portion of the project to an earthworks service provider with the expertise and capital machinery to execute it, earthworks service providers face the responsibility of disposing the excavated earth at appropriate earth disposal sites in a legal manner.</p>

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Key information	Details
Roles, availability and locations of earth disposal sites	<p><i>Ad-hoc construction projects requiring earth fill</i></p> <p>These are public and private construction projects which require good earth to fill up low-lying land. In certain situations, an earthwork service provider may engage in multiple earthworks projects in close proximity, whereby some projects are for excavation work and others for earth fill work. In such scenarios, the earthwork service provider is able to dispose of good earth from the excavation site to the earth fill site directly to enjoy cost savings both on transportation and avoid paying any dumping fees.</p> <p><i>Obligation and revenue stream</i></p> <p>The relevant government agency will call for a tender via the GeBIZ portal and private land owner invite tenders respectively. Typically, earthwork service providers will submit a more competitive bid compared to other contractors, due to the high likelihood of having a substantial amount of readily available earth from its ongoing excavation projects. Our Group has experience in operating ad-hoc earth filling sites that required good earth to fill up the low-lying land. Based on previous experiences, there were no direct revenue inflow from land owners as our other earthwork projects will benefit from the cost savings for dumping the excavated earth at such earth filling site at no earth disposal fee. Since we obtain the exclusive right to dispose the excavated material at such earth filling site, we generally do not allow third parties to dump their excavated earth unless we do not have sufficient quantity of suitable earth for earth filling purpose, in which event only minimal fees may be received from third parties. In some cases, in the tender for a new earth filling project, our Group needs to pay a committed tender price and a security deposit of 5.0% of the total committed tender amount by way of banker's guarantee, which will be refunded to our Group once the project is completed. Besides, our Group may incur some cost for the landscape e.g. building fences, providing the drainage system, growing grasses and maintaining the overall hygiene of the earth filling sites, etc. Moreover, our Group needs to commit to supply a minimum volume of earth within a certain time frame to the main contractor/government.</p>

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In terms of our competitive advantages for securing such ad-hoc construction projects requiring earth fill, our Company views that our Group has advantages as follows:

- (i) typically the competitors of such projects are engaged in earthworks, and we are one of the top five earthworks contractors (by revenue) for the construction industry in Singapore as of 2014;
- (ii) we had an earth filling project located at Seletar area during the Track Record Period and was able to schedule the earth excavated from our other projects to fill in this earth filling project. We possess an experienced projects team, led by our Executive Directors, that is able to schedule and plan the earth fill required; and
- (iii) the size of our earthworks projects provide an advantage in preparing a competitive tender/proposal for such sites as the source of the earth to fill for such projects come from the on-going earthworks projects (where earth is excavated and to be disposed).

Our Group's involvements, arrangements and corresponding fees

During the Track Record Period, we had an earth filling project located at Seletar area from September 2013 to December 2014 whereby the earth excavated from our other projects were used to fill this earth filling project and a third party private project located at Tuas area for a fee in the range of S\$8.00 to S\$30.00 per load (one load represents approximately 17 tonnes).

Job scope for earth filling project

In these earth filling projects, the parties involved are:

1. The owner of the earth filling project site; and
2. The contractor who will be responsible for filling the earth at the site.

The key terms of these projects will include:

1. The scope of works — earthworks, namely earth filling;
2. The agreed contract value, typically on a lump sum basis;

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3. The payment milestones, which are normally at the signing of the contract, the commencement of work and the completion of work;
4. The anticipated timeframe for earth filling; this will depend on the site area, typically one to three years; and
5. The site area.

From the site area and the level of depth of earth to fill, we can estimate how much earth is required to fill the earth filling site. Such earth will be obtained from our earthworks projects.

Reason for this business strategy

The use of third-party earth disposal sites presents a few uncertainties that are beyond our control, mainly:

1. Should the level of construction activity be high, and limited number of earth disposal sites are available in Singapore at any one time, the process of waiting in queue to dispose of the earth could be prolonged extensively;
2. The unanticipated long waiting time also has an impact on our leasing costs as our trucks are 'tied up' in the queue, thereby leading to more trucks being required to move the excavated earth from the earthworks site; and
3. The unanticipated long waiting time occurring at an earth disposal site closer to our earthworks project(s) may result in a decision to dispose of the excavated earth at another earth disposal site located further away from our earthworks project(s) instead.

If we are able to secure earth filling project sites, we will be able to integrate such projects with our earthworks segment, benefiting us in the following areas:

1. There will be substantially less queueing time as we are able to pre-schedule our own trucks to dispose of the earth, which would include having the flexibility in the scheduling of earth filling and extending the hours in which the earth filling site is available for use;
2. Cost savings from the use of a third-party earth disposal sites, leasing costs, diesel costs and transportation costs; and
3. Potentially shorter traveling time if the earth filling project site secured is located close to our then existing earthworks project(s).

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Key information	Details
Business strategy and the impact on business model	<p>The securing of land for earth filling is in line with our strategy to increase our competitiveness, via reducing our costs.</p> <p>Given that earth filling projects are categorised as earthworks, our overall business model remains unchanged as we continue to strengthen our market position in the earthworks sector.</p>
Regulatory compliance and costs	<p>To undertake earth filling activities for the earth filling project, the licensing requirement/permits required are the same as that for earthworks and the licence to undertake such works falls under GB1 Licence issued by the BCA which we currently hold. We are also governed under the Environmental Public Health Act (Chapter 95) of Singapore. Please refer to section headed “Regulatory overview — Environmental Public Health Act (Chapter 95) of Singapore (“EPHA”)” for further details.</p> <p>The following terms are typically stated in the contract for the earth filling project:</p> <ul style="list-style-type: none">— Toxic, rubbish, or earth that is unsuitable for the specific earth filling project would not be allowed. Unsuitable earth includes material from swamps, peat, logs, stumps, perishable material, material susceptible to spontaneous combustion and materials that are too liquid; and— The owner of the earth filling site has the right to request for and/or inspect the source of earth and the suitability of the earth for its site. <p>There is no significant additional cost related to the preparation of earth for earth filling at such site and the costs of obtaining test reports on the earth are minimal.</p>
Experience of the personnel	<p>There is no requirement to hire staff with specialised skill sets for the fulfillment of such earth filling projects. There is therefore no impact on our workforce.</p>

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Key information	Details
Additional obligation and procedures/ tendering process of earth filling projects	As all our earth filling projects form part of our earthworks projects, the major terms of such arrangements are similar to earthworks projects. For further details of the key contract terms, please refer to section headed “Business — Key contract terms” of this prospectus. Arrangements with third party private projects are done on ad-hoc basis and generally there are no major terms attached to such arrangement except for the quantity and type of earth supplied on an occasional basis. Should there be any earth filling projects available for tender, the tender process is the same as earthworks project since they form part of earthworks as detailed in section headed “Business — Project management and operations — Tender/ quotation phase” of this prospectus.
Cost structure	It is expected that upon securing of earth filling projects, our direct costs for earthworks can be reduced as the use of third party earth disposal sites will be reduced. This would further reduce our direct cost components such as diesel, leasing costs and transportation costs due to reduced waiting time. During the Track Record Period, we had an earth filling project located at Seletar area from September 2013 to December 2014 whereby our excavated earths from our other earthworks projects were used for this project. This has resulted in savings of approximately S\$1.2 million throughout the duration of the earth filling project. Although there has been an increase in cost related to the use of earth disposal sites as a percentage of the total direct cost from approximately 13.3% in 2012 to approximately 16.7% in 2013, the proportion of such costs has decreased as a percentage of the earthworks revenue from approximately 15.5% in 2012 to approximately 14.8% in 2013. Moreover, the earth filling project commenced in the fourth quarter of 2013 and as such, the impact of cost savings arose from this earth filling project is lower for 2013.
Impact on profit margin	From the expected reduction in direct costs as mentioned above, the securing of earth filling project sites would have a positive impact on our profit margin.
Risk profile	Given that such earth filling projects are still within the earthworks sector, there would be no impact on our risk profile.
Key considerations when securing such land areas for earth fill	<p>The factors that we will consider in identifying suitable earth filling projects include:</p> <ul style="list-style-type: none">(i) Anticipated duration of such earth filling;(ii) Size of the earth filling site;(iii) Costs to be paid to the owner of the earth filling site;

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- (iv) Accessibility of the earth filling site;
- (v) Proximity to infrastructure; and
- (vi) Distance away from residential areas.

As and when such projects are available for tender, we will consider based on the above factors. We have not identified any specific project site for this purpose as at the Latest Practicable Date.

The likelihood of our Group in securing earth filling projects is dependent on the availability of such projects for tender. Our Directors believe that there are potential earth filling sites that our Group can secure including but not limited to the sites near Lim Chu Kang area and Defu Industrial City area, which are located at close proximity to our earthwork projects.

SUPPLIERS

Our purchases are mainly from suppliers in Singapore and our main purchases are diesel and spare parts used in our fleet of tipper trucks and excavation machines, use of earth disposal sites, ready-mixed concrete, prefabricated reinforcement steel and steel products. We make our purchases based on needs of individual projects or anticipated consumption and wear and tear, in particular for purchases such as spare parts for our machines. We do not have any long-term agreement with our suppliers, except for (i) a two-year agreement for the purchase of diesel for which we have received a committed price (as a fixed dollar premium per barrel to the average quoted crude oil price), with a minimum quantity of 9,000 liters per order (with provision for variation of up to 1,000 liters per delivery) and (ii) five-year maintenance contracts with certain manufacturers of tipper trucks. With respect to our purchase of diesel agreement, there is no requirement to pay the shortfall but we may be charged with delivery costs associated with an order less than the minimum order quantity. During the Track Record Period, all orders made were above the minimum order quantity. These long-term agreements can be terminated with a 30-day advance notice provided by either party. We maintain good relationships with our suppliers and have not experienced any significant quality or fulfillment issues with our suppliers. For general construction works, purchases such as ready-mixed concrete and prefabricated reinforcement steel are on a project-basis.

We maintain an approved vendor list for suppliers who have passed our assessment criteria; for suppliers first admitted into the list, we will have reviewed their performance based on (as the case may be), their (i) market reputation, (ii) existence of an effective quality, environmental, health and safety system, (iii) response to our request for services, (iv) reliability of product or services procured and (v) quality of samples provided. This assessment is performed by our quantity surveyors and submitted to our Executive Director for approval. Subsequently, on an annual basis, our quantity surveyors will assess the performance of the suppliers based on (as the case may be), their (i) ability to meet delivery schedules in accordance with contract/purchase order, (ii) response to repair calls under guarantee period, (iii) quality of goods and services received and (iv) environmental, health and safety performance for the past year and the Executive Director will decide whether the supplier will be retained in the approved vendor list. As at 31 December 2015, there were over 800 suppliers and subcontractors on our approved vendor list.

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For earthworks projects, purchases mainly relate to diesel and operating cost of tipper trucks and excavation machines (such as spare parts and tyres) as well as use of earth disposal site. As an earthworks contractor, our work scope, amongst others, include excavation and the disposal of the excavated earth. If we do not have a project that requires the earth, we will have to pay third parties for the use of their earth disposal sites. During the Track Record Period, we incurred the use of earth disposal site costs of approximately S\$8.1 million, S\$5.9 million and S\$4.8 million or approximately 16.7%, 8.0% and 6.0% of our direct costs for the three years ended 31 December 2013, 2014 and 2015 respectively. These costs may fluctuate should there be unexpected and recurring traffic jams at the earth disposal sites when the availability of earth disposal sites did not keep pace with the spike in construction projects. Moreover, with our trucks stuck in traffic jams and in the queue to dispose the earth, additional time will be taken for the tasks which then lead to additional costs associated with leasing trucks, diesel and labour and other transportation costs. We manage the fluctuation in these costs by (i) contracting at a fixed dollar premium per barrel to the average quoted crude oil price for our diesel purchase; (ii) providing training to our workers on the proper handling of our machinery to reduce damage; and (iii) periodic maintenance of our machinery. For general construction works, the purchases are made based on the needs of the project and we will obtain quotations for major purchase items such as ready-mix concrete during our preparation of quotation to our customer. Please refer to the section “Risk factors” in this prospectus for further details.

For the three years ended 31 December 2013, 2014 and 2015, purchases from our five largest suppliers amounted to approximately S\$13.6 million, S\$15.3 million and S\$10.9 million, and accounted for approximately 28.1%, 20.8% and 13.7% of our total direct costs, respectively. Purchases from our largest supplier for the same periods amounted to approximately S\$7.1 million, S\$5.9 million and S\$3.7 million, and accounted for approximately 14.7%, 8.0% and 4.6% of our total direct costs, respectively.

Our five largest suppliers during Track Record Period

The following table sets forth our five largest suppliers for each of the three years ended 31 December 2013, 2014 and 2015, respectively:

For the year ended 31 December 2013

Ranking	Name of supplier	Approximate years of relationship with our Group	Principal business	Payment and credit terms	Approximate Supply amount S\$' million	Approximate percentage of our Group's total direct costs %
1	Supplier A	11	Supplier of use of earth disposal sites	Payable by cheque, 30 days	7.1	14.7%
2	Supplier B	10	Supplier of commercial fuel	Payable by cheque, 30 days	5.5	11.3%
3	Chuan Marine SNK Engineering & Trading Pte. Ltd. (Note 1)	4	Supplier of use of earth disposal sites	Payable by cheque, 30 days	0.4	0.8%
4	Supplier C (Note 2)	8	Supplier of asphalt premix	Payable by cheque, 30 days	0.3	0.7%
5	Supplier D	3	Supplier of use of earth disposal sites	Payable by cheque, 30 days	0.3	0.6%
Total					13.6	28.1%

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Notes:

- (1) Chuan Marine SNK Engineering & Trading Pte. Ltd. is a company incorporated in Singapore with limited liability, owned as to 50% by Chuan Marine Pte. Ltd. which in turn is wholly-owned by Mr. Alan Lim, and 50% by SNK Engineering & Trading Pte. Ltd., a company owned by an Independent Third Party. Chuan Marine SNK Engineering & Trading Pte. Ltd. is principally engaged in the provision of marine construction.
- (2) Supplier C and Supplier F are members of the same corporate group as ECO CDW Management Pte. Ltd., an associate company of our Group prior to the disposal of our 45% interest in December 2013. Further details of such disposal are set out in the paragraph headed “Disposal of associated companies” in the section headed “History, Reorganisation and corporate structure” in this prospectus.

For the year ended 31 December 2014

Ranking	Name of supplier	Approximate years of relationship with our Group	Principal business	Payment and credit terms	Supply amount Approximate S\$' million	Approximate percentage of our Group's total direct costs %
1	Supplier B	10	Supplier of commercial fuel	Payable by cheque, 30 days	5.9	8.0%
2	Supplier A	11	Supplier of use of earth disposal sites	Payable by cheque, 30 days	5.6	7.6%
3	Supplier E	9	Supplier of prefabricated reinforcement steel	Payable by cheque, 30 days	1.8	2.5%
4	Supplier F <i>(See Note 2 above)</i>	5	Supplier of ready-mixed concrete	Payable by cheque, 30 days	1.6	2.1%
5	Supplier G	1	Supplier of asphalt & asphalt products	Payable by cheque, 30 days	0.4	0.6%
Total					15.3	20.8%

For the year ended 31 December 2015

Ranking	Name of supplier	Approximate years of relationship with our Group	Principal business	Payment and credit terms	Supply amount Approximate S\$' million	Approximate percentage of our Group's total direct costs %
1	Supplier A	11	Supplier of use of earth disposal sites	Payable by cheque, 30 days	3.7	4.6%
2	Supplier B	10	Supplier of commercial fuel	Payable by cheque, 30 days	3.6	4.5%
3	Supplier E	9	Supplier of prefabricated reinforcement steel	Payable by cheque, 30 days	1.4	1.7%
4	Supplier H	1	Supplier of concrete	Payable by cheque, 30 days	1.3	1.6%
5	Supplier I	3	Supplier of use of earth disposal sites	Payable by cheque, 30 days	1.0	1.3%
Total					10.9[#]	13.7%

Note:

[#] The sum of figures does not add up to total due to rounding differences.

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Supplier who was also our customer

Chuan Marine SNK Engineering Pte. Ltd., is a company incorporated in Singapore with limited liability, owned as to 50% by Chuan Marine Pte. Ltd. which in turn is wholly-owned by Mr. Alan Lim, and 50% owned by SNK Engineering & Trading Pte. Ltd., a company owned by an Independent Third Party. Chuan Marine SNK Engineering Pte. Ltd. is principally engaged in the provision of marine construction. Chuan Marine SNK Engineering Pte. Ltd. provided us an earth disposal site to dispose our excavated earth while we mainly rented excavation machineries to Chuan Marine SNK Engineering Pte. Ltd. to manage the disposed earth. The value and type of transaction with Chuan Marine SNK Engineering Pte. Ltd. during the Track Record Period is as below:

	For the year ended		
	31 December		
	2013	2014	2015
Chuan Marine SNK Engineering Pte. Ltd. as our supplier			
— Our fees paid to Chuan Marine SNK Engineering Pte. Ltd. as percentage of our total direct costs (<i>Approximate %</i>)	0.8%	—	—
Chuan Marine SNK Engineering Pte. Ltd. as our customer			
— As percentage of revenue (<i>Approximate %</i>)	0.2%	—	—
Gross profit for the contracts where we provided earthworks and related service to Chuan Marine SNK Engineering Pte. Ltd. (<i>Approximate S\$'000</i>)	—	—	—

To the best of our Directors' knowledge and belief, it is not uncommon in the construction industry to rent the excavation machineries to another company as and when one is in need and the other has spare capacity. Our Directors confirmed that the terms of the transactions with Chuan Marine SNK Engineering Pte. Ltd. (whether as a customer or supplier) were negotiated on an arm's length basis and during the Track Record Period, we did not have any material disputes with Chuan Marine SNK Engineering Pte. Ltd.

Save as disclosed, none of our five largest suppliers during the Track Record Period is also our customer. All of our five largest suppliers are based in Singapore and are Independent Third Parties except for Chuan Marine SNK Engineering & Trading Pte. Ltd.. We are not reliant on any single supplier and have also not experienced any shortage or delay in supply of materials during the Track Record Period. We have alternative suppliers for each major category of supplies on our approved vendor list. Save for Chuan Marine SNK Engineering & Trading Pte. Ltd., none of our Directors, or any of their respective close associates or any Shareholders which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue, had any interest in any of the five largest suppliers during the Track Record Period. During the Track Record Period, we have not had any material disagreement nor dispute with any of our suppliers.

SUBCONTRACTORS

We may engage subcontractors for part of certain earthworks and related services contracts, for instance, to provide services such as drainage and sewerage works. Typically, we engage subcontractors when it is more efficient for larger scale civil engineering works to be subcontracted and we focus on the earthworks scope for the project. This also means that we do not need to acquire and maintain special equipments required for such works. For general construction projects, we typically engage subcontractors for more specialised services which we may not provide in-house, such as air-conditioning and mechanical ventilation works, plumbing, sanitary, drainage, sewerage works, electrical works and steel works.

We maintain good relationships with our subcontractors through strong communication on project-related matters, particularly coordination on when their subcontract works have to be completed and the civil engineering requirements of the project. We also make prompt payment to our subcontractors and they have provided their services on a reliable and timely basis. In general, we are liable to our customers for the performance of our subcontractors including but not limited to defects, delay in the project schedule and violation of rules or regulations.

We typically select our subcontractors from our approved vendor list of subcontractors, whereby they are initially assessed based on (as the case may be) (i) market reputation, (ii) existence of an effective quality, environmental, health and safety system, (iii) response to our request for services, (iv) reliability of product or services procured and (v) quality of services provided. This assessment is performed by our quantity surveyors and submitted to our Executive Director for approval. Subsequently, on an annual basis, our quantity surveyors will assess the performance of the subcontractors based on (as the case may be), their (i) ability to meet delivery schedules in accordance with contract/purchase order, (ii) response to repair calls under guarantee period, (iii) quality of goods and services received and (iv) environmental, health and safety performance and our Executive Director will decide whether the subcontractor will be retained in the approved vendor list. The subcontracting fee is determined based on the estimate of market rate for comparable projects, taking into account their scope, size, complexity and contract value. As at 31 December 2015, there were over 800 suppliers and subcontractors on our approved vendor list.

Our Group has, over the years, established good relationships with our subcontractors and the length of our relationship with them ranges from one to ten years. For the three years ended 31 December 2013, 2014 and 2015, total amount paid for subcontracting works to our five largest subcontractors amounted to approximately S\$5.0 million, S\$12.4 million and S\$21.4 million and accounted for approximately 10.3%, 16.8% and 27.0% of our total direct costs, respectively. For the three years ended 31 December 2013, 2014 and 2015, our largest subcontracting fees payable to a single subcontractor amounted to approximately S\$3.6 million, S\$3.9 million and S\$14.6 million and accounted for approximately 7.5%, 5.3% and 18.4% of our total direct costs, respectively. So far as our Directors are aware, during the Track Record Period and up to the Latest Practicable Date, we did not receive any claims from our customers in respect of the quality of services performed by our subcontractors.

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Our five largest subcontractors during Track Record Period

The following table sets forth our five largest subcontractors for each of the three years ended 31 December 2013, 2014 and 2015, respectively:

For the year ended 31 December 2013

Ranking	Name of subcontractor	Approximate years of relationship with our Group	Principal business	Payment and credit terms	Supply amount Approximate S\$' million	Approximate percentage of our Group's total direct costs %
1	Chuan Lim Engineering Pte. Ltd. (Note 1)	9	Subcontractor for civil engineering services	Payable by cheque, 35 days	3.6	7.5%
2	Subcontractor A	3	Subcontractor for structural works	Payable by cheque, 35 days	0.6	1.2%
3	Subcontractor B	10	Subcontractor for electrical works	Payable by cheque, 35 days	0.3	0.6%
4	Subcontractor C	9	Subcontractor for plumbing works	Payable by cheque, 35 days	0.2	0.5%
5	Subcontractor D	10	Subcontractor for steel and glass works	Payable by cheque, 35 days	0.2	0.4%
Total					5.0[#]	10.3%[#]

Notes:

[#] *The sum of figures does not add up to total due to rounding differences.*

- (1) Chuan Lim Engineering Pte. Ltd. is a company incorporated in Singapore which was previously owned by our Executive Directors, Mr. Alan Lim, Mr. Bijay Joseph and Mr. Albert Quek as to 60%, 30% and 10% respectively. All of the shares in Chuan Lim Engineering Pte. Ltd. held by our Executive Directors were disposed of to two Independent Third Parties in August 2015. Chuan Lim Engineering Pte. Ltd. is principally engaged in the provision of civil engineering services with approximately 9 years of relationship with our Group as our subcontractor, and is also our customer.

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For the year ended 31 December 2014

Ranking	Name of subcontractor	Approximate years of relationship with our Group	Principal business	Payment and credit terms	Approximate Supply amount S\$' million	Approximate percentage of our Group's total direct costs %
1	Subcontractor E	1	Subcontractor for air-conditioning and mechanical ventilation system	Payable by cheque, 35 days	3.9	5.3%
2	Chuan Lim Engineering Pte. Ltd. (See Note 1 above)	9	Subcontractor for civil engineering services	Payable by cheque, 35 days	2.8	3.7%
3	Subcontractor F	8	Subcontractor for plumbing, sanitary and sewerage works	Payable by cheque, 35 days	2.3	3.2%
4	Subcontractor G	1	Subcontractor for electrical works	Payable by cheque, 35 days	1.8	2.4%
5	Subcontractor H	3	Subcontractor for structural steel works	Payable by cheque, 35 days	1.6	2.2%
Total					12.4	16.8%

For the year ended 31 December 2015

Ranking	Name of subcontractor	Approximate years of relationship with our Group	Principal business	Payment and credit terms	Approximate Supply amount S\$' million	Approximate percentage of our Group's total direct costs %
1	Subcontractor I	1	Subcontractor for building construction works	Payable by cheque, 35 days	14.6	18.4%
2	Subcontractor J	1	Subcontractor for reinforced concrete structural works	Payable by cheque, 35 days	2.8	3.5%
3	Chuan Lim Engineering Pte. Ltd. (See Note 1 above)	9	Subcontractor for civil engineering services	Payable by cheque, 35 days	1.6	2.0%
4	Subcontractor K	1	Subcontractor for air-conditioning works	Payable by cheque, 35 days	1.5	1.9%
5	Subcontractor L	1	Subcontractor for post tensioning works	Payable by cheque, 35 days	1.0	1.2%
Total					21.4[#]	27.0%

Note:

[#] The sum of figures does not add up to total due to rounding differences.

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Subcontractors who were also our customers

Chuan Lim Engineering Pte. Ltd. is a company incorporated in Singapore which was previously owned by our Executive Directors, Mr. Alan Lim, Mr Bijay Joseph and Mr. Albert Quek as to 60%, 30% and 10% respectively. All of the shares in Chuan Lim Engineering Pte. Ltd. held by our Executive Directors were disposed of to two Independent Third Parties on 28 August 2015 as (i) our Group wanted to focus on our core business of provision of earthworks and (ii) Chuan Lim Engineering Pte. Ltd. has been loss making for the past two financial years ended 31 December 2013 and 2014. Chuan Lim Engineering Pte. Ltd. is principally engaged in the provision of civil engineering services and provides subcontracting services of civil engineering services and is also our customer. We rent tipper trucks and excavation machinery to Chuan Lim Engineering Pte. Ltd. The value and type of transaction with Chuan Lim Engineering Pte. Ltd. during the Track Record Period is as below:

	For the year ended 31 December		
	2013	2014	2015
<i>Chuan Lim Engineering Pte. Ltd. as our subcontractor</i>			
— Our fees paid to Chuan Lim Engineering Pte. Ltd. as percentage of our total direct costs (<i>Approximate %</i>)	7.5%	3.8%	2.0%
<i>Chuan Lim Engineering Pte. Ltd. as our customer</i>			
— As percentage of total revenue (<i>Approximate %</i>)	5.2%	0.4%	0.3%
Gross profit for the contracts where we provided earthworks and related service to Chuan Lim Engineering Pte. Ltd.			
— (<i>Approximate S\$' 000</i>)	92	—	—

The renting out of our tipper trucks and excavation machinery to Chuan Lim Engineering Pte. Ltd. typically arose from situations where we subcontracted civil engineering works to them in the course of their works and our tipper trucks and excavation machinery were also at the same project site (as we were engaged by another party, as main contractor, for A&A works). To the best of our Directors' knowledge and belief, it is not uncommon in the construction industry to rent tipper trucks to another company as and when one is in need and the other has spare capacity. Our Directors confirmed that the terms of the transactions and contracts with Chuan Lim Engineering Pte. Ltd. (whether as customer or subcontractor) were negotiated on an arm's length basis and during the Track Record Period, we did not have any material disputes with Chuan Lim Engineering Pte. Ltd.

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Subcontractor E, a private company incorporated in Singapore, is principally engaged in the provision of mechanical and electrical engineering services. Subcontractor E provides subcontracting services of air-conditioning and mechanical ventilation system to us and is also our customer. We provide Subcontractor E with earthworks and related services. The value and type of transaction with Subcontractor E during the Track Record Period is as below:

	For the year ended		
	31 December		
	2013	2014	2015
<i>Subcontractor E as our subcontractor</i>			
— Our fees paid to Subcontractor E as percentage of our total direct costs (<i>Approximate %</i>)	—	5.3%	0.3%
<i>Subcontractor E as our customer</i>			
— As percentage of total revenue (<i>Approximate %</i>)	0.1%	0.1%	0.1%
Gross profit for the contracts where we provided earthworks and related service to Subcontractor E			
— (<i>Approximate S\$' 000</i>)	45	41	26

Subcontractor E is an Independent Third Party. The provision of earthworks and related services to Subcontractor E typically arose from situations where we provided earthworks to Subcontractor E when required by them in the course of their works and our tipper trucks and excavation machinery were also at the same project site (as we were engaged by another party, the main contractor, for earthworks). To the best of our Directors' knowledge and belief, it is not uncommon in the construction industry to rent tipper trucks to another company as and when one is in need and the other has spare capacity. Our Directors confirmed that the terms of the transactions and contracts with Subcontractor E (whether as a customer or subcontractor) were negotiated on an arm's length basis and during the Track Record Period, we did not have any material disputes with Subcontractor E.

Subcontractor F, a private company incorporated in Singapore, is principally engaged in the provision of plumbing, sanitary and sewerage works. Subcontractor F provides subcontracting services of plumbing, sanitary and sewerage works to us and is also our customer. We provide Subcontractor F with earthworks and related services. The value and type of transaction with Subcontractor F during the Track Record Period is as below:

	For the year ended		
	31 December		
	2013	2014	2015
<i>Subcontractor F as our subcontractor</i>			
— Our fees paid to Subcontractor F as percentage of our total direct costs (<i>Approximate %</i>)	—	3.2%	1.0%
<i>Subcontractor F as our customer</i>			
— As percentage of total revenue (<i>Approximate %</i>)	0.3%	0.1%	—
Gross profit for the contracts where we provided earthworks and related service to Subcontractor F			
— (<i>Approximate S\$' 000</i>)	19	—	14

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Subcontractor F is an Independent Third Party. The provision of earthworks and related services to Subcontractor F typically arose from situations where we provided earthworks to Subcontractor F when required by them in the course of their works and our tipper trucks and excavation machinery were also at the same project site (as we were engaged by another party, the main contractor, for earthworks). To the best of our Directors' knowledge and belief, it is not uncommon in the construction industry to rent tipper trucks to another company as and when one is in need and the other has spare capacity. Our Directors confirmed that the terms of the transactions and contracts with Subcontractor F (whether as a customer or subcontractor) were negotiated on an arm's length basis and during the Track Record Period, we did not have any material disputes with Subcontractor F.

Save as disclosed, none of our five largest subcontractors during the Track Record Period is also our customer. All of our five largest subcontractors are Independent Third Parties, except for Chuan Lim Engineering Pte. Ltd. which ceased to be our connected person following its disposal to two Independent Third Parties on 28 August 2015. During the Track Record Period, we have not had any material disagreement or dispute with any of our subcontractors. Save as disclosed, none of our Directors, or any of their respective close associates or any existing Shareholders which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue, had any interest in any of our five largest subcontractors during the Track Record Period.

General terms of subcontracts

Our main subcontractors are located in Singapore and do not work with us on an exclusive basis. They will provide quotations for their subcontract works and upon our acceptance of their quotation after negotiation, they have the responsibility to ensure that all works performed must satisfy the requirements of the contract. The duration of these subcontracts vary depending on the nature of their subcontract works. For those subcontractors who are required to source raw materials as part of their subcontract services, the specifications for these materials are obtained from the main contractor, or specified by the end customer and provided to our subcontractors.

The subcontract will set out the amount payable and the payment terms. This amount is generally determined after negotiation of the subcontractor's fee as estimated by the subcontractor for the subcontracted works. The subcontract amount payable is generally a fixed price contract sum. Therefore, our subcontractors generally bear the risks of cost increases for works subcontracted to them.

There is a contractual period stipulated in the subcontracts for the subcontractors. As we are engaged by our customers on a project-by-project basis, we generally do not include any renewal clause for contracts with our subcontractors. In the event that our subcontractors fail to perform the subcontract works in a satisfactory manner, fail to comply with the requirement of the main contract, subcontract and/or fails to comply with any direction and instruction, we may direct the subcontractor to rectify such default. Upon failure to rectify the default within a reasonable period by the subcontractors, we may order the removal of the subcontractor from the site and shall have the right to rectify the default and complete the subcontractor works and to retain any monies due to us. Where the cost of such rectification exceeds the retained monies, such monies shall be treated as a debt owing to us by the subcontractors.

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The subcontracts typically set out monthly progress claims to be submitted to us for approval, and payment made is typically within 35 days upon invoice date subject to a retention sum of 5% of total contract value. Retention monies will be released to our subcontractors upon substantial completion, and in some cases also upon expiration of the defect liability period. Our subcontractors are prohibited from hiring illegal foreign workers and have to conform to safety and regulatory requirements.

In order to monitor our subcontractors, we typically:

- (i) Request that our subcontractors ensure that their workmen follow strictly to the main contractor's workplace safety enforcement on site, and have to use workers who have safety orientation certificates. Safety equipment such as safety helmets/safety boots and safety belts shall be provided by the subcontractor, and workers who fail to comply shall be denied from the worksite;
- (ii) Require our subcontractors to participate in our on-site toolbox meetings and safety committee meetings so that they can be aligned with our projects department on potential workplace safety and health issues and project-related matters; and
- (iii) Conduct regular inspection of our subcontractors' works.

To avoid over-reliance on a few subcontractors, we typically maintain a list of subcontractors and at least more than one for a particular expertise. During the Track Record Period, none of the subcontractors had major non-performance that resulted in default in payment by our customer to us or liquidated damages payable by us to our customer. If our customer defaults in making payment, we remain liable to settle the subcontractors' fees should the subcontracting works already have been performed.

Save for Chuan Lim Engineering Pte. Ltd. as disclosed above, none of our Directors, or any of their respective close associates or any Shareholders, which to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue, was connected with any of our subcontractors during the Track Record Period.

COST CONTROLS

Generally, we employ a strict system to control the costs of our projects with the following measures:

Stage	Measures
Tender/quotation phase	<ul style="list-style-type: none">● For earthworks projects, our main cost estimate will be the operation costs of the tipper trucks and excavation machines, diesel, use of earth disposal sites and labour whereby we estimate based on volume of earth to be disposed for the projects and the various fee based on prevailing market rate.

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Stage	Measures
	<ul style="list-style-type: none">● Should there be factors that lead to a cost increase, such as traffic jam at the earth disposal sites, subsequent new tenders will be quoted at a higher rate.● For general construction works and earthworks with civil engineering components, we generally will obtain quotations from subcontractors and their fees are fixed as the subcontractors will bear the risks of cost increases for the works subcontracted to them.● Our Directors will make the final decision on our pricing and thereafter submit our quotation to our potential customer.
Project implementation phase	<ul style="list-style-type: none">● We review our progress of services performed, submit our progress claims on a monthly basis and closely monitor payments made by our customers.● Before making payments for goods delivered by suppliers and progress payments to subcontractors, we will ascertain whether goods delivered and services performed meet the required specifications. For details, please refer to the paragraph headed “Quality control” in this section of the prospectus.● Whenever there is a major revision in the scope of work under a contract or during our annual review on the cost estimation/plan of each ongoing projects, our budgeted gross profit margins will be revised.
Post-project phase	<ul style="list-style-type: none">● We monitor the return of retention monies for general construction projects regularly.

CREDIT MANAGEMENT

During the tender or quotation phase, we will consider the credit worthiness of the customer and the key contract terms, including progress payment terms and retention money. We will also take into consideration the past payment history of the customer. We generally granted a 30 days credit term to customers upon issuance of invoice. For the three years ended 31 December 2013, 2014 and 2015, the provision for impairment of trade receivables (including retention sum receivables) were approximately S\$1.5 million, S\$2.3 million and S\$2.0 million, respectively, accounting for approximately 10.2%, 8.5% and 5.5% of our gross trade receivables for the corresponding period respectively.

The credit term granted by our suppliers is generally 30 days and payment to them is typically by cheque. For our subcontractors, we will pay their progress claims within 35 days upon receipt of their invoice, after netting off retention money and verification of the works undertaken in relation to the progress claim. We typically make prompt payment to our suppliers and subcontractors.

WORKPLACE SAFETY AND HEALTH POLICY

We are committed to ensuring the health and safety of our staff, who are valuable to our Group and to the successful execution of our projects. We have an occupational health and safety management system in place, which had been last audited in March 2015 by an Independent Third Party. No non-conformity was noted in the audit. Subsequent to this audit, we were recommended for renewal of our OHSAS 18001: 2007 certification which we obtained on 20 March 2015.

Due to the nature of the construction industry, incidents at worksites may have detrimental effects on the health and safety of our workers. In cases where we are the subcontractors, the main contractors will have established workplace safety and health procedures which all their subcontractors are required to comply with on-site. For every project, our site safety supervisors will ensure that work place safety procedures are complied with by our employees and subcontractors.

We have established a safety and health policy with the following objectives and corresponding measures:

(i) Achievement of an accident-free workplace

Safe work practices include the provision of safety helmets, safety glasses, respirators, hearing protection, gloves, safety harness and safety shoes where necessary and in conformance to the relevant regulations and/or codes of practice. There are also safety procedures to be complied with in respect to various aspects of carrying out our projects, including but not limited to barricading works, lifting operations, use of scaffolds, excavation works and operation of various machinery.

(ii) Ensuring that safety and health are an integral part of managerial and supervisory position

The relevant manager or supervisor is in-charge of conducting meetings to address any potential workplace safety and health issues. In projects where we are the subcontractor, we will attend the toolbox and safety coordination meetings organised by our customer. In projects where we are the main contractor, we have an established safety committee headed by our operation director, Mr. Shi Hewei. The safety committee will convene safety and health committee meetings on a monthly basis. We also have site safety committee headed by project manager for each projects which will convene daily toolbox meetings, weekly co-ordination meetings and any ad-hoc meetings to inform of potential hazards. Inspections are to be carried out, including daily inspection, monthly inspection and special inspection (from incidents or potential hazards) as the case may be.

(iii) Involvement of our staff in the decision-making processes through regular communication, consultation and training

We will also communicate to all relevant staff regarding rules and regulations that have a workplace safety and health impact. Our management will review our safety rules and regulations at least once annually before changes are made.

(iv) Provision of a continuous program of education and learning to ensure that our staff work in the safest possible manner

A safety orientation briefing is conducted for all new staff, in addition to the mandatory Construction Safety Orientation Course (“CSOC”) conducted by MOM. Appropriate training courses are also provided for relevant personnel and these are to be submitted for documentation and filing.

(v) Continual improvement of occupational safety and health management system at our work sites

This is addressed via our risk assessment plan and the active role of our managers and supervisors, including communication with our subcontractors where applicable.

(vi) Identification and control of all potential hazards in the workplace through hazard identification and risk analysis

We have a risk management procedure to conduct risk assessment in order to reduce risks at source. This involves an assessment of the risks involved, prioritizing of the measures to control the potential hazards, implementing these measures, keeping record of the steps taken and a review of the risk assessment plan.

(vii) Ensuring that all potential accidents or incidents are controlled and prevented

Should there be an accident or incident, it will be reported following our reporting procedure, followed by an investigation. There will be an investigation panel and the investigation steps comprise the following: (1) obtaining initial information for accident investigation, (2) special considerations for fatal cases, (3) facts gathering, (4) facts analysis and (5) preparation of the accident investigation record for corrective actions to be taken. Subsequent to the investigation record, there will be an analysis report to formulate preventive actions.

(viii) Provision of an effective injury management and rehabilitation plan for our staff

This is addressed in our occupational health programme that includes our hearing conservation program, respiratory protection program, eye protection program, industrial dermatitis program and work-related injury and strain program.

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Our safety procedures comprise 4 steps, namely:

- (1) Identification of legal and other applicable requirements and to consolidate these into a legal register. The applicable regulations include, but not limited to, Workplace Safety and Health Act, Workplace Safety and Health (Construction) Regulation, Environmental Pollution Control Act (Cap 95) and Codes of Practice and guidelines from MOM and Ministry of the Environment and Water Resources.
- (2) Control access to applicable legal and other applicable requirements, with the view of control of the hard copy and accessibility to staff.
- (3) Communication of updates to the legal register and relevant department heads to review the status of compliance with the latest requirements. Training is to be conducted from time to time and in the project briefing to update relevant staff and subcontractors of the changes in the requirements.
- (4) Evaluation of compliance with procedures with periodic monitoring and regular inspection. Internal audit and surveillance audits by Independent Third Party are conducted annually while audits for licence renewal purpose by Independent Third Party are conducted every three years.

Our subcontractors must also ensure that their workmen follow strictly to our safety policy or that of the main contractor on site, and have to employ workers who have safety orientation certificates. Such safety orientation certificate is issued after the attendance of safety courses. All foreign workers in the construction sector must attend the Construction Safety Orientation Course, a full-day course conducted by various training centres accredited by MOM and obtain a valid CSOC Pass. The 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, and (iii) ensure that they are aware of their rights and responsibilities under employment law. Safety equipment such as safety helmets/safety boots and safety belts shall be provided by the subcontractor, and workers who fail to comply shall be removed from the worksite.

When selecting our subcontractors, we will take their safety standards into consideration. This includes evaluating our subcontractors on their safety management system, their machinery and equipment, their safety track record and safety training records. Subcontractors are also required to be involved in our monthly safety committee meetings, tool box meetings to provide them updated industry rules and regulations, where applicable.

The above safety and health policy will assist us to obtain our OHSAS 18001:2007 certification, which is a requirement for bizSAFE Level Star and our gradings in the “General Building” and “Civil Engineering” construction workheads. Some of our customers may request to see certifications such as bizSAFE, hence such certificates also provide us with a broader range of projects.

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Workplace safety breaches

Despite the above workplace safety policies and measures set out above, we may not have complete control of our subcontractors or our employees and there is a risk that they may fail to comply with our workplace policies and measures all the time and therefore fail to prevent accidents and breaches of law. During the Track Record Period and up to the Latest Practicable Date, we were involved in 19 cases for breaches and non-compliances of workplace safety regulations. The nature of such breaches were all in regards to failures to take adequate or reasonable steps in relation to certain safety precautions for our employees and employees of our subcontractors including among others prevent falling from height of two metres or more, prevent materials placed too close to any edge as to endanger persons below such edge and ensure lifting gear is of good condition, sound material, adequate strength, free from patent defect and properly maintained. Our rectification measures for these breaches include installing barricades, and removing falling object hazards, debris and mechanical hazards. Our Directors confirmed that none of these cases resulted in fatalities. For further details on such non-compliances, please see the paragraph headed “Regulatory compliance” in this section of the prospectus.

For the three years ended 31 December 2013, 2014 and 2015, all such workplace safety regulation cases were fully settled by the payment of fines totalling nil, S\$4,000 and S\$11,000 respectively.

Employees’ compensation claims

According to the Euromonitor Report, accidents are not uncommon in our industry. During the Track Record Period and up to the Latest Practicable Date, we recorded 29 accidents. The obligation of reporting these accidents to the relevant authorities vests on the respective employer of the injured workers. The following table sets out the nature of the accidents involving the workers employed by our Group during the Track Record Period and up to the Latest Practicable Date:

Nature of accident	Number of claims
Struck by object	7
Slip and fall	7
Traffic accident	5
Sprains and strains	2
Caught in between moving objects	2
Radiator hot water	2
Hydraulic leak	1
In contact with chemical	1
Misoperate of machinery	1
Burning	1
Total	<u>29</u>

During the Track Record Period and up to the Latest Practicable Date, there were 29 incidents due to personal injuries suffered by employees of our Group in accidents during the course of their employment for our Group’s projects. Among those 29 incidents, seven incidents arose out of injuries as

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a result of workers being struck by objects, seven incidents arose out of slips and falls, five incidents arose out of traffic accidents, two incidents arose out of sprains and strains, two incidents arose due to workers being caught in between moving objects, two incidents arose due to radiator hot water, one incident arose due to a hydraulic leak, one incident arose due to contact with chemical, one incident arose due to misoperation of machinery and one incident arose due to burning. One of these incidents resulted in a common law claim for injury and compensation. Please refer to the paragraph headed “Litigation” of this section. Save as disclosed in this prospectus, to the best knowledge of our Directors, all injured persons have suffered immaterial bodily injuries.

Among those 29 incidents, five incidents did not result in any employees’ compensation claims against our Group, nine settled employees’ compensation claims against our Group during the Track Record Period and as at the Latest Practicable Date, of which the total amount settled were approximately S\$48,000 and was fully covered by insurance and 15 outstanding employees’ compensation claims against our Group as at the Latest Practicable Date, of which the quantum of such claims has yet to be ascertained. Our Group is required under the Work Injury Compensation Act, Chapter 354 of Singapore, to take out and has taken out a compulsory insurance policy in Singapore to provide for a liability under such claim. Therefore, our Directors confirm that all such claims and outstanding claims are fully covered by our Group’s insurance companies and would not result in any material impact on the financial position or results and operations of our Group.

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

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

	Construction industry	Our Group
	<i>(Note 1)</i>	
2013		
workplace injury rate per 100,000 employed persons <i>(Note 2)</i>	564	4.0
workplace fatal injury rate per 100,000 employed persons <i>(Note 3)</i>	7.2	Nil
lost time injuries frequency rate <i>(Note 4)</i>	210	60
2014		
workplace injury rate per 100,000 employed persons <i>(Note 2)</i>	594	9.0
workplace fatal injury rate per 100,000 employed persons <i>(Note 3)</i>	5.5	Nil
lost time injuries frequency rate <i>(Note 4)</i>	183	213
2015		
workplace injury rate per 100,000 employed persons <i>(Note 2)</i>	451	10.4
workplace fatal injury rate per 100,000 employed persons <i>(Note 3)</i>	5.4	Nil
lost time injuries frequency rate <i>(Note 4)</i>	166	176

Notes:

- (1) This information is based on the Workplace Safety and Health Report 2014 and 2015 published in April 2015 and March 2016 respectively by the Workplace Safety and Health Institute, Singapore.
- (2) Workplace injury rate is calculated as the occurrence of accidents recorded divided by the total number of workmen employed during the year multiplied with 100,000.
- (3) Workplace fatal injury rate is calculated as the occurrence of fatal accidents divided by the total number of workmen employed during the year multiplied with 100,000.
- (4) Lost time injuries frequency rate is calculated as number of man days lost to workplace accidents divided by the total number of man-hours worked multiplied by 1,000,000. Man-hours worked is assumed as 10 hours per day.

For the three years ended 31 December 2013, 2014 and 2015, our Group recorded no fatal injuries and a relatively stable injury rate of 4.0, 9.0 and 10.4 respectively, at our construction sites. In each of the years ended 31 December 2013, 2014 and 2015, the injury rate at our construction sites was lower than the industry rate in Singapore.

Our lost time injuries frequency rate were determined based on medical leaves granted to our injured employees. The lost time injuries frequency rate of our Group increased from 60 for the year ended 31 December 2013 to 213 for the year ended 31 December 2014 mainly due to three accidents out of which one accident arising from slip and fall and two accidents arising from struck by object resulted in the injured employees being granted a relative long medical leave period with aggregate medical leaves of 206 days. For the year ended 31 December 2015, our lost time injuries frequency rate decreased to 176 as there was shorter medical leave period granted to the injured employees mainly due to four accidents out of which one arose from traffic accident, two arose from workers being caught in between moving objects and one arose from burns, with aggregate medical leave of 186 days. While our

workplace injury rate per 100,000 employed persons had been consistently lower than that of the construction industry average during the Track Record Period, our lost time injuries frequency rate were higher than the construction industry average in 2014 and 2015 as the medical leaves granted to our injured employees to recuperate were longer due to the nature and severity of the injuries suffered.

ENVIRONMENTAL IMPACT

We have an environmental management system in place, which had been last audited in February 2015 by an Independent Third Party, during which one non-conformity classified as minor was noted and was later satisfactorily addressed in March 2015. Subsequent to this audit, we were recommended for renewal of our ISO 14001:2004 certification which we obtained on 10 March 2015.

For projects where we are the main contractor, the following environmental control procedures are applicable:

Impact assessments are conducted to identify, evaluate and determine controls to lower the environmental impacts that are present at project sites. Environmental control procedures are administrative controls that lower the environmental impact identified through the impact assessment process.

We have established the following environmental control procedures:

(i) Air pollution control

Control dust, fumes, smokes and obnoxious gas generated at the construction site to a tolerable level so as to prevent our staff, worker and neighbour from air-borne disease as well as to protect the environment from air pollution.

(ii) Construction waste management

Manage construction wastes so as to ensure proper disposal, maximise re-use and recycling.

(iii) General housekeeping and vector control

Proper housekeeping technique to prevent mosquito breeding so as to protect our staff and the public from harmful diseases.

(iv) Noise monitoring and control

Reduce noise to a tolerable level so as to prevent our staffs, workers and neighbours from noise-induced deafness as well as to protect the environment from noise pollution.

(v) Resource conservation

Save resources such as water, diesel and power and establish a resource conservation programme through a proper monitoring system so that the usage of resources can be controlled.

(vi) Storage of hazardous chemicals

Store, handle and use hazardous chemicals or substances while preventing injuries and any undue adverse impact on the environment.

(vii) Water pollution control

Prevent pollution of surface water, public sewers and rainwater-drains.

Before the commencement of construction and earthworks projects, we need to engage a professional engineer to plan, design, supervise and review a system of earth control measures to meet the requirements cited in the Code of Practice on Surface Water Drainage and to comply with the Sewerage and Drainage Act. We are also required to submit the detailed earth control measures proposal, endorsed by his/her engineer, to the Public Utilities Board, prior to commencement of works.

Noise monitoring reports are required to be submitted during the construction duration for projects where we are the main contractor. These reports are to be submitted to National Environmental Agency and MOM as per respective regulations. Waste disposal management records are to be maintained to ensure compliance with the Environmental Public Health (General Waste Collection) Regulations. Trade Effluent Test Reports are to be maintained to ensure compliance with the Environmental Protection and Management (Trade Effluent) Regulations. Where required of our Group, we have carried out and submitted all relevant reports during the Track Record Period.

In projects where we are the subcontractor, the abovementioned procedures will be conducted by the main contractor.

Environmental breach

During the Track Record Period and up to the Latest Practicable Date, we were involved in certain breaches of environmental related laws in Singapore. The environmental breach cases occurred mainly due to the inadequate internal control procedures and policies in place at the time, insufficient training to our staff and sub-contractors, and widespread construction activities at each construction sites which at times may be difficult for our project managers, site supervisors, safety officers and safety supervisors to detect all the non-compliances. In addition, such breaches were also caused by failure to take adequate and reasonable steps in relation to certain precautions. As a result of such breaches, we implemented additional measures to enhance our existing environmental control procedures. For further details on such breaches and additional measures, please see the paragraph headed “Regulatory compliance” in this section of the prospectus.

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For the three years ended 31 December 2013, 2014 and 2015, the aggregate annual cost of compliance with applicable environmental laws and regulations in Singapore was approximately S\$41,334, S\$129,408 and S\$131,728, respectively, and primarily consisted of pest control, environmental control and noise monitoring charges. Our Group expects that our annual costs incurred/ to be incurred for compliance with applicable environmental laws, rules and regulations will be approximately S\$130,000 for the year ending 31 December 2016 but will generally depend on our level of on-going projects.

INSURANCE

We have work injury compensation policies for all our manual and non-manual workers, as stipulated by MOM, renewed annually, as well as for our construction workers and workers of subcontractors if we are acting as main contractor or for subcontract with a contract value exceeding S\$1.5 million which policy covers the duration of the project. Our work injury compensation policy in Singapore provides for a maximum limit of liability of medical expenses of up to S\$30,000 per accident per employee. We also have foreign worker medical insurance, as stipulated by MOM, renewed annually. We also have security bonds for our foreign workers which are required by MOM for new applications of their work permits. All employers of non-Malaysian work permit holders are required to deposit a S\$5,000 security bond with MOM, which must be furnished prior to the foreign worker's arrival in Singapore, failing which entry into Singapore will not be allowed. Besides, we also have group hospital and surgical plan for our staff. In addition, we have motor vehicle insurance policy for our tipper trucks to cover any liability for death or bodily injury of third parties on the road or to protect against damages to the tipper trucks.

We have contractors' all risks policy to cover against loss or damage to materials and third party liability for accidental bodily injury in connection with the performance of the contract. We also have public liability insurance to cover personal injury and property damage at our premise and in Singapore, in connection with our operations. In addition, we have an industrial all risks insurance to cover damage to our office equipment, machinery and building materials as well as loss of profit. We also have money insurance policy to cover against loss of money whilst in transit from banks and elsewhere in Singapore and whilst in the office.

Our Directors confirm that our Group has obtained adequate insurance coverage for the operation of its business, and is in line with the industry norm. For the three years ended 31 December 2013, 2014 and 2015, our total insurance premiums were approximately S\$0.5 million, S\$0.7 million and S\$0.6 million, respectively.

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PROPERTY INTERESTS

Leased property

As at the Latest Practicable Date, we rented an office premise for our head office, workers dormitory and workshop from Hulett Construction as lessor on 1 April 2016, details of which are as follows:

Address	Leased area	Monthly rent	Tenure
20 Senoko Drive, Singapore 758207	23,849 square feet	S\$127,430	Commencing from 1 April 2016 to 31 December 2018

Please refer to section headed “Connected transactions — Non-exempt continuing connected transactions” in this prospectus for further details. In addition, we have license for a storage site from an Independent Third Party with a total monthly licence fee of S\$24,508.

Owned properties

As at the Latest Practicable Date, we owned investment properties consisting of four units in a 4-storey intermediate terrace building located at 1015 Upper Serangoon Road, Singapore 534753 with a total net floor area of approximately 401 square metres, all of which have been rented out. The details of our leases are as follows:

Unit no.	Usage	Monthly rent	Tenure	Deposit
Ground Floor	Veterinary clinic and surgery	S\$3,600	Commencing from 8 May 2015 and expiring on 31 May 2017	S\$7,200
#02-01	Office	S\$3,300	Commencing from 1 May 2015 and expiring on 30 April 2017	S\$3,300
#03-01	Private residence	S\$2,200	Commencing from 1 March 2015 and expiring on 28 February 2017	S\$4,400
#04-01	Private residence	S\$2,000	Commencing from 1 January 2016 and expiring on 31 December 2016	S\$2,000

All the above properties are leased to Independent Third Parties. For further details of the owned properties, please refer to Appendix III — Property Valuation Report.

INTELLECTUAL PROPERTY RIGHTS

Domain names

As at the Latest Practicable Date, we are the registrants of the domain names www.clcholdings.com and www.chuanholdings.com.

Trademarks

As at the Latest Practicable Date, we have registered “CLC Holdings Limited” trademark in Hong Kong and the logo of CL Construction in Singapore and we were applying for registration of “Chuan Holdings Limited” trademark in Hong Kong. Details of our intellectual property rights are set out in the paragraph headed “Intellectual property rights of our Group” in Appendix V to this prospectus. As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us and we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the material infringement of any intellectual property rights of third parties.

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 381 full-time staff (including our Executive Directors), of which approximately 19% were locals and permanent residents, approximately 30% were expatriates and approximately 51% were foreign workers. All our staff are located in Singapore. Please refer to the section headed “Directors, senior management and employees — Employees” in this prospectus for details of breakdown of our employees.

Employee training

Our employees received training depending on their department and the scope of works. Typically they are required to attend trainings, from time to time, relating to our quality, environmental, health and safety policies, and courses required by the BCA and MOM.

Employee relations

Our Directors believe that we have a good relationship with our employees. During the Track Record Period, we did not have any dispute with our employees. Our employees are not members of any labour union.

During the Track Record Period, we did not experience any significant problems with employees or other labour disturbances to our operations and we did not experience any difficulties in the recruitment and retention of experienced staff.

COMPETITION

According to the Euromonitor Report, the earthworks services segment in Singapore is dominated by several major industry players, with many small players. The top five earthworks service providers accounted for approximately 54.0% of the market in industry value in 2014. Generally, these players place a strong focus on their earthworks business and have made significant capital investments in building up a sizeable fleet of at least 150 tipper trucks and excavators. The top five players have also each been established for more than 20 years and possess a wealth of experience in earthworks projects.

Please refer to the section headed “Industry overview” of this prospectus for details.

RISK MANAGEMENT

In the course of conducting our business, we are exposed to various types of risks, including project management risks and regulatory risks, which are further elaborated below.

Save for establishing and implementing internal control procedures as mentioned above, our Executive Directors are responsible for overseeing and reviewing the implementation of our Group's internal control and risk management measures.

Project risk management

Projects and customers

We recognise that our order book is critical to our financial performance and business sustainability. In this regard, we maintain good working relationship with main contractors and property developers in Singapore. We will also ensure that sufficient resources and capacities are made available whenever opportunities arise so as to constantly secure new projects in particular to retain our position as one of the top five earthworks contractors (by revenue) in Singapore. Furthermore, with the proceeds from the Listing, our Group will increase our financial and operational capacities in order to expand the number of customers and take on more projects.

We recognise that earthworks projects are dependent on the pipeline of new construction projects. We are also engaged in the provision of general construction works which typically does not depend on new construction projects as the scope generally relates to alterations and additions to existing developments. As and when the opportunity arises for general construction works and we have the resources, we will also consider tendering for the contracts.

We have also established procedures for assessing and monitoring project risk. In our preparation of quotations and tendering of projects, our contracts department will consider and evaluate our customers' financial status, payment records and the adequacy of our internal resources and capacity for the duration of the said project before a decision is made. Final approval from Executive Directors is needed before any submission of quotation. We are also mindful of not being over-reliant on any specific customer.

At any point in time, we undertake a number of projects at varying stages of completion with different progress claims made. As such, our Directors are of the view that as long as our projects are contracted on a budgeted positive gross profit margin, our cash outflow will unlikely to exceed our cash inflow. Furthermore, the 30 days credit terms granted to our customers will limit our financial risks and our finance department also monitors the payment pattern of our customers regularly and closely. Our Executive Directors will review the situation and evaluate project opportunities with new/other customers if there are signs of slowdown in securing projects and/or changes in payment pattern from our existing customers.

Suppliers and subcontractors

We have adopted a policy of maintaining good working relationship with a group of reliable suppliers and subcontractors with on-time payments. Having a good working relationship with our suppliers and subcontractors, maintaining at least more than one supplier or subcontractor in a major

category of supplies or services and constantly sourcing for reliable suppliers and subcontractors will reduce risk in this aspect of contract risk. We also maintain an approved vendor list and annually evaluate our suppliers and subcontractors.

Loss of key personnel

Our Executive Directors will ensure that suitable and sufficient numbers of staff are properly appointed and assigned to manage each project. This will ensure that sufficient experience and technical knowledge are available within the project team and any loss of any team member will have limited impact on the continuity of project implementation.

Commodity price management

Hedging policy

Our Group does not have a hedging strategy with a predetermined percentage of exposure to be hedged or a particular type of hedging method. During the Track Record Period, we had entered into one commodity agreement to hedge the gas oil price, whereby the agreement allowed us protection against price increases for gas oil above a certain dollar per barrel. The following were the key terms of this agreement:

- (i) Effective date: 1 April 2013
- (ii) Termination date: 30 September 2013
- (iii) Notional gas oil quantity per month: 1,000 barrels
- (iv) Commodity reference price: Gas oil — Singapore — Platts Asia Pacific
- (v) Price caps: Upper, lower and floor price caps were agreed

As at the Latest Practicable Date, we did not have any hedging position nor outstanding exposure under any derivative instrument.

We have a committee in place, comprising of our financial controller Ms. Ong Sok Hun, our Executive Directors Mr. Albert Quek and Mr. Alan Lim. The committee meets regularly from time to time when necessary and is responsible for reviewing, researching and studying the future pricing trend of gas oil and the methods of hedging. In deciding whether to enter into any future commodities contracts, the committee will undertake a cautious approach and will expand the composition of the committee to undertake more thorough market researches and studies of the future pricing trend of commodity and the methods of hedging. Several factors are considered before deciding whether to enter into hedging contracts, such as (i) the then prevailing price of gas oil, (ii) the perceived price trend of gas oil and (iii) the gas oil usage level of our Group. Our financial controller, Ms. Ong Sok Hun, keeps track of our hedging activities and all hedging contracts have to be approved by at least one of the Executive Directors on the committee.

As at the Latest Practicable Date, we do not have any plans or intention to enter into or conduct any hedging arrangements going forward.

Investment risk management

Investment policy

Our Group currently has a committee in place which meets regularly from time to time when necessary and is responsible for reviewing our portfolio of available-for-sale financial assets held for long-term investment. These available-for-sale financial assets are mainly Singapore quoted securities, which have been held for up to around ten years. Going forward, we do not intend to purchase additional quoted securities. We may dispose of our existing portfolio when there will be an anticipated gain on such disposal.

Regulatory risk management

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

Foreign labour

We believe that inability to employ foreign labour may materially affect our operation and financial performance. In order to mitigate the impact of foreign labour shortages arising from changes in relevant laws, rules and regulations in Singapore and/or other countries where the foreign labour originated, our management has adopted a policy to employ foreign labour from more than one countries including India, Bangladesh, Thailand and Myanmar.

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

LITIGATION

During the Track Record Period and as at the Latest Practicable Date, we were involved in 20 cases of motor accidents with injury, due to inappropriate use of equipment or worker's lapse of attention, one case of property damage claim and one case of industrial accident with injury claim due to what we believe was a worker's lapse of attention. Among those, 15 cases have been concluded with four cases having been concluded with a total claim amount of approximately S\$84,000 and which our insurers have informed us have been fully concluded, ten cases have been settled out of court by our insurers for an aggregate settlement amount of approximately S\$94,000, while the damages for the other one case has yet to be ascertained. There are six cases currently pending before the relevant courts in Singapore as at the Latest Practicable Date with the total estimated claims of approximately S\$329,000. Our Group is required under the relevant legislation in Singapore to take out and has taken out compulsory insurance policies relating to its motor vehicles (including tipper trucks) in Singapore to provide for the third party liability under such claim. Our Directors confirm that each of the aforementioned outstanding claims are fully covered by our Group's insurance policies and would not result in any material impact on the financial position or results and operations of our Group.

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Save as disclosed above and in the paragraphs headed “Workplace safety breaches”, “Employees’ compensation claims” and “Environmental impact” of this section, our Directors confirmed that during the Track Record Period and as at the Latest Practicable Date, there was no other outstanding, settled, pending or threatened litigation, proceedings or claims against our Group or any of our Directors which, individually or taken as a whole, could have a material adverse effect on our Group’s financial condition or results of operations.

CORPORATE GOVERNANCE AND INTERNAL CONTROL MEASURES

We maintain corporate governance and internal control measures to ensure effective and efficient management and operations of our business and to safeguard the interests of our employees, stakeholders and Shareholders (as the case may be). These include:

- Control environment — the establishment of an internal audit division to review and report on the effective internal control performance;
- Risk assessment — procedures to identify and analyse relevant risks (both internal and external) to the achievement of our Company’s objectives, including risks relating to the changing regulatory and operating environment, as a basis for determining how the risk should be mitigated and managed;
- Monitoring activities — policies and procedures to ensure management directives are carried out and any actions that may be needed to address risks to achieving company objectives are taken;
- Information and communications — systems to identify, capture and report operational, financial and compliance-related information in a form and timeframe that enable management and other personnel to carry out their responsibilities;
- Anti-fraud — measures enabling the management and other personnel to safeguard the organisation against new instances of fraud by increasing the ability to detect and prevent fraud, contain costs and protect revenue;
- General computer controls — procedures on computers such as daily backup processes;
- Financial measures — (1) outlines the financial and reporting structure and to ensure continuous training and development programs are in place to maintain competence within our Group, (2) process and procedures for the preparation of the financial statements at the end of the financial reporting period, (3) presentation and compliance on the financial reporting standards, statutory laws and regulations as well as the corresponding listing rules and regulations, (4) process and procedures that enhance the corporate planning and budgetary preparation in order to assess the performance, effectiveness and efficiency of the Company’s operations;
- Revenue-construction in process measures — (1) process and procedures on tender/quotation submission, (2) workplace safety and health policy and (3) environmental management system;

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- Purchases management measures — process and procedures established in respect of areas in (1) obtaining quotation from suppliers and subcontractors, (2) maintaining and reviewing a list of approved suppliers and subcontractors and (3) capital expenditure; and
- Business contingency plan — strategy to minimise the effect of disturbances and to allow for timely resumption of activities.

ADEQUACY AND EFFECTIVENESS OF OUR INTERNAL CONTROL SYSTEMS

We strive to maintain the integrity of our business, results of operations and reputation by strictly adhering to an internal control system in respect of our business. As such, we have implemented internal control procedures and manuals covering a number of key control areas such as tendering, purchase and procurement management, financial management and safety and environment compliance management with a view to ensuring compliance by our Group with applicable laws and regulations.

In preparation for the Listing and to further improve our internal control system, we have engaged an Independent Third Party internal control adviser to undertake a review on the internal control system of our Group. Pursuant to the review, our internal control adviser has recommended certain improvements to strengthen our corporate governance in order to prevent such non-compliance incidents in the future. We have adopted enhanced internal control measures as recommended by our internal control consultant and our internal control consultant has completed the follow-up procedures on our internal control system with regard to those actions taken by us and rectify weaknesses in our internal control systems identified during the review.

REGULATORY COMPLIANCE

Workplace safety breaches

The following table sets out the workplace safety regulations breaches and non-compliances identified by the MOM during the Track Record Period and up to the Latest Practicable Date:

Date of offence	Regulations	Details of breach/ non-compliance	Fine (S\$)	Rectification
17 October 2013	Regulation 24(1)(d) of Workplace Safety and Health (General Provisions) Regulations	Failure to store or place articles in such manner as to ensure stability and to prevent collapse	Nil	Secured or removed falling object hazards, removed mechanical hazards, provided face masks for cement mixing workers.
5 August 2014	Regulation 8(2) of the Workplace Safety and Health (Work at Heights) Regulations 2013	2 cases of failures to prevent falling from height of more than 2 metres or more at every open side at 2nd and 3rd storey of extension building	3,000	The fine was fully settled. Installed proper barricades.
	Regulation 13(a) of the Workplace Safety and Health (Work at Heights) Regulations 2013	Failure to provide handrail or other barrier to prevent falling on open side of staircase	1,000	The fine was fully settled. Installed handrails.

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Date of offence	Regulations	Details of breach/ non-compliance	Fine (S\$)	Rectification
	Regulation 12(2) of the Workplace Safety and Health (Scaffolds) Regulations	Failure to clearly mark with a sign or label at designated access point of scaffold	Nil	Removed scaffold.
	Regulation 27(a) of the Workplace Safety and Health (Construction) Regulations 2007	Failure to ensure all passageways in worksite were kept free from any obstruction that could cause tripping at the lift lobby	Nil	Cleared passageways.
24 March 2015	Regulation 22(2) of the Workplace Safety and Health (Scaffolds) Regulations	Failure to provide toe-boards and 2 or more guard-rails at every side of a work platform or workplace from which a person is liable to fall more than 2 metres	1,000	The fine was fully settled. Provided secured scaffold access.
	Regulation 8(2) of the Workplace Safety and Health (Work at Heights) Regulations	3 cases of failures to provide effective guard-rails or barriers to prevent fall at every side of a work platform or workplace from which a person is liable to fall more than 2 metres	4,000	The fine was fully settled. Installed proper barricades.
	Regulation 9(3)(c)(i) of the Workplace Safety and Health (Work at Heights) Regulations 2013	Failure to ensure the vertical distance between any 2 adjacent guard-rails provided does not exceed 600 millimetres	1,000	The fine was fully settled. Installed proper barricade.
	Regulation 24(a) of the Workplace Safety and Health (Construction) Regulations 2007	Failure to ensure materials were not placed so closed to any edge of a platform so as to endanger persons below the edge	1,000	The fine was fully settled. Installed proper working platform.
	Regulation 20(10) of the Workplace Safety and Health (General Provisions) Regulations	Failure to ensure that a lifting gear is of good construction, sound material, adequate strength and free from patent defect and properly maintained	1,000	The fine was fully settled. Replaced with new lifting gear.
	Regulation 27(3)(b) of the Workplace Safety and Health (Scaffolds) Regulations	Failure to ensure that the person does not use the scaffold unless a notice or label is displayed at the designated access point indicating that the scaffold is safe for use	Nil	Provided notice or label display on scaffold.

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Date of offence	Regulations	Details of breach/ non-compliance	Fine (S\$)	Rectification
15 June 2015	Regulation 8(2) of the Workplace Safety and Health (Work at Heights) Regulations 2013	2 cases of failures to provide effective guard-rails or barriers to prevent fall at every side of a work platform or workplace from which a person is liable to fall more than 2 metres	3,000	The fine was fully settled. Installed proper barricades.
	Regulation 35(2)(a) of the Workplace Safety and Health (Construction) Regulations 2007	Failure to ensure all electric wiring or cable which the person may come into contact is supported on proper insulators	Nil	Protected electrical wires with plastic tubes.
	Regulation 27(a) of the Workplace Safety and Health (Construction) Regulations 2007	Failure to ensure all passageway and means of access in the worksite were kept free from obstruction that could cause tripping	Nil	Removed debris and unwanted construction materials.
	Regulation 5(3) of the Workplace Safety and Health (Work at Heights) Regulations 2013	Failure to ensure the fall prevention plan was made available for inspection upon request by an inspector	Nil	Maintained good housekeeping procedures.

Our Directors confirmed that none of the above cases resulted in fatalities. Prior to 1 July 2015, given that no demerit point will be given until the sixth breach or non-compliance resulted in composition fines and onwards, we had only received cumulative demerit points of two points with a validity of 12 months and had expired as at the Latest Practicable Date. Under the previous demerit points system implemented by the MOM arising from the eight incidents of breach and non-compliance on 24 March 2015 (of which only seven incidents of breach and non-compliance resulted in composition fines). With effect from 1 July 2015, there will be one demerit point from the fourth composition fines onwards, for details of the enhanced demerit points system, please refer to the section headed “Regulatory overview — Workplace safety and health safety measures” of this prospectus. For further details, please refer to the non-compliance incident dated 24 March 2015 under the section headed “Business — Regulatory compliance — Workplace safety breaches” of this prospectus. As at the Latest Practicable Date, our Group did not have any unexpired cumulative demerit points and as such, there is no impact to our Group’s business operations. All of the abovementioned fines imposed from non-compliance incidents were fully settled and where applicable, rectification work was carried out where so ordered by the authority. Save as disclosed above, there was no further action imposed on us, including no debarment from the employment of foreign workers as a result of work place safety non-compliances.

The above cases occurred mainly due to the inadequate internal control procedures and policies before we engaged our Internal Control Advisor, and widespread construction activities at each construction sites which at times may be difficult for our project managers, site supervisors, safety officers and safety supervisors to detect all non-compliances. Our Directors were not directly involved in

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the above non-compliances as these are the responsibilities of the project managers of each project, who directly supervised all workplace safety matters in the construction sites. In order to prevent the recurrence of the above cases, our Group implemented the following procedures to enhance workplace safety compliance.

In June 2015, our Group implemented the following procedures:

1. Our Group has updated our checklists for workplace safety performance at site to require the relevant project manager to perform corrective actions immediately.
2. The workplace safety and health officer of each construction site will inspect the site at least once a week by using the above checklists.
3. A project manager is assigned to arrange manpower to implement the corrective actions and take photos of the site after the correction actions as evidences and submit the same to the workplace safety and health officer for closing the files for the relevant incidents.
4. If the relevant corrective action is found to be inadequate, the project manager shall take immediate action by increasing the frequency of control work (including the frequency of site inspection) according to the relevant checklists.

In September 2015, the internal control advisor had recommended the following additional measures to prevent the recurrence of workplace safety non-compliance incidents:

1. A workplace safety and health officer will be appointed not only for construction site with a project sum above S\$10 million in accordance with the requirements under the relevant laws and regulations but for all construction sites.
2. The workplace safety and health officer and site supervisor of each relevant sites will provide ongoing trainings to workers and subcontractors through safety talks and toolbox meetings by using a safety work procedure and risk assessment other than a table of DOS and DON'TS. In addition, Mr. Bijay Joseph, overseeing our Group's ongoing compliance with relevant laws and regulations on workplace safety and health, and/or the relevant workplace safety and health officers will attend courses and/or trainings provided by the MOM on a yearly basis in relation to workplace safety and health regularly after listing, and all those updates will be included in the project briefing to the subcontractors.
3. The operational manual (including the workplace safety control procedures) will be circulated to all staffs and sub-contractors before the commencement of work and after each update. An acknowledgement receipt will be obtained from them to make sure that all of them have understood and agreed to be bounded by the operational manual.
4. The human resource department and head of each operational department will review the staff's safety awareness during the annual staff appraisal, which will be taken into account in determining promotion, salary increment and bonus.

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5. For projects involving sub-contractors, monthly meetings will be held among our Group and the sub-contractors during the construction period. During the meetings, our Group will, amongst others, reiterate the importance of strictly adhering to the workplace safety guidelines, tailor-made operational manuals with updated checklists and risk assessment by the sub-contractors. Attendance sheets and minutes will be kept for each meeting.
6. If non-compliance incidents occur in projects involving sub-contractors, the sub-contractor will be held liable in full for any fines and damages suffered by our Group. In addition to this, a warning letter will be issued to the responsible sub-contractor in accordance with the established control procedures and a demerit will be marked in its performance records for overall evaluation in the coming annual sub-contractor selection and evaluation process. If the frequency of non-compliance incidents remains high and/or the non-compliance incidents are very serious, our Group will exclude such subcontractor from the approved sub-contractor list for future tenders.
7. A reminder will be issued from time to time (but at least once a month) to all sub-contractors and staffs to reiterate the importance of strictly adhering to the established procedures.
8. Site supervisors will immediately report all material and systemic non-compliance incidents to site workplace safety and health officers.
9. An Executive Director with relevant qualifications should be appointed to oversee our Group's ongoing compliance with the relevant laws and regulations on workplace safety and health. In this regard, our Group has appointed Mr. Bijay Joseph, to undertake that responsibility and he will be assisted by two of our senior management, Mr. Tan Swee Hong and Mr. Shi Hewei. Please refer to section headed "Directors, senior management and employees" in this prospectus for further information on their experience and qualification. The responsible Executive Director will, amongst others, receive from site workplace safety and health officers weekly reports of non-compliance incidents, including nature, reasons, responsible parties, damages and other consequential impacts, disciplinary actions, remedial actions and further rectification measures to be incorporated in the operation manuals. Site workplace safety and health officers will immediately report all material and systemic non-compliance incidents to the responsible Executive Director. A register of non-compliance incidents will be kept by the responsible Executive Director.
10. A report of material and systemic non-compliance incidents will be submitted by the responsible Executive Director to the Audit Committee periodically (but at least once a quarter) for monitoring.

With (i) the full implementation of above rectification measures in September 2015, (ii) the fact that for the three years ended 31 December 2013, 2014 and 2015, the injury rate at our construction sites was lower than the industry rate in Singapore and (iii) our Group has not been charged with further workplace safety and non-compliance incidents since June 2015, the internal control advisor is of the view that the current internal control procedures are adequate and effective to prevent the recurrence of such workplace safety non-compliance incidents.

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Under Section 56(1) of the Workplace Safety and Health Act (Chapter 354A of Singapore), the relevant authority has the power to compound any offence by way of a fine up to a certain limit. On payment of such sum of money, no further proceedings shall be taken against that person in respect of such offences. All fines which have been fully settled were in respect of composition amounts in respect of the non-compliance. In respect of the aforementioned matters, our legal adviser as to Singapore law is of the view that no further proceedings will be taken against CL Construction in respect of the specific offences detailed where the composition fines have been fully settled.

Apart from non-compliances which resulted in fines, there were orders for rectification works (with no corresponding fines) issued to our Company by the MOM, as detailed in the table above. CL Construction has confirmed that the necessary rectification measures have been carried out and the internal controls advisor has also tested the implementation of such rectification measures. Based on the foregoing and assuming such rectification measures are found to be satisfactory to the relevant authority, our legal adviser as to Singapore law is of the view that no further proceedings will be taken against CL Construction in respect of the specific offences detailed above where rectification orders have been issued.

Environmental law breaches

The following table sets out the environmental laws and regulations breaches and non-compliances identified by the NEA during the Track Record Period and up to the Latest Practicable Date:

Date of offence	Regulations	Details of breach/ non-compliance	Fine (S\$)	Rectification
15 April 2013	Fourth Schedule of the Environmental Protection and Management (Control of Noise at Construction Sites) Regulations	Noise control	5,000	The fine was fully settled. Rescheduled construction activities around the permitted time.
7 July 2013	Environmental Protection and Management (Control of Noise at Construction Sites) Regulations	Noise control	5,000	The fine was fully settled. Rescheduled construction activities around the permitted time.
19 May 2014	Section 17(1) of Control of Vectors and Pesticides Act (Cap. 59)	Mosquito breeding	2,000	The fine was fully settled. Removed all stagnant water and area cleaning.
30 October 2014	Section 17(1) of Control of Vectors and Pesticides Act (Cap. 59)	Mosquito breeding	2,000	The fine was fully settled. Removed all stagnant water and area cleaning.

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Date of offence	Regulations	Details of breach/ non-compliance	Fine (S\$)	Rectification
9 April 2015	Section 17(1) of Control of Vectors and Pesticides Act (Cap. 59)	Propagation and harbouring of vectors (related to mosquito breeding) <i>(Note 1)</i>	Nil	Drained off all stagnant water on floors of the building; filled up or levelled off all excavations holes or depressions and applied insecticide.
	Section 10(1) of the Environmental Public Health Act (Cap. 95)	Dustbins and systems for disposal of organic and construction waste not up to standard <i>(Note 2)</i>	Nil	Provided adequate refuse bins, adequate skip containers for the storage of construction/industrial waste; removed daily all food/organic waste from the premises.
	Section 26(1) of the Environmental Public Health Act (Cap. 95)	Frequency of disposal of industry waste not up to standard <i>(Note 3)</i>	Nil	Removed industrial waste weekly from the premises; and provided evidence that the industrial waste from the premises has been disposed of at a public disposal facility.
17 April 2015	Section 17(1) of Control of Vectors and Pesticides Act (Cap. 59)	Mosquito breeding	4,000	The fine was fully settled. Removed all stagnant water and area cleaning.
26 April 2015	Regulation 4A(1) and Fourth Schedule of the Environmental Protection and Management (Control of Noise at Construction Sites) Regulations	Noise control	5,000	The fine was fully settled. Rescheduled construction activities around the permitted time.
5 May 2015	Section 17(1) of Control of Vectors and Pesticides Act (Cap. 59)	Mosquito breeding	5,000	The fine was fully settled. Removed all stagnant water and area cleaning.
22 May 2015	Section 17(1) of Control of Vectors and Pesticides Act (Cap. 59)	Mosquito breeding	4,000	The court fine was fully settled. Removed all stagnant water and area cleaning.
22 May 2015	Section 17(1) of Control of Vectors and Pesticides Act (Cap. 59)	Mosquito breeding	4,000	The fine was fully settled. Removed all stagnant water and area cleaning.

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Date of offence	Regulations	Details of breach/ non-compliance	Fine (S\$)	Rectification
25 June 2015	Section 17(1) of Control of Vectors and Pesticides Act (Cap. 59)	Propagation and harbouring of vectors (related to mosquito breeding) <i>(Note 1)</i>	Nil	Drained off all stagnant water on floors of the building; filled up or levelled off all excavations holes or depressions and applied insecticide.
27 August 2015	Section 17(1) of Control of Vectors and Pesticides Act (Cap. 59)	Mosquito breeding	2,000	The fine was fully settled. Removed all stagnant water and area cleaning.
22 November 2015	Fourth Schedule of the Environmental Protection and Management (Control of Noise at Construction Sites) Regulations	Noise control	5,000	Ceased to carry out works on Sunday.

Notes:

1. CL Construction has been issued with two orders from the NEA to take certain measures to comply with the requirements under the Control of Vectors and Pesticides Act, in relation to two of its projects. Our Directors have confirmed that the measures stated therein, *inter alia*, (i) to drain off all stagnant water on all floors of the building; (ii) fill up or level off all excavations, holes or depressions; and (iii) apply insecticide in a manner which effectively prevents water collection and vector breeding, have been and continue to be complied with. However, if the NEA finds that CL Construction has not adequately or sufficiently complied with such orders, CL Construction and/or the directors may be liable on its first conviction, to a fine not exceeding S\$20,000 or to imprisonment not exceeding 3 months or to both. Where there is a second or subsequent conviction, the CL Construction and/or the directors may be liable to a fine not exceeding S\$50,000 or to imprisonment not exceeding 6 months or to both.
2. This was related to an order from NEA to take certain measures to comply with the requirements under the Environmental Public Health Act, in relation to one of its projects. CL Construction was required to comply with the measures stated therein, *inter alia*, (i) to provide adequate refuse bins for the storage of bagged food/organic waste; (ii) to provide adequate skip containers for the storage of construction/industrial waste; and (iii) to remove daily all food/organic waste from the premises to a public disposal facility for disposal. If NEA finds that CL Construction has not adequately or sufficiently complied with such orders, CL Construction and/or its directors may be liable on conviction, to a fine not exceeding S\$5,000.
3. This was related to an order from NEA to take certain measures to comply with the requirements under the Environmental Public Health Act, in relation to one of its projects. CL Construction was required to comply with the measures stated therein, *inter alia*, (i) to remove weekly the industrial waste from the premises to a public disposal facility for disposal; and (ii) to furnish evidence that the industrial waste from the premises has been disposed of at a public disposal facility. If NEA finds that CL Construction has not adequately or sufficiently complied with such orders, CL Construction and/or its directors may be liable on conviction, to a fine not exceeding S\$5,000.

All of the above mentioned fines imposed from non-compliance incidents were fully settled and where applicable, rectification work was carried out. In addition to the above fines and rectification orders, during the Track Record Period we were also issued with two full stop work orders for a total of eleven days in relation to the above breaches of the Control of Vectors and Pesticides Act (Cap 59). The stop work orders had been lifted after we spruced up our worksites by providing a proper drainage

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system, draining stagnant water and implementing vector control measures and complied with the relevant requirements. Our Directors confirm that these stop work orders did not materially affect our financial performance and reputation.

Our Group engaged specialists from the pest control company to carry out regular spraying of insecticides and fogging of the whole construction site to prevent mosquito breeding. However, there may be certain areas which are inaccessible or which were overlooked by the specialists of the pest control company which resulted in the above non-compliances on mosquito breeding and vector control. As for the cases on noise control, the non-compliances were committed by our subcontractors without our knowledge and permission. Our Directors were not directly involved in the above non-compliances as these are the responsibilities of the project managers of each project, who directly supervised all environmental laws and regulations matters in the construction sites. In order to prevent the recurrence of the above cases, our Group implemented the following procedures to enhance environmental compliance (including noise, mosquito and vector control).

In June 2015, our Group implemented the following procedures:

1. Our Group has updated our checklists for site environmental control (including noise, mosquito and vector control) to require the relevant project manager to perform corrective actions immediately.
2. An environmental control officer of each construction site will inspect the site at least once a week by using the above checklists.
3. A project manager is assigned to arrange manpower to implement the corrective actions and take photos of the site after the correction actions as evidences and submit the same to the environmental control officer for closing the files for the relevant incidents.
4. If the relevant corrective action is found to be inadequate, the project manager shall take immediate action by increasing the frequency of control work (including the frequency of site inspection) according to the relevant checklists.

In preparation for the Listing, the internal control advisor had recommended the following additional measures to strengthen the internal control system and to prevent the recurrence of the environmental non-compliance incidents (including mosquito breeding and noise control), and all such measures have been implemented in September 2015. The measures include the following:

1. An environmental control officer will be appointed not only for construction site with a project sum above S\$10 million in accordance with the requirements under the relevant laws and regulations but for all construction sites.
2. The environmental control officer and site supervisor of the relevant sites will provide ongoing trainings to workers and subcontractors on rules and regulations updates in the project briefing through safety talks and toolbox meetings by using a revised vector and sanitation program and risk assessment other than a table of DOS and DON'TS. In addition, Mr. Bijay Joseph, overseeing our Group's ongoing compliance with relevant environmental

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laws and regulations, and/or environmental control officer will attend courses provided by the NEA (or other professional parties with the relevant qualifications) in relation to environmental matters regularly after listing.

3. The operational manual (including the environmental control procedures) will be circulated to staffs and sub-contractors before the commencement of work and after each update. An acknowledgement receipt will be obtained from them to make sure that all of them have understood and agreed to be bounded by the operational manual.
4. The human resource department and head of each operational department will review the staffs' environmental awareness during the annual staff appraisal, which will be taken into account in determining promotion, salary increment and bonus.
5. For projects involving sub-contractors, monthly meetings will be held among our Group and the sub-contractors during the construction period. During the meetings, our Group will, amongst others, reiterate the importance of strictly adhering to the environmental guidelines, tailor-make operational manuals with updated checklists and risk assessment by the sub-contractors. Attendance sheets and minutes will be kept for each meeting.
6. If non-compliance incidents occur in projects involving sub-contractors, the sub-contractor will be held liable in full for any fines and damages suffered by our Group. In addition to this, a warning letter will be issued to the responsible sub-contractor in accordance with the established control procedures and a demerit will be marked in its relevant performance records for overall evaluation in the coming annual sub-contractor selection and evaluation process. If the frequency of non-compliance incidents remains high and/or the non-compliance incidents are very serious, our Group will exclude such subcontractor from the approved sub-contractor list for future tenders or take out the sub-contractor from the sub-contractor list.
7. A reminder will be issued from time to time (but at least once a month) to all sub-contractors and staffs to reiterate the importance of strictly adhering to the established procedures.
8. Site supervisors will immediately report all material and systemic non-compliance incidents to site environmental control officers.
9. An Executive Director with relevant qualifications should be appointed to oversee our Group's ongoing compliance with the relevant environmental laws and regulations. In this regard, our Group has appointed Mr. Bijay Joseph, to undertake that responsibility and he will be assisted by two of our senior management, Mr. Tan Swee Hong and Mr. Shi Hewei. Please refer to section headed "Directors, senior management and employees" in this prospectus for further information on their experience and qualification. The responsible Executive Director will, amongst others, receive from site environmental control officers weekly reports of non-compliance incidents, including nature, reasons, responsible parties, damages and other consequential impacts, disciplinary actions, remedial actions and further rectification measures to be incorporated in the operation manuals. Site environmental control officers will immediately report all material and systemic non-compliance incidents to the responsible Executive Director. A register of non-compliance incidents will be kept by the responsible Executive Director.

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10. A report of material and systemic non-compliance incidents will be submitted by the responsible Executive Director to the Audit Committee periodically (but at least once a quarter) for monitoring.

With the full implementation of the above rectification measures in September 2015 and the fact that, save for the breach of noise control in November 2015, our Group has not been charged with further environmental non-compliance incidents since September 2015, the internal control advisor is of the view that the current internal control procedures are adequate and effective to prevent the recurrence of environmental non-compliance incidents.

The noise control non-compliance incident in November 2015 arose despite it being prohibited under the established procedures against any works at sites during Sundays and public holidays. The sub-contractor, upon an incorrect understanding of the prohibition, arranged for their workers to carry out the tracking and electrical work on site on a Sunday. A complaint of noise pollution was received. In accordance with the established control procedures, in addition to holding the sub-contractor liable in full for any fines and damages suffered by our Group, a warning letter was issued to the sub-contractor and a demerit was marked in its relevant performance records for overall evaluation in the coming annual sub-contractor selection and evaluation process. As an additional measure to prevent the recurrence of similar non-compliance, our Group has removed the subject sub-contractor from the approved list of sub-contractors and a reminder has been issued to all sub-contractors and staffs (including security guards at sites) to reiterate the importance of strictly adhering to the established internal control procedures.

Under Section 53(1) of the Control of Vectors and Pesticides Act (Chapter 59 of Singapore) (“CVPA”) and Section 72(1) of the Environmental Protection and Management Act (Chapter 94A of Singapore), the relevant authority has the power to compound any offence by way of a fine up to a certain limit. On payment of such sum of money, no further proceedings shall be taken against that person in respect of such offences. Save for the 22 May 2015 offence under Section 17(1) of the CVPA which resulted in a court fine, all of the other fines fully settled were in respect of composition amounts in respect of the non-compliance. Additionally, in respect of the 22 May 2015 offence for which a Court fine of S\$4,000 has been settled, the Court has jurisdiction to issue a fine under Section 51 of the CVPA and also has the power to compound an offence. On payment of such sum of money, no further proceedings shall be taken against that person in respect of such offence. In respect of the aforementioned matters, our legal adviser as to Singapore law is of the view that no further proceedings will be taken against CL Construction in respect of the specific offences detailed where the composition fines have been fully settled.

Apart from non-compliances which resulted in fines, there were orders for rectification works (with no corresponding fines) issued to our Company by the NEA, as detailed in the table above. CL Construction has confirmed that the necessary rectification measures have been carried out and the internal controls advisor has also tested the implementation of such rectification measures. Based on the foregoing and assuming such rectification measures are found to be satisfactory to the relevant authority, our legal adviser as to Singapore law is of the view that no further proceedings will be taken again CL Construction in respect of the specific offences detailed above where rectification orders have been issued.

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With the rectifications (including increasing the subcontractor’s environmental awareness and removal of offending subcontractor) having been implemented, the internal control advisor is of the view that our Group’s existing procedures, systems and controls are adequate and effective.

Non-compliance under the Employment Act (Chapter 91 of Singapore) (“Employment Act”)

Our Group was notified by MOM on 6 November 2015 that during an inspection by MOM on 22 September 2015, certain areas of non-compliance (as detailed below) under the Employment Act were identified (“**MOM’s Audit Findings**”). Prior to such notification from MOM, our Group had not previously received any similar notification from MOM:

Regulations	Details of non-compliance	Potential consequences of non-compliance	Reasons for non-compliance	Rectification
Section 21(1) of the Employment Act	Failure to pay employee salaries within 7 days from the last day of each salary period	Note 1	Under the Employment Act, salaries and overtime payments should be paid within 7 and 14 days, respectively, from the last day of each salary period. For operational efficiency, we paid overtime charges to our workers together with basic salary. Due to time required for calculation of overtime charges, there was a delay in paying the total salary.	Pay the respective salaries within the prescribed time frame and changed the workers from daily salary to monthly salary.
Section 27 of the Employment Act	Unauthorised deduction of employees’ salary	Note 2	We withheld S\$30 from the salary of each foreign worker on a monthly basis to cater for any potential liability that we may be liable for if the workers fail to settle such tax with IRAS before leaving Singapore after the expiration of existing employment contract. We are required to withhold any monies (including salary and overtime charge) due to such worker from the day he/she notifies us of his/her intention to cease employment or when we decide to terminate the employment in Singapore. However, for operational efficiency, we have withheld such tax from monthly salary payments.	Ceased to deduct such withholding tax from the salaries of foreign workers unless there are approvals from IRAS such as filling tax clearance.

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Regulations	Details of non-compliance	Potential consequences of non-compliance	Reasons for non-compliance	Rectification
Section 88 of the Employment Act	Failure to pay daily rated workers their gross rate of pay for public holidays	Note 3	We have allocated work to workers on public holidays at the request of the workers, without paying double pay to them.	Pay extra day's salary or give off-in-lieu for any work done on a public holiday.
Section 38(5) of the Employment Act	Scheduled employees to work overtime for more than 72 hours in a month without an exemption from the Commissioner of Labour	Note 3	Workers that were subject to this non-compliance were only on standby duties in case of emergency situations and they were entitled to overtime pay for the entire duration when they were on standby. In the absence of an emergency, these workers were actually resting at their dormitory. We will be applying for a future general exemption from such requirements for similar situations.	Control workers' overtime within 72 hours per month by better staff scheduling and apply for the relevant exemptions from the MOM (as and when possible).

Notes:

1. Penalty: Liable on conviction to a (i) fine of not less than S\$3,000 and not more than S\$15,000 or to imprisonment for a term not exceeding 6 months or to both; and (ii) if the employer is a repeat offender, to a fine of not less than S\$6,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both.
2. Penalty: Liable on conviction to a fine not exceeding S\$5,000 or to imprisonment for a term not exceeding 6 months or to both, and for a subsequent offence under the same section to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.
3. Penalty: Liable on conviction to a fine not exceeding S\$5,000, and for a second or subsequent offence to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

Notwithstanding the above, section 114 of the Employment Act provides that the Commissioner of Labour may in his discretion compound any such offence under the Employment Act as may be prescribed as being an offence which may be compounded by accepting from the person reasonably suspected of committing that offence a sum not exceeding S\$1,000.

On 23 November 2015, we were issued with a warning by the MOM for such non-compliance and were debarred from applying for or being issued with new work passes for foreign workers until 19 February 2016. During the debarment period, from late November 2015 to early January 2016, the financial impact of borrowing workers from other sub-contractor was approximately S\$37,000. After we had put in place the rectification measures to prevent such non-compliances in the future, we appealed to the MOM to uplift the debarment from applying new work passes for foreign workers and MOM had agreed to uplift the debarment with effect from 8 January 2016. We have applied for new work passes for foreign workers and successfully obtained approval from MOM since 15 January 2016. Save as disclosed, there is no effect on the renewal of work passes for our current foreign workers, no

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composition of fine has been imposed or issued against us, and no action has been instituted against us for such non-compliance under the Employment Act by the relevant authority in Singapore as at the Latest Practicable Date.

Our Directors were not directly involved in the above non-compliance incidents as these are the responsibilities of our human resource executive who directly supervised all labour related matters for all employees including those workers and employees in the construction sites.

Our legal adviser as to Singapore law believes that given MOM's Audit Findings and the nature of the non-compliances detailed above, it is unlikely that proceedings will be instituted against any of our Directors for such breaches, and that our Directors will not receive an imprisonment sentence for such breach in the event that such an action is instituted against our Directors. Our Group has confirmed that the necessary rectification measures in respect of MOM's Audit Findings have been carried out and the internal control advisor has also tested the implementation of such rectification measures. In addition, CL Construction had submitted an appeal letter to the MOM with evidence of rectification on 29 December 2015. The MOM had on 8 January 2016 acknowledged CL Construction's appeal letter and allowed for early uplift of the debarment as detailed above, and have since issued new work passes in relation to applications made by CL Construction. Based on the foregoing and assuming such rectification measures are found to be satisfactory to the relevant authority, our legal adviser as to Singapore law is of the view that no further proceedings will be taken against CL Construction in respect of the specific offences detailed above under the Employment Act.

In the ordinary course of our business, we had operated such staff policies since our operations. The Directors are of the view that the above cases are normal practices by the construction companies in Singapore. Prior to above cases, our Internal control advisor has provided their recommendations based on normal practices implemented by our Group before MOM's inspections on 22 September 2015. The recommendations are as follows:

1. All the workers should change from daily salary to monthly salary. The basic salaries should be paid at the end of the month or within 7 days from the last day of each salary period. The overtime payment should be paid within 14 days.
2. Our Group should cease to deduct withholding tax of S\$30 from the salaries of foreign workers unless there are approvals from the Inland Revenue Authority of Singapore such as filling tax clearance. Our Group should hold S\$30 from the salary of such worker from the day he/she notifies our Group of his/her intention to cease employment or when our Group decide to terminate the employment in Singapore. The amounts withheld up to date should be refunded to employees.
3. Our Group should either pay extra day's salary or give off-in-lieu for any work done on a public holiday in accordance with the requirements of the Employment Act.
4. Our Group should control worker's overtime within 72 hours per month by improving staff scheduling, including the number of hours on standby for all construction sites. When our Group prepares the staff schedule, our Group should look for another worker for replacement if 72 hours of overtime a month has been noted and apply for the relevant exemptions from the Ministry of Manpower of Singapore ("MOM") (as and when possible).

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Despite the review by our Internal control advisor, we still received notification of non-compliance incidents from MOM on 6 November 2015 as those recommendations made by our internal control advisor back in September 2015 were still in the process of being put into place at time during the MOM audit. Our internal control advisor's recommendations had been subsequently put in place before the end of December 2015.

In addition to the above measures, the internal control advisor has the following additional measures to strengthen the internal control systems and to prevent the recurrence of non-compliance incidents of the Employment Act.

1. Our Directors and human resources executives should attend the ongoing trainings provided by reputable law firm in order to update their knowledge on employment law implementation and other compliance matters and all updates will be included in the project briefing with subcontractors; and
2. Our human resources executive shall perform sample checking on salaries and overtime payments at the end of each month.

In this regard, our Group has appointed Mr. Bijay Joseph, an Executive Director, to undertake the responsibility as compliance officer in relation to employment laws and regulations. Our compliance officer will be required to, on a periodic basis, update himself (through the MOM website and/or any public sources) on any newly implemented employment laws and regulations which could be applicable to our Group. In addition, our Group has appointed a lawyer/law firm with relevant qualifications to advise on any changes in the relevant laws and regulations on any employment law implementation and other compliance matters, where required.

According to the follow-up review in relation to the MOM issue which has been conducted by the Internal control advisor starting from early November 2015 to the end of December 2015, the above measures have been fully adopted and implemented before the end of December 2015.

Our internal control advisor is of the view that with the full implementation of the above measures before the end of December 2015, the current internal control procedures are adequate and effective to prevent the recurrence of the non-compliance of Employment Act.

Breach under section 36 of the Fire Safety Act (Chapter 109A of Singapore)

In the ordinary course of our business, we transport diesel to our work sites for direct refueling of our equipment such as our excavators, which in the view of our Directors, being a normal practice by the construction companies in Singapore. In addition, we have also been advised by our legal adviser as to Singapore laws that Section 36 of the Fire Safety Act (Chapter 109A of Singapore) (“**Fire Safety Act**”) only allows for the dispensation of petroleum or any flammable material, *inter alia*, in or on licensed premises. Some of our work sites (including where we are subcontractors) may not have been accordingly licensed and we are in breach of Section 36 of the Fire Safety Act. However, as at the Latest Practicable Date, no action has been instituted against us for such a breach under the Fire Safety Act by the relevant authority in Singapore. Subsequent to the site review of our internal control adviser from July to September 2015, they have recommended that (i) our Group should refuel its machines at existing licensed premises before obtaining the Petroleum & Flammable Materials (“**PFM**”) Storage License; and (ii) our Group should obtain the PFM Storage License for the non-licensed construction

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site (wherever possible). Accordingly, our Group had revised the new procedures and implemented the above measures in or around September 2015. On 12 February 2016, Mr Bijay Joseph, our Executive Director, together with our legal adviser as to Singapore law, met with the Singapore Civil Defence Force (“SCDF”), the relevant authority to enforce the provisions of the Fire Safety Act, to explain our manner of operations to the SCDF, including difficulties we faced in carrying out the above mentioned procedures recommended by our internal control adviser and the past potential breaches of the Fire Safety Act. In response, the SCDF suggested how we can improve on our operations to comply with the regulations. Following the meeting with SCDF, on 12 February 2016, we have further revised and implemented new procedures to comply with SCDF’s recommendations as to refuelling of our equipment, such as refuelling from oil drums with capacity below that requiring a licence under the Fire Safety Act. Our Directors were not directly involved in this breach as this is the responsibility of our logistic executive who directly supervised all trucks and machineries related matters in the construction sites.

Although our internal control adviser consider it be more prudent to follow their original recommendations during their site review from July to September 2015, they concur that the above measures recommended by SCDF are practicable and reasonable. In addition to the suggestions of SCDF, our internal control adviser also recommended that our Directors and logistic executives should attend the ongoing trainings provided by a reputable law firm in order to update their knowledge on Fire Safety Act implementation and other compliance matters and all updates will be included in the project briefing to the subcontractors. As per the follow-up review which has been conducted by the internal control adviser, the above measures in the non-licensed premises for the selected construction site have been fully adopted after February 2016.

Having reviewed the circumstances leading to the breaches of the Fire Safety Act, Cachet is of the view that with implementation of certain measures, the current internal control procedures are adequate and effectively in place in accordance with the requirement of Fire Safety Act.

The penalties for such breach is set out in Section 56 of the Fire Safety Act which states that any person who is guilty of an offence under this Act for which no penalty is expressly provided shall be liable on conviction to a fine not exceeding \$10,000 or to imprisonment for a term not exceeding 6 months or to both and, in the case of a continuing offence, to a further fine not exceeding \$1,000 for every day or part thereof during which the offence continues after conviction.

Our Directors further note that we have, in the emergency response plans prepared in relation to our applications for our Transportation Licences, indicated to the authorities our intention to transport fuel at our work sites. Our Directors have also confirmed that adequate emergency response plans for all of our work sites (in relation to the dispensing of diesel into our equipment) have been put in place. Please see the paragraph headed in “Business — Adequacy and effectiveness of our internal control system” for the measures taken by our Group’s management.

Having reviewed the circumstances leading to the breaches and having taken into account the trend of prosecution of body corporates for precedent breaches under the Fire Safety Act, our legal adviser as to Singapore laws believes that whilst we are in breach of the Fire Safety Act, it is unlikely that any of our Directors will receive an imprisonment sentence for such breach in the event that an action is instituted against our Directors.

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Save as disclosed above and in the paragraphs headed “Workplace safety breaches” and “Environmental impact”, our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group has complied with all applicable Singapore laws, rules and regulations for our business activities and operations in Singapore (including obtaining all necessary permits and licences) in all material aspects and has not experienced any material disruption to our operations due to non-compliance.

Independent internal control adviser’s views

We engaged Ascenda Cachet Risk Consulting Limited (“**Cachet**”) in May 2015 to perform review procedures on our key procedures, systems and controls and to assist the Sole Sponsor in assessing the adequacy of the internal controls of our Group for, among others, compliance with relevant legal and regulatory requirements. Cachet is in the business of, among others, providing risk management, internal control and corporate governance advisory services to listed companies and listing candidates in Hong Kong. Cachet has conducted site visits in July to September 2015 and reviews of our internal control system for the period from January 2014 to September 2015. Cachet has also reviewed the internal control system of our Group after implementation of our recommended measures on the non-compliance incidents identified in November 2015. In the course of its review, it reviewed (i) the safety procedures, systems and controls in place including fire safety and those set out in the safety manual and verified the implementation of the safety procedures, systems and controls; (ii) environmental protection procedures, systems and controls in place including the inspection by our Group at sites where it is the responsible contractor and the scope of this inspection includes mosquito prevention and noise control and (iii) employment procedures, including procedures relating to salary payments and overtime. The internal control adviser is of the view that our Group has enhanced the above internal control by taking certain measures on rectification work since September 2015 and November 2015 after the MOM Audit Findings. The above non-compliance incidents in respect of our Group’s internal control system will be resolved before Listing.

Our Executive Director, Mr. Bijay Joseph, has been appointed as a responsible personnel who is undertaking and monitoring our Group’s ongoing compliance with the relevant laws and regulations in relation to workplace safety, health and environmental control and he will be assisted by two of our senior management, Mr. Tan Swee Hong and Mr. Shi Hewei. Our Company confirmed that out of the non-compliance incidents during the Track Record Period as listed above in this section headed “Regulatory compliance”, save for the one incident occurred in July 2013, all of those non-compliance incidents related to general construction work projects were outside the purview of Mr. Bijay Joseph as he had no role in those projects. Mr. Bijay Joseph was only indirectly involved in one incident of noise control non-compliance that occurred on 9 July 2013 that arose from an earthwork project where he was the project director responsible for planning, organising and managing the overall construction development projects. However, he was not directly involved in the day-to-day operations at the site of the relevant project. There was a project manager who was responsible for the day-to-day operations at the relevant site who reported to Mr. Bijay Joseph. Given that (i) Mr. Bijay Joseph was only indirectly involved in one incident of non-compliance in July 2013; (ii) there was no subsequent non-compliance that arose from projects supervised by him; and (iii) our Group has adopted an enhanced internal control system recommended by the internal control adviser, the Directors are of the view that Mr. Bijay Joseph is competent to handle the ongoing compliance with the relevant laws and regulations. For further details on the qualification and experience of Mr. Bijay Joseph, please see the paragraph headed in “Executive Director” in the “Directors, senior management and employee” section of this prospectus.

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Mr. Bijay Joseph has also been appointed to undertake the responsibility as compliance officer in relation to employment laws and regulations. In addition, our Group has appointed a lawyer/law firm with relevant qualifications to advise on any changes in the relevant laws and regulations of Employment Act.

After its reviews and further considering the circumstances leading to the construction safety regulation cases, 15 environment law non-compliance cases and the MOM Audit Findings as set out above against the results of the reviews, our internal control adviser is of the view that our Group's existing procedures, systems and controls in regard to workplace safety, mosquito prevention and noise control, and salary payment and overtime work are adequate and effective for ensuring compliance with the applicable construction safety regulations, environmental law and the employment law and our Group has enhanced internal control to prevent their recurrence of the non-compliance incidents. The enhanced internal control measures are sufficient and effective.

Directors' and the Sole Sponsor's views on internal control measures

Based on the advice of our legal adviser as to Singapore law as set out above and the additional rectification and nominal measures undertaken by our Group, our Directors and the Sole Sponsor consider that none of the legal and compliance matters as mentioned above will have any material operational or financial impact on our operations. Given that the non-compliance incidents disclosed above primarily occurred prior to the implementation of our Group's enhanced internal control system, in particular, the MOM's audit findings were based on our Group's records in July and August 2015, being the period before we adopted the enhanced internal control system since September 2015, and having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section, the integrity and character of our Directors', our Group's enhanced internal control measures to avoid recurrence of the non-compliance incidents, and the preventive measures mentioned above, which have all been implemented, including the appointment of our Executive Director, Mr. Bijay Joseph, assisted by two of our senior management, Mr. Tan Swee Hong and Mr. Shi Hewei as the responsible personnel undertaking our Group ongoing compliance with the relevant laws and regulations in relation to workplace safety, health and environmental control, and we have further appointed a law firm with relevant qualifications to advise our Group on any changes in the relevant laws and regulations of Employment Act, our Directors and the Sole Sponsor are of the view that we have adequate and effective internal control procedures in place in accordance with the requirements under the Listing Rules, and the past non-compliance incidents will not affect the suitability of the Directors to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. Save as disclosed above, we have obtained and currently maintain all necessary licences that are material to our business operations, and, during the Track Record Period and up to the Latest practicable Date, we have been in compliance with the applicable Singapore laws and regulations relating to our business operations in all material respects.

Indemnity from our Controlling Shareholders

The Controlling Shareholders have executed the Deed of Indemnity in favour of our Group whereby they will jointly and severally indemnify each member of our Group against, among others, all expenses, payments, sums, outgoing fees, demands, claims, damages, losses, costs (among others, but not limited to, legal and other professional costs), charges, liabilities, fines, penalties and tax which any member of our Group may incur, suffer or accrue, as a result of directly or indirectly or in connection with, or in consequence of any non-compliance with or breach of any applicable laws, rules or regulations in any jurisdiction by any member of our Group on or before the Listing. Please refer to the section headed “E. Other information — 1. Tax and other indemnities” in Appendix V to this prospectus for further details of the Deed of Indemnity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and Global Offering without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option, our Controlling Shareholders, comprising Brewster Global and Mr. Alan Lim, are together entitled to control the exercise of the voting rights of 69.75% of the Shares eligible to vote in the general meeting of our Company.

Save as disclosed above, there is no other person who will, immediately following the completion of the Capitalisation Issue and the Global Offering, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

INTEREST OF CONTROLLING SHAREHOLDER IN OTHER BUSINESS

Other Business of our Controlling Shareholder

As at the Latest Practicable Date, apart from Mr. Alan Lim's interests in our Group, he is holding the following equity interests in the following companies (the "**Retained Group**"):

Retained Group	Business of the Retained Group	Mr. Alan Lim's Shareholding interests
We Lim Builders Pte. Ltd ("We Lim Builders")	Leasing of certain types of tipper trucks and excavation machines	65%
Golden Empire Civil Engineering Pte. Ltd ("Golden Empire")	Provision of marine-related excavation services and land reclamation works	50%
Hulett Construction	Property investment	65%

For details of the transactions between the Retained Group and our Group, please refer to section headed "Connected transactions" of this prospectus.

We Lim Builders

During Track Record Period, We Lim Builders was principally engaged in the leasing of old model tipper trucks and excavation machines of which most of them have passed their useful life. CL Construction was the only customer of We Lim Builders for the rental of such old model tipper trucks and excavation machines, which from time to time, provide a relief to ease the high utilisation rates of the existing fleet of tipper trucks and excavation machines of CL Construction. We have acquired all tipper trucks and excavation machines, namely seven trucks and four excavation machines from We Lim Builders on 1 April 2016 for a total consideration of S\$108,000 which was determined on an arm's length basis and with reference to the market price of such trucks and machines under similar conditions. Upon completion of such acquisition, We Lim Builders no longer owns any trucks and excavation machines and has since ceased its business of leasing of trucks and excavation machines. In addition, We Lim Builders is engaged in property investment activities including provision of property rental services.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following table sets out the financial performance of We Lim Builders for the years ended 31 December 2013, 2014 and 2015:

	For the year ended 31 December		
	2013	2014	2015
	(S\$)	(S\$)	(S\$)
	(audited)	(audited)	(unaudited)
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Revenue	556,000	510,000	465,000
Net profit	74,000	131,000	112,000
Net assets	1,053,000	749,000	860,000
Net operating cashflows	149,000	211,000	216,000

For the three years ended 31 December 2015, We Lim Builders recorded a revenue of approximately S\$556,000, S\$510,000 and S\$465,000 respectively. CL Construction's rental cost from We Lim Builders amounted to approximately S\$498,000, S\$403,000 and S\$358,000, which represents approximately 90%, 79% and 77% of the total revenue of We Lim Builders for the three years ended 31 December 2015 respectively. CL Construction was the only customer of We Lim Builders in terms of leasing of trucks and excavation machines. The remaining revenue recorded by We Lim Builders was derived from providing property rental services to an Independent Third Party. We Lim Builders provides leasing of old model tipper trucks and excavation machines services to CL Construction as its only customer for its leasing business for the three years ended 31 December 2015 and thus there were no overlapping customers between We Lim Builders and CL Construction during the Track Record Period. The models of tipper trucks and excavation machines leased by CL Construction were newer and more advanced, such tipper trucks and excavation machines were not leased by We Lim Builders to third parties, and hence, direct competition between We Lim Builders and our Group during Track Record Period is minimal.

Golden Empire

Golden Empire principally carries on the business of marine-related excavation works based on the two projects it has undertaken since incorporation whereas the provision of excavation services by CL Construction is mainly earthwork related and was not involved in any marine-related excavation work during Track Record Period. In July 2015, Golden Empire also has a joint venture formed with an Independent Third Party which intends to carry on the business of land reclamation works.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Golden Empire was incorporated on 2 December 2013. The following table set out the financial performance of Golden Empire for the years ended 31 December 2014 and 2015 based on the financial information prepared by its management:

	For the year ended 31 December	
	2014	2015
	(S\$)	(S\$)
	(unaudited)	(unaudited)
	<i>(approx.)</i>	<i>(approx.)</i>
Revenue	6,453,000	30,500,000
Net profit	589,000	8,410,000
Net assets	2,586,000	10,070,000
Net operating cashflows	2,004,000	12,200,000

For the years ended 31 December 2014 and 2015, Golden Empire recorded a revenue of approximately S\$6.45 million and S\$30.5 million. Golden Empire's major customer was an Independent Third Party which accounted for almost 100% of Golden Empire's revenue. There were no overlapping customers between Golden Empire and CL Construction during the Track Record Period.

Hulett Construction

Hulett Construction principally carries on the business of property investment and the provision of rental of offices, dormitory and workshop situated at No. 20 Senoko Drive Singapore and related management services to CL Construction during the Track Record Period.

The following table sets out the financial performance of Hulett Construction for the years ended 31 December 2013, 2014 and 2015:

	For the year ended 31 December		
	2013	2014	2015
	(S\$)	(S\$)	(S\$)
	(audited)	(audited)	(unaudited)
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Revenue	1,296,000	886,000	nil
Net profit/(loss)	456,000	45,000	(1,030,000)
Net assets/(liabilities)	499,000	544,000	(485,000)
Net operating cashflows	1,662,000	4,681,000	11,600,000

For the three years ended 31 December 2015, Hulett Construction recorded a revenue of approximately S\$1.3 million, S\$886,000 and nil respectively. CL Construction's rental amount incurred for the rental of offices, dormitory and workshop situated at No. 20 Senoko Drive, Singapore from Hulett Construction amounted to approximately S\$1.25 million, S\$799,000 and nil, which represents approximately 96%, 90% and nil of the total revenue of Hulett Construction for the three years ended 31 December 2015 respectively. CL Construction is the largest customer of Hulett Construction in terms of rental services. Other revenue of Hulett Construction was derived from sales of scrap materials due to the demolition of the buildings at No. 20 Senoko Drive, Singapore, which was previously under re-

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

construction. As Hulett Construction has not engaged in the principal business of our Group, there were no overlapping customers in relation to the provision of general construction works between Hulett Construction and CL Construction during the Track Record Period and hence, there is no competition between Hulett Construction and our Group.

Basis of no competition between the Retained Group and our Group

During the Track Record Period, We Lim Builders provided leasing of old model tipper trucks and excavation machines services and its only customer was CL Construction whereas the models of tipper trucks and excavation machines provided by CL Construction are newer and more advanced. Such old trucks and excavation machines leased by We Lim Builders to CL Construction were to ease the high utilisation rates of existing fleet of trucks and excavation machines of CL Construction, and were not leased to third parties. On 1 April 2016, CL Construction has acquired seven trucks and four excavation machines from We Lim Builders for a total consideration of S\$108,000, which was determined on an arm's length basis and with reference to the market price of such trucks and excavation machines. Upon completion of such acquisition, We Lim Builders no longer owns any trucks and excavation machines and has since ceased its business of leasing of trucks and excavation machines. We Lim Builders has also undertaken in favour of our Company that it will not acquire or add in new and used trucks and excavation machines of similar nature, functions and/or purposes from now and after Listing, which has or will likely have direct competition with our Group's existing business without our Company's prior written approval. Hence, direct competition between We Lim Builders and our Group is minimal.

Golden Empire provides marine-related excavation services as opposed to land-bound earthworks provided by CL Construction. Golden Empire and the joint venture formed with an Independent Third Party in July 2015 have also undertaken in favour of our Company, *inter alia*, that it will not engage in any earthfill related business and/or any activities of similar nature from now and after Listing, which has or is likely to have direct competition with our Group's existing business. Despite there being no specific licensing requirement for Golden Empire to be a subcontractor for conducting marine-related excavation works and related services, given the difference in the nature of marine-related excavation works as compared to land-bound earthworks and machines involved (excavators used in land reclamation works are usually larger in capacity and involved the use of other machinery such as articulated truck, wheel loader, track screen and the excavators will be operated from a barge at the sea level and along the sea side, which have not been utilised by our Group in earthworks projects during the Track Record Period), the competition between Golden Empire and our Group is minimal.

Hulett Construction owns a site situated at No. 20 Senoko Drive, Singapore and it mainly provides rental services in relation to the properties situated at the same site to CL Construction and over 90% revenue of Hulett Construction was derived from the rental income from CL Construction for the two years ended 31 December 2014 (except for the re-construction period when no rental income was received in 2015). Hulett Construction has also undertaken in favour of our Company that it will not engage in any construction-related business and/or any activities of similar nature from now and after Listing, which has or will likely to have direct competition with our Group's existing business. Thus the business between Hulett Construction and our Group is different and as a result there is no competition between Hulett Construction and our Group. Accordingly the businesses of the Retained Group and our Group are delineated.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

REASONS FOR NON-INCLUSION OF THE RETAINED GROUP IN OUR GROUP

Our Group is predominately engaged in the business of provision of earthworks to the construction industry in Singapore. We intend to continue to focus on the provision of earthworks and related services in Singapore as we were one of the top five earthworks contractors (by revenue) for the construction industry in Singapore as of 2014. Given that our Group has established our business, reputation, clientele and core management expertise for more than 20 years in Singapore and in view of our intention in focusing and allocating our resources on the operations and expansion on earthworks and general construction works, our Directors believe that any scale of expansion of the Retained Group which has a different business focus from our Group may dilute our Group's resources and may affect our Group's operation and business in the earthworks and general construction works industry in Singapore. Given the business nature of the Retained Group is different from the principal business activities of our Group and our future business focus, our Directors believe that it is not in the interests of the shareholders of our Company to include the Retained Group into our Group.

Furthermore, our Group obtained quotations from independent suppliers to compare the price from the Retained Group. Our Directors confirmed that the terms of the services supplied by the Retained Group have been comparable to the terms offered by our Group's independent suppliers during the Track Record Period. In view of the smaller scale of business of the Retained Group and that our Group's purchase contributed a significant portion of the Retained Group's revenue during the Track Record Period, our Directors consider that the businesses of the Retained Group may not have a good prospect for growth and it may eventually reduce the profitability of the enlarged Group in long run if the Retained Group is to be included into our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors consider that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than members of our Group) upon the Listing.

(i) Financial independence

We are financially independent of our Controlling Shareholders and their respective close associates. We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group makes financial decisions according to our own business needs.

During the Track Record Period, Mr. Alan Lim, one of our Controlling Shareholders, has provided financial assistance in the form of advances to our Group and personal guarantees in favour of a number of banks in Singapore for the repayment obligations of CL Construction under various banking facilities. All such advances due to Mr. Alan Lim have been fully settled as at the Latest Practicable Date and all such personal guarantees will be fully released and replaced by corporate guarantees to be provided by our Company upon the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In addition, during the Track Record Period, CL Construction had provided a corporate guarantee in favour of a bank in Singapore in respect of banking facilities granted to Hulett Construction, a company which is owned by Mr. Alan Lim and his spouse. CL Construction also provided a corporate guarantee in favour of a bank in Singapore in respect of credit facilities offered to Pirie Investments (Aust) Pty Ltd, a wholly-owned subsidiary of Pirie Investments Pte. Ltd., an investment holding company incorporated in Singapore which is in turn indirectly owned as to 15% by We Lim Builders, a connected person, as to 25% by a customer of CL Construction during the Track Record Period and as to 60% by an Independent Third Party. The corporate guarantee in respect of the banking facilities granted to Hulett Construction will be released upon Listing while the corporate guarantee in respect of the banking facilities granted to Pirie Investments (Aust) Pty Ltd has been released on 12 May 2016.

As the above personal guarantees given by Mr. Alan Lim and the corporate guarantees will be released upon the Listing, our Directors believe that we will be financially independent from our Controlling Shareholders upon Listing.

(ii) Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders. Despite the fact that we will have certain continuing connected transactions, particulars of which are set out in the section headed “Connected transactions” in this prospectus, having considered that (i) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities including contract department, projects department, administrative and finance departments; (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with the Controlling Shareholders and/or their associates; (iii) our Group has also established a set of internal controls to facilitate the effective operation of its business; and (iv) as at the Latest Practicable Date, our Group had independent access to suppliers or customers of our Group, our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

(iii) Management independence

As at the Latest Practicable Date, no Executive Director has overlapping roles or responsibilities in any business other than our business nor has any business which competes or is likely to compete, either directly or indirectly, with our business.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum.

(iv) Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RULE 8.10 OF THE LISTING RULES

None of our Controlling Shareholders, Directors and their respective close associates has 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.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company, pursuant to which our Controlling Shareholders have irrevocably and unconditionally, jointly and severally warranted and undertaken to our Company (for ourselves and for the benefit of each of our subsidiaries) that it or he or she would not, and would procure that its or his or her close associates (including the Retained Group but other than any member of our Group) would not, during the effective period set out below, directly or indirectly, either on its or his or her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business that is similar to or in competition with or is likely to be in competition with any business carried on by any member of our Group from time to time or in which any member of our Group is engaged or has invested or is otherwise involved in any territory that our Group carries on its business from time to time, including but not limited to the provision of earthworks and general construction works, together with their related services such as the business of leasing of tipper trucks and excavation machines (the "**Restricted Business**"). Such non-compete undertaking does not apply to:

- (i) the holding of or interests in shares or other securities by our Controlling Shareholders and/or their respective associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:
 - (a) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or consolidated assets, as shown in that company's latest audited accounts; or
 - (b) the total number of the shares held by our Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder (together, where appropriate, with its associates) whose shareholdings in that company a larger percentage of the shares in question than our Controlling Shareholders and their respective associates in aggregate.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The “effective period” stated in the Deed of Non-competition means the period from the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange to the earliest of the date on which (i) our Controlling Shareholders, individually or collectively with their respective close associates ceases to be interested, directly or indirectly, in 30% or more of the issued Shares, or otherwise ceased to be regarded as a Controlling Shareholder (as defined under the Listing Rules from time to time) of our Company; (ii) a covenantor, not being a Controlling Shareholder, ceases to be a member of senior management of our Group or (iii) the Shares cease to be listed and traded on the Stock Exchange or other recognised stock exchange.

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has undertaken that if each of our Controlling Shareholders and/or any of his/its associates is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) directly or indirectly to engage or become interested in a Restricted Business, he/it shall (i) promptly notify our Company of such New Business Opportunity in writing, refer the same to our Company for consideration first and provide such information as may be reasonably required by our Company to make an informed assessment of such New Business Opportunity; and (ii) shall not, and shall procure that our Controlling Shareholders and/or their respective associates or any company controlled by them shall not, invest or participate in any such New Business Opportunity unless such New Business Opportunity shall have been declined by our Company and the principal terms of which he/it and/or his/its associates invest or participate in are no more favourable than those made available to our Company, engage in, invest or be interested or otherwise involved in the Restricted Business.

Our Directors (including the Independent Non-Executive Directors) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the “**30-day Offering Period**”) of receipt of notice from the Controlling Shareholders, the Controlling Shareholders and/or his/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. With respect to the 30-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity. In the event that our Company requires additional time to assess the New Business Opportunity, our Company may give a written notice to our Controlling Shareholders during the 30-day Offering Period and our Controlling Shareholders agree to extend the period to a maximum of 60 business days.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- the Independent Non-Executive Directors will review, on an annual basis, the compliance with the non-compete undertaking by our Controlling Shareholders under the Deed of Non-competition;
- our Controlling Shareholders have undertaken to us that they will, and will procure their respective close associates to use their best endeavours to provide all information requested by our Company which is necessary for the annual review by the Independent Non-Executive Directors and the enforcement of the Deed of Non-competition;
- our Company will disclose decisions on matters reviewed by the Independent Non-Executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company or by way of announcements;
- our Controlling Shareholders will make annual declaration on compliance with their undertakings, representations and warranties under the Deed of Non-competition for disclosure in our Company's annual reports and endeavours to ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the Listing Rules; and
- in the event that there is any potential conflict of interests relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his/her interests and, where required, abstain from participating in the relevant board meeting or general meeting and voting on the transaction and not count as quorum where required.

CONNECTED TRANSACTIONS

We have entered, and will enter, into certain agreements with entities that will constitute our connected persons and such arrangements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules following the Listing on the Stock Exchange.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the continuing connected transactions of our Group as set out below are exempted from compliance with requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

Cheng Yap Construction Pte. Ltd.

Cheng Yap Construction Pte. Ltd. (“**Cheng Yap**”) carries on the business of provision of refuse disposal services and building construction works. Cheng Yap is owned as to 100% by Mr. Lim Cheng Yap, who is a brother of Mr. Alan Lim, our Executive Director. As such, Cheng Yap is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the following transactions will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

(i) Provision of demolition works by Cheng Yap

During the Track Record Period, Cheng Yap provided demolition works to CL Construction as well as the subsequent sale of salvaged materials arising from demolition works.

For the three years ended 31 December 2013, 2014 and 2015, the costs we paid for demolition works were approximately S\$71,000, S\$624,000 and nil, respectively and the corresponding revenue from sale of salvage materials arising from demolition works were approximately S\$156,000, S\$710,000 and nil, respectively. As such, the gross profit received were approximately S\$85,000, S\$86,000 and nil, respectively.

Pursuant to a demolition framework agreement dated 10 May 2016 entered into between Cheng Yap and our Group in its ordinary course of business (“**Demolition Framework Agreement**”), Cheng Yap has agreed to provide demolition works to our Group and the subsequent sale of salvaged materials on project basis and on normal commercial terms or at a better price determined at arm’s length negotiations based on prevailing market prices no more favourable than to Independent Third Parties for similar services. The term of the Demolition Framework Agreement is effective from the Listing Date until 31 December 2018.

For the three financial years ending 31 December 2016, 2017 and 2018, the maximum annual amount of the net income derived from the demolition works and the subsequent sale of salvaged materials from Cheng Yap shall not exceed the following caps:

	Proposed annual cap for the financial year ending 31 December		
	2016	2017	2018
	<i>(S\$)</i>	<i>(S\$)</i>	<i>(S\$)</i>
Total amount of costs (approx.)	400,000	400,000	400,000
Total amount of revenue (approx.)	450,000	450,000	450,000
Total amount of gross profit (approx.)	50,000	50,000	50,000

CONNECTED TRANSACTIONS

In determining the above annual caps, our Directors have taken into consideration the historical transaction amounts and the projected decrease in the demolition works awarded to our Group. Despite the figures recorded for the year ended 31 December 2015 were nil, our Directors consider that it is appropriate to set annual caps for the coming years in the event that there are demolition works our Company may take up. The annual caps have been set at a lower level than the average historical transaction amounts as demolition works are not as profitable as they were in the past and we expect to take up less projects of this kind in the future. Accordingly, as part of our business strategies, we will focus on increasing our competitiveness via the securing of earth filling projects. Please refer to the sections headed “Business — Business objectives and strategies” and “Future plans and use of proceeds” of this prospectus for more details.

Taking into account the annual cap of the net income derived from the demolition works and the subsequent sale of salvaged materials from Cheng Yap, the applicable percentage ratios as defined in the Listing Rules are expected to be less than 5% and the annual consideration is less than HK\$3 million, within the de minimis threshold stipulated in the Rule 14A.76(1) of the Listing Rules.

(ii) Rental of machines and labour supply from Cheng Yap

During the Track Record Period, Cheng Yap provided rental services of tipper trucks and labour supply to CL Construction.

For the three years ended 31 December 2013, 2014 and 2015, the total amount of historical transactions were approximately S\$177,000, S\$151,000 and S\$137,000, respectively.

Pursuant to a rental services framework agreement dated 10 May 2016 entered into between Cheng Yap and our Group (“**Rental Services Framework Agreement 1**”), Cheng Yap has agreed to provide rental services for machines such as tipper trucks and excavators as well as labour supply to our Group according to actual needs and on normal commercial terms or at a better price determined at arm’s length negotiations based on prevailing market prices no more favourable than to Independent Third Parties for similar services. The term of the Rental Services Framework Agreement 1 is effective from the Listing Date until 31 December 2018.

For the three financial years ending 31 December 2016, 2017 and 2018, the maximum annual amount of rental services from Cheng Yap shall not exceed the following caps:

	Proposed annual cap for the financial year ending 31 December		
	2016	2017	2018
	(S\$)	(S\$)	(S\$)
Total amount of costs (approx.)	200,000	150,000	150,000

In determining the above annual caps, our Directors have taken into consideration the historical transaction amounts, the high average utilisation rates of our excavation machines and tipper trucks for the two years ended 31 December 2014 and 2015, our future purchase of these machines as replacement of the old ones. In addition to our plan to purchase new machines and before the arrival of such new machines in early 2017, we expect our demand for machines and labour supply from Cheng Yap to also increase slightly given our expansion plan of earthworks sector.

CONNECTED TRANSACTIONS

Taking into the annual cap of the cost of rental services provided by Cheng Yap, the applicable percentage ratios as defined in the Listing Rules are expected to be less than 5% and the annual consideration is less than HK\$3 million, within the de minimis threshold stipulated in the Rule 14A.76(1) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions are entered into on normal commercial terms. Our Directors currently expect that pursuant to Chapter 14A of the Listing Rules, all relevant annual “applicable percentage ratios” of the relevant transactions are expected to exceed 0.1% but less than 5%. Accordingly, the following transactions are subject to the announcement and annual reporting requirements, but are exempt from compliance with the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

United E&P Pte. Ltd.

During the Track Record Period, CL Construction purchased construction materials such as asphalt premix from United E&P Pte. Ltd. (“**United E&P**”). United E&P was incorporated on 18 July 2013 and it first commenced business with our Group in May 2015. United E&P carries on the business of the supply of basic construction materials. United E&P is owned as to 40% by an Independent Third Party and 60% by United E&P Holdings Pte. Ltd., which in turn is owned as to 33.33% by Mr. Alan Lim, our Executive Director and 66.67% by an Independent Third Party. As such, United E&P is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions with United E&P constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Principal terms: We have entered into a framework construction material purchase agreement (“**Construction Material Purchase Agreement**”) with United E&P on 10 May 2016, pursuant to which, United E&P has agreed to provide construction materials to our Group according to actual needs. The principal terms of the Construction Material Purchase Agreement include: (1) pricing policy of each type of material supplied having regards to the actual materials, quantity etc.; and (2) the Construction Material Purchase Agreement will be effective from the Listing Date until 31 December 2018 and may be renewed for a further term of three years upon its expiry with mutual consent after negotiation.

Reasons for transactions: Our Directors are of the view that the construction materials such as asphalt premix from United E&P are of high quality and that United E&P and our Group are familiar with each other’s business demands and able to supply materials required for construction. Our Directors consider that maintaining stable and high quality business relationship with United E&P will be beneficial to our current and future operation as this provides us with an additional source to obtain construction material on competitive terms.

Pricing policy: The pricing of the construction materials will be determined on the basis of market price or as agreed by both parties after arm’s length negotiations having regards to the actual materials supplied, quantity etc. The aforesaid transactions were entered into on normal commercial terms.

Historical amount: For the three years ended 31 December 2013, 2014 and 2015, the total amount of historical transactions of construction materials purchased by our Group from United E&P were approximately nil, nil and S\$19,000, respectively.

CONNECTED TRANSACTIONS

Annual cap: For the three financial years ending 31 December 2016, 2017 and 2018, the maximum annual amount of construction material purchased by our Group from United E&P shall not exceed the following caps:

	Proposed annual cap		
	for the financial year ending 31 December		
	2016	2017	2018
	(\$)	(\$)	(\$)
Total amount of costs (approx.)	500,000	500,000	500,000

Basis of cap: In determining the above annual caps, our Directors have taken into consideration the comparable prices offered by Independent Third Parties for the supply of similar products and the expected volume of the construction materials to be purchased by our Group on an annual basis based on the estimated roadworks projects such as building airport runways in the future which requires a substantial amount of construction materials. The annual caps are significantly higher than the historical transaction amounts during Track Record Period is because our Group only commenced business with United E&P in May 2015.

Golden Empire Civil Engineering Pte. Ltd.

During the Track Record Period, CL Construction provided construction-related services such as rental of trucks and supply of labour to Golden Empire Civil Engineering Pte. Ltd. (“**Golden Empire**”). Golden Empire was incorporated on 2 December 2013 and it first commenced business with our Group in July 2014. Golden Empire and its joint venture formed with an Independent Third Party, principally carries on or intend to carry on the business of land reclamation works. Golden Empire is owned as to 50% by Mr. Alan Lim, our Executive Director and 50% by an Independent Third Party. As such, Golden Empire is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions in respect of the rental services will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Principal terms: We have entered into a rental services framework agreement (“**Rental Services Framework Agreement 2**”) with Golden Empire on 10 May 2016, pursuant to which, our Group has agreed to provide construction-related services such as rental of trucks and supply of labour to Golden Empire according to actual needs. The principal terms of the Rental Services Framework Agreement 2 include: (1) pricing policy of rental fee for each truck and quantity of labour provided; (2) our Group and Golden Empire must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the Rental Services Framework Agreement 2; and (3) the Rental Services Framework Agreement 2 will be effective from the Listing Date until 31 December 2018 and may be renewed for a further term of three years upon its expiry with mutual consent after negotiation.

Reasons for transactions: Golden Empire and our Group have established our business relationship with each other, and are familiar with each other’s business demands and able to supply rental services required for construction. Our Directors consider that maintaining stable and high quality business relationship with Golden Empire will be beneficial to our current and future operation given

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that land reclamation involves construction works. By reference to our historical business transaction experience with Golden Empire, we believe that our Group and Golden Empire will be able to satisfy the stable and high quality requirement of the other party in the relevant business, and maintaining business transactions with each other is in the interest of our Group and our Shareholders as a whole.

Pricing policy: The pricing of the rental services and labour supply will be determined on the basis of market price or as agreed by both parties after arm's length negotiations having regards to actual quantity of trucks and labour supplied. The aforesaid transactions were entered into on normal commercial terms.

Historical amount: For the three years ended 31 December 2013, 2014 and 2015, the total amount of historical transactions of rental services and labour supply provided by our Group to Golden Empire were approximately nil, S\$1.2 million and S\$4.6 million, respectively.

Annual cap: For the three financial years ending 31 December 2016, 2017 and 2018, the maximum annual amount of rental services and labour supply to Golden Empire shall not exceed the following caps:

	Proposed annual cap		
	for the financial year ending 31 December		
	2016	2017	2018
	(S\$)	(S\$)	(S\$)
Total amount of revenue (approx.)	3 million	3 million	3 million

Basis of cap: In determining the above annual caps, our Directors have taken into consideration the historical transaction amounts and the projected decrease in demand for trucks and labour supply compared to the Track Record Period as Golden Empire is gradually building up their own fleet of machines and enlarging their own labour supply. We, however, expect to maintain a steady level of supply in anticipation of the increase in land reclamation projects taken up by Golden Empire.

Hulett Construction

During the Track Record Period, Hulett Construction leased (a) offices and related management services; and (b) workers dormitory and workshop, both situated at No. 20 Senoko Drive, Singapore (the "Site"), to CL Constructions as part of the construction costs and related supporting service fees charged by Hulett Construction. Hulett Construction carries on property investment and is owned as to 65% by Mr. Alan Lim, our Executive Director and 35% by Ms. Yee Say Lee, the spouse of Mr. Alan Lim. As such, Hulett Construction is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions in respect of the rental services will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Principal terms: We have entered into a master lease agreement ("Master Lease Agreement") with Hulett Construction on 27 April 2016, pursuant to which, Hulett Construction has agreed, with effect from 1 April 2016, to lease the followings to our Group, including: (a) offices with aggregate floor area of approximately 4,700 square feet and management services; and (b) workers dormitory (approximately 240 beds), workshops (approximately 19,000 square feet) and parking lots for heavy

CONNECTED TRANSACTIONS

vehicles (approximately 80 lots). The term of the lease is from 1 April 2016 (or such other date as may be agreed between the parties) until 31 December 2018, which may be renewed for a further term of three years after its expiry with mutual consent after negotiation.

Reasons for transactions: Hulett Construction had leased properties to our Group during and prior to the Track Record Period. Upon completion of the re-construction works at the Site, the relevant properties will be used for offices, workers dormitory, workshops and parking lots for heavy vehicles. Their locations could meet the requirement of our Group and relocation would lead to unnecessary business disruption and costs.

Pricing policy: The pricing of the rental services will be determined at arm's length negotiations between the relevant parties and by reference to the prevailing market price of local properties with similar size and quality. The aforesaid transactions were entered into on normal commercial terms.

Historical amount: For the three years ended 31 December 2013, 2014 and 2015, the total aggregate amount of historical transactions of rental services provided by Hulett Construction to our Group were approximately S\$1.3 million and S\$0.8 million and nil, respectively. The reason of nil amount for the year ended 31 December 2015 was because we rented workers' dormitories from Independent Third Parties when the Site underwent re-construction works during that year.

Annual cap: For the three financial years ending 31 December 2016, 2017 and 2018, the maximum aggregate annual amount of rental services from Hulett Construction shall not exceed the following caps:

	Proposed annual cap		
	for the financial year ending 31 December		
	2016	2017	2018
	(S\$)	(S\$)	(S\$)
Total amount of costs (approx.)	1.7 million	2.2 million	2.2 million

Basis of cap: In determining the above annual caps, our Directors have taken into consideration (i) the historical transaction amounts during the Track Record Period; (ii) the increase in total floor area of the offices and workshops, the increase in size of workers dormitory and the number of parking lots for heavy vehicles under the Master Lease Agreement; and (iii) the prevailing market rates of rent of local properties with similar scale and quality as well as the existing rental agreement entered into with an Independent Third Party in respect of the temporary office of our Company. Our Group has relocated back to the Site upon completion of the construction works in March 2016 and the amount of monthly rent is expected to remain steady until the end of 2018. We expect to recruit more staff including general workers, drivers, excavator operators, project managers and supervisors as well as office staff to support our business expansion as part of our future plans and use of proceeds. The new offices and workshops, workers dormitory at the Site would meet our needs and the additional parking lots would also accommodate the new tipper trucks and excavation machines that we intend to purchase. Please refer to the sections headed "Business — Business objectives and strategies" and "Future plans and use of proceeds" of this prospectus for more details.

CONNECTED TRANSACTIONS

APPLICATION FOR WAIVER OF CONTINUING CONNECTED TRANSACTIONS

For each of the three financial years ending 31 December 2016, 2017 and 2018, the highest applicable percentage ratio for the non-exempt continuing connected transactions is expected to exceed 0.1% but remain less than 5%. Accordingly, the non-exempt continuing connected transactions are subject to the announcement requirement under Rule 14A.35 and the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules.

We have applied for and the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under the Listing Rules for the non-exempt continuing connected transactions.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our Independent Non-Executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into during our ordinary and usual course of business on normal commercial terms or on terms better to us, and are fair and reasonable and in the interest of us and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in our Shareholders' interests as a whole.

CONFIRMATION FROM OUR SOLE SPONSOR

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions are entered into in our ordinary course of business on normal commercial terms and on terms better to us, and are fair and reasonable and in the interests of us and our Shareholders as a whole; and (ii) the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interest of us and our Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board of Directors consists of four Executive Directors, and three Independent Non-Executive Directors. The following table sets forth the information concerning our Directors and senior management:

Name	Age	Position	Date of joining our Group	Date of appointment	Roles and responsibilities
Executive Directors					
Mr. Lim Kui Teng (林桂廷)	47	Chairman and Executive Director	January 1996	25 August 2015	Overall management, strategic planning and business development and chairman of the Nomination Committee
Mr. Quek Sze Whye (郭斯淮)	60	Executive Director	April 2009	25 August 2015	Lead operational departments and provide guidance and management experience in project management and contract negotiations
Mr. Bijay Joseph	47	Executive Director	September 2000	25 August 2015	Planning, organising and managing the overall construction development projects
Mr. Lau Yan Hong (劉仁康)	50	Executive Director	January 2000	25 August 2015	Overseeing the project team and managing, executing and coordinating the A&A projects
Independent Non-Executive Directors					
Mr. Chow Wing Tung (周永東)	42	Independent Non-Executive Director	10 May 2016	10 May 2016	Chairman of the Audit Committee, providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct
Mr. Phang Yew Kiat (彭耀傑)	47	Independent Non-Executive Director	10 May 2016	10 May 2016	Chairman of the Remuneration Committee, providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct
Mr. Lee Teck Leng (李迪能)	49	Independent Non-Executive Director	10 May 2016	10 May 2016	Providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. Lim Kui Teng (林桂廷), aged 47, founder of our Group, was appointed as our Director on 25 August 2015 and re-designated as our Executive Director on 5 October 2015. Mr. Alan Lim is also the founder and director of CL Construction since January 1996. Mr. Alan Lim is responsible for our Group's overall management, strategic planning and business development. He has over 20 years of experience in the provision of earthworks for the construction industry in Singapore.

Mr. Alan Lim started his career as a trainee operator and site supervisor at Cheng Yap Construction Pte. Ltd. in January 1985, and was promoted to a formal operator and site supervisor in January 1988. During the course of his work, he had managed various projects including earthworks for Central Expressway (CTE) tunnel and the apron for the aircraft at Changi Airport Terminal 2. Mr. Alan Lim left Cheng Yap Construction Pte. Ltd. in May 1992.

Prior to establishing our Group in January 1996, Mr. Alan Lim established Chuan Lim Construction & Engineering as a sole proprietorship in June 1992 which was engaged in the business of building construction and rental of machinery and equipment.

Mr. Alan Lim does not have any current or past directorships in any listed companies in the last three years.

Mr. Quek Sze Whye (郭斯淮), aged 60, was appointed as our Director on 25 August 2015 and redesignated as our Executive Director on 5 October 2015. Mr. Albert Quek is also a director of CL Construction, since January 2014. Mr. Albert Quek joined our Group in April 2009 and is currently responsible for overseeing the tendering, contracts administration, purchasing departments, and providing guidance and management experience in project management and contract negotiations. Mr. Albert Quek obtained a diploma in construction from Singapore Institute of Building in July 1986. He is a professional member of The Royal Institution of Chartered Surveyors since October 2002 and a member of the Chartered Institute of Building since September 1995. He has more than 20 years of experience in project management and contract negotiations in the earthwork industry. The following table summarises Mr. Albert Quek's professional experience prior to joining our Group:

Company name	Principal business activities of the company	Last position held	Period of services
Nishimatsu Construction Co. Ltd.	General contractor	Quantity Surveyor	November 1984 to July 1987
Metrobilt Construction Pte. Ltd. (a subsidiary of Metro Holdings Ltd.)	Management service consultants	Acting Assistant Contracts Manager	July 1987 to July 1989
Chieng-Chuang Construction Co. Pte. Ltd.	General builders	Contract Manager	August 1989 to July 2006
Chip Eng Seng Contractors (1988) Pte. Ltd. (a subsidiary of Chip Eng Seng Corporation Ltd.)	General building contractor	Contracts Director	August 2006 to March 2009
CL Construction	Provision of earthworks and general construction works	Contracts Director/ Director	April 2009 to present

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Albert Quek does not have any current or past directorships in any listed companies in the last three years.

Mr. Bijay Joseph, aged 47, was appointed as our Director on 25 August 2015 and redesignated as our Executive Director on 5 October 2015. Mr. Bijay Joseph is also a director of CL Construction since October 2007. Mr. Bijay Joseph joined our Group in September 2000 and is currently responsible for planning, organising and managing the overall construction development projects. Mr. Bijay Joseph graduated from the Bangalore University, India, with a Bachelor of Engineering degree in Civil Engineering in June 1993. He also obtained the Master of Science (Project Management) degree from the National University of Singapore in January 2006. Mr. Bijay Joseph has over 20 years of working experience in the construction industry. Prior to joining our Group, Mr. Bijay Joseph worked at Asian Techs Limited as an assistant engineer from October 1991 to November 1992 and at Gina Engineering Company (P) Ltd. as a site engineer from June 1993 to June 1995.

Mr. Bijay Joseph does not have any current or past directorships in any listed companies in the last three years.

Mr. Lau Yan Hong (劉仁康), aged 50, was appointed as our Director on 25 August 2015 and redesignated as our Executive Director on 5 October 2015. Mr. Dicky Lau is also a director of CL Construction since February 2003. Mr. Dicky Lau joined our Group in January 2000 and is currently responsible for overseeing the project team and managing, executing and coordinating the A&A projects. Prior to joining our Group, Mr. Dicky Lau has approximately 10 years of working experience in quality control and assurance in the retail industry. He also obtained a certificate in building construction safety supervisors from the BCA in November 2000 and is currently a registered personnel in structural works under CoreTrade scheme of BCA. Mr. Dicky Lau has over 15 years of working experience in the construction industry.

Mr. Dicky Lau does not have any current or past directorships in any listed companies in the last three years.

Independent Non-Executive Directors

Mr. Chow Wing Tung (周永東), aged 42, was appointed as our Independent Non-Executive Director on 10 May 2016 and is responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resources and standard conduct of our Company. Mr. Chow is currently the financial controller of Synear Food Holdings Limited (“**Synear**”) since April 2005. Synear and its subsidiaries engage in the manufacture and sales of quick freeze food products in the PRC and whose shares were listed on the Main Board of Singapore Exchange Securities Trading Limited and has voluntarily delisted since December 2013. From January 2004 to January 2005, Mr. Chow was the financial controller of China Paper Holdings Limited, a company engaged in the manufacture and sales of paper and paper chemical products in the PRC and whose shares are listed on the Main Board of Singapore Exchange Securities Trading Limited. Mr. Chow graduated from the University of Toronto with a Bachelor of Commerce degree in November 1997. Mr. Chow is a certified public accountant certified by the Washington State Board of Accountancy since 2001, a member of the American Institute of Certified Public Accountants since October 2001, a certified public accountants certified by the Hong Kong Institute of Certified Public Accountants since July 2003 and a Chartered Global Management Accountant certified by the American Institute of Certified Public Accountants since July 2012.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chow's directorships in other companies listed on the Stock Exchange are set out below:

Company name	Principal business during tenure	Position	Period of services
China Bio Cassava Holdings Limited (stock code: 8129)	Development of computer software and embedded systems, sales and licensing of the software and systems, development of biotech and renewable energy and provision of financing services	Independent non-executive director	June 2013 to present
Jimei International Entertainment Group Limited (stock code: 1159)	Entertainment and gaming business, and trading of chemical products, and energy conservation and environmental protection products	Independent non-executive director	November 2014 to present

Save for the current directorships as disclosed above, Mr. Chow Wing Tung does not have other current or past directorships in any listed companies in the last three years.

Mr. Phang Yew Kiat (彭耀傑), aged 47, was appointed as our Independent Non-Executive Director on 10 May 2016 and is responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct of our Company. Mr. Phang Yew Kiat is currently an executive director, the Vice Chairman and Chief Executive Officer of Credit China Holdings Limited (Stock Code: 8207.HK) and the co-chairman of Deer Creek Advisors Pte. Ltd. (formerly known as Deauville Private Office Pte. Ltd.) since July 2012. Mr. Phang Yew Kiat graduated in July 1993 from the faculty of technology of University of Manchester with a Bachelor's degree of Engineering in Microelectronic Systems Engineering. He also received a Master's degree in Business and Administration in International Business in June 1995 from University of Bristol.

Mr. Phang Yew Kiat's directorship in other company listed on the Stock Exchange is as follows:

Company name	Principal business activities of the company	Position held	Period of services
Credit China Holdings Limited (stock code: 8207.HK)	Provision of traditional financing services and related financing consultancy services	Executive Director, Vice Chairman and Chief Executive Officer	December 2013 to present

Save for the current directorship in Credit China Holdings Limited (Stock Code: 8207.HK), Mr. Phang Yew Kiat does not have other current or past directorships in any listed companies in the last three years.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lee Teck Leng (李迪能), aged 49, was appointed as our Independent Non-Executive Director on 10 May 2016 and is responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct of our Company. Mr. Lee is currently a lawyer at LEE chambers LLC. He has over 20 years of experience in legal services. Mr. Lee graduated from the National University of Singapore with a Second Class Honours (Upper Division) degree of Bachelor of Laws in July 1990 on a Public Service Commission Scholarship. The following table summarises Mr. Lee's professional experience:

Company name	Principal business activities of the company	Last/current position held	Period of services
Singapore Legal Service	Collective body of lawyers who serve in the courts, the Attorney-General's Chambers, and the legal departments of various government ministries and statutory boards in Singapore	Judicial Officer	September 1991 to July 1997
Michael Khoo & Partners	Legal services	Partner	July 1997 to November 1999
Tan Peng Chin & Partners	Legal services	Partner	November 1999 to December 2001
Tan Peng Chin LLC	Legal services	Director	January 2002 to April 2003
Lee Associates	Legal services	Sole proprietor	May 2003 to June 2010
Legal Clinic LLC	Legal services	Director	July 2010 to February 2014
LEE chambers LLC	Legal services	Director	January 2014 to present

Mr. Lee's current and past directorships in other companies listed on the Main Board of the Singapore Stock Exchange in the last three years are set out below:

Company name	Principal business during tenure	Position	Period of services
Asiasons Capital Limited (now known as Attilan Group Limited)	Alternative asset investment and management	Independent director	July 2010 to April 2014
United Food Holdings Limited	Produces and supplies soybean products and animal feeds	Independent director	July 2011 to November 2015
Advanced Integrated Manufacturing Corp. Ltd.	Integrated provider of electronic manufacturing services	Independent director	March 2014 to present

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Save as disclosed above, Mr. Lee does not have other current or past directorships in any listed companies in the last three years.

Disclosure of relationships as required under Rule 13.52(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; (ii) had no other relationship with any Directors, senior management or substantial Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in public listed companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed “Substantial Shareholders” and the section headed “Further information about our Directors and substantial shareholders” 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 in this prospectus, none of our Directors have any interests in any business apart from business of our Group which competes or is likely to compete, either directly or indirectly, with business of our Group. Please refer to Appendix V to this prospectus for further information about our Directors, including details of the interest of our Directors in the Shares and underlying shares of our Company (within the meaning of Part XV of the SFO) and particular of their service contract and remuneration.

Except as disclosed in this prospectus, each of our Directors has confirmed that there are no other matters relating to his or her appointment as a Director that need to be brought to the attention of the Shareholders and there is no information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Roles and responsibilities
Mr. Tan Swee Hong (陳瑞豐)	59	Project Director	November 2011	Responsible for the overall management of general construction works
Mr. Shi Hwei (史賀偉)	39	Operation Director	May 2014	Responsible for the overall management of earthworks
Ms. Ong Sok Hun	42	Financial Controller	October 2005	Responsible for financial, accounting, taxation, secretarial affairs, treasury and banking matters

Mr. Tan Swee Hong (陳瑞豐), aged 59, joined our Group as a project director on November 2011 and is responsible for the overall management of general construction works of our Group. Mr. Tan graduated from The National University of Singapore, with a degree of Bachelor of Engineering (Civil) in June 1982. He is also registered as a professional engineer in civil engineering by the Singapore Professional Engineers Board in October 1993. Mr. Tan has over 20 years of experience in the construction industry.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Tan Swee Hong does not have any current or past directorships in any listed companies in the last three years.

Mr. Shi Hewei (史賀偉), aged 39, joined our Group as an operation director on May 2014 and is responsible for the overall management of earthworks of our Group. Mr. Shi graduated from Nanyang Technological University, with a degree of Bachelor of Engineering (Civil) in June 2001. Mr. Shi has over 12 years of experience in the construction industry. He previously worked at our Group from October 2001 to November 2003 as a project engineer and January 2005 to September 2010 as a contract manager.

Mr. Shi does not have any current or past directorships in any listed companies in the last three years.

Ms. Ong Sok Hun, aged 42, joined our Group as an assistant accountant in October 2005 and is currently our financial controller. Ms. Ong is responsible for financial, accounting, taxation, secretarial affairs, treasury and banking matters of our Group. Ms. Ong graduated from Oxford Brookes University, with a Bachelor of Science (Honours) degree in Applied Accounting in 2003. She is also admitted as a Fellow of the Association of Chartered Certified Accountants in October 2008. Ms. Ong has approximately 10 years of experience in the construction industry. The following table summarises Ms. Ong's professional experience prior to joining our Group:

Company name	Principal business activities of the company	Last/current position held	Period of services
P.T. Shintom Electronics Batam	Manufacturing of electronic equipment and component	Senior Accounting Officer	September 1994 to February 2001
Insworld School Pte Ltd	Education services	Accounts Manager	October 2003 to October 2005
CL Construction	Provision of earthworks and general construction works	Financial Controller	October 2005 to present

Ms. Ong does not have any current or past directorships in any listed companies in the last three years.

COMPANY SECRETARY

Ms. Ngan Chui Wan Judy (顏翠雲), aged 48, was appointed as the company secretary of the Company on 5 October 2015. Ms. Ngan obtained a bachelor degree in arts awarded by the National Chengchi University in June 1992, a certificate in Business English from the University of Hong Kong School of Professional and Continuing Education in September 1999 and a master degree in Practising Accounting from Monash University in April 2007. Ms. Ngan is an associate member of Institute of Chartered Secretaries and Administrators and an associate member of The Hong Kong Institute of Company Secretaries. Ms. Ngan was the company secretary of (i) United Energy Group Limited (stock code: 467) from March 2007 to April 2008; (ii) Xingye Copper International Group Limited (stock code: 505) from May 2008 to June 2009; (iii) Gemini Investments (Holdings) Limited (stock code: 174) from October 2010 to May 2013; (iv) Green International Holdings Limited (stock code: 2700) from

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

March 2015 to June 2015; and (v) Thelloy Development Group Limited (stock code: 8122) from June 2015 to December 2015. Ms. Ngan has also been appointed as company secretary of Come Sure Group (Holdings) Ltd (stock code: 794) in January 2015.

Ms. Ngan does not act as an individual employee of our Company, but as an external service provider in respect of the proposed appointment of Ms. Ngan as the company secretary of the Company. Pursuant to paragraph F.1.1. of the Code of Corporate Governance, an issuer can engage an external service provider as its company secretary, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact. While our Company is well aware of the importance of the company secretary in supporting the Board on governance matters, our Company, after having considered Ms. Ngan's experience, both our Company and Ms. Ngan are of the view that there will be sufficient time, resources and supporting for fulfilment of the company secretary requirements of our Company.

In view of Ms. Ngan's experience as company secretary in listed companies, our Directors believe that Ms. Ngan has the appropriate expertise for the purposes of Rule 8.17 of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

Our Directors have attended a training in October 2015 regarding the on-going obligations and duties of a director of a listed company and are fully understand such obligations and duties, and such training will be held on an annual basis after Listing.

BOARD COMMITTEES

Audit Committee

Our Group established an audit committee on 10 May 2016 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The audit committee consists of all of the Independent Non-Executive Directors, namely, Mr. Phang Yew Kiat, Mr. Chow Wing Tung and Mr. Lee Teck Leng. Mr. Chow Wing Tung is the chairman of the audit committee.

The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration Committee

Our Group established a remuneration committee on 10 May 2016 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, namely Mr. Phang Yew Kiat, Mr. Alan Lim and Mr. Chow Wing Tung. Mr. Phang Yew Kiat is the chairman of the remuneration committee.

The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

Our Group also established a nomination committee on 10 May 2016 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The nomination committee consists of three members namely, Mr. Phang Yew Kiat, Mr. Chow Wing Tung and Mr. Alan Lim. Mr. Alan Lim is the chairman of the nomination committee.

The primary function of the nomination committee is to make recommendations to the Board to fill vacancies on the same.

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed VBG Capital as our compliance adviser to provide advisory services to our Company. It is expected that the compliance adviser will, amongst other things, advise our Company with due care and skill on the following matters:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including shares issues and share repurchases;
- where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall 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 and such appointment may be subject to extension by mutual agreement.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

There were 381 full-time staff in our Group as at the Latest Practicable Date of which approximately 19% were locals and permanent residents, approximately 30% were expatriates and approximately 51% were foreign workers. All our employees are based in Singapore.

The following sets forth the number of our staff in the respective functions of our Group (excluding our Executive Directors) as at 31 December 2013, 31 December 2014, 31 December 2015 and the Latest Practicable Date:

	As at 31 December			As at the Latest Practicable Date
	2013	2014	2015	
Directors	5	6	6	6
Managers	5	3	5	6
Executives (Human Resource/ Administration/Account/Logistic)	12	12	15	16
Project and contract staff	6	8	10	8
Site staff	155	169	160	145
Clerical	4	3	3	3
Others	1	1	1	1
Foreign workers	<u>155</u>	<u>178</u>	<u>190</u>	<u>196</u>
Total	<u><u>343</u></u>	<u><u>380</u></u>	<u><u>390</u></u>	<u><u>381</u></u>

Our foreign workers are sourced and recruited through an Independent Third Party agency. The supply of foreign workers in Singapore is subject to various regulations and policies. Please see the section headed “Regulatory overview” in this prospectus for further details.

As at the Latest Practicable Date, we have both foreign workers hired under both the construction sector (for our workers engaged at work sites) and manufacturing sector (for our workers engaged at the workshop).

Foreign workers are employed by CL Construction under the construction sector at its various work sites and under the manufacturing sector as tipper truck and excavator operators, mechanics and servicemen and mechanical and engineering technicians. The manufacturing sector includes the mechanical engineering and transport engineering sub-sectors and requires a valid factory registration which CL Construction possesses in respect of work sites it operates and its transport and machinery maintenance and repair facility only, but not the actual production of tipper trucks and excavators. MOM has approved CL Construction’s applications to hire the aforementioned workers under both the construction and manufacturing sectors.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Their levy rates are of various tiers, based on MOM's definition of the proportion of foreign workers to the total workforce. The FWL for workers for these two sectors, as at the Latest Practicable Date and the following year (subject to changes as and when announced by the Singapore government) is as tabled below:

Sector	Tier	Levy Rates	Levy Rates	Levy Rates	Levy Rates	Levy Rates	Levy Rates
		(S\$) Higher skilled/Basic skilled, with effect from 1 July 2012	(S\$) Higher skilled/Basic skilled, with effect from 1 July 2013	(S\$) Higher skilled/Basic skilled, with effect from 1 July 2014	(S\$) Higher skilled/Basic skilled, with effect from 1 July 2015	(S\$) Higher skilled/Basic skilled, with effect from 1 July 2016	(S\$) Higher skilled/Basic skilled, with effect from 1 July 2017
Construction	Basic tier	280/400	300/450	300/550	300/550	300/650	300/700
	MYE-waiver	550/650	600/750	700/950	600/950	600/950	600/950
Manufacturing	Basic tier	230/330	250/350	250/370	250/370	250/370	Not available
	Tier 2	330/430	350/450	350/470	350/470	350/470	Not available
	Tier 3	500	550	550/650	550/650	550/650	Not available

The FWL had increased during the Track Record Period, as seen in above table while the levy rates for manufacturing will remain unchanged till 30 June 2017 and the levy rates for higher skilled workers will be lowered or remained unchanged to incentivise the upgrading of workers and hiring of skilled workers.

As seen in the above table, only the category basic tier for construction sector will have increased monthly FWL, from the current S\$550, to S\$650 from 1 July 2016 to S\$700 from 1 July 2017. The number of foreign workers under this category and the potential cost impact to our profitability for the respective periods are as below:

	As at Latest Practicable Date	From 1 July 2016	From 1 July 2017
Number of foreign workers/estimated foreign workers under "Basic tier-construction"	127	137	167
Aggregate monthly levy fees for workers under "Basic tier-construction"	S\$69,850	S\$89,050	S\$116,900

Our foreign workers are engaged in our projects and the increased in their levy rates will affect our profitability. Based on the estimated foreign workers under "Basic tier-construction" as detailed in the table above and the levy rates in the respective period, the estimated annual levy fees are approximately S\$1.0 million and S\$1.2 million for the years ending 31 December 2016 and 2017 respectively. As such, our annual labour costs are estimated to increase by approximately S\$0.1 million and S\$0.2 million for the years ending 31 December 2016 and 31 December 2017 respectively.

Our Group is subject to strict immigration policies for our foreign workers. In view of these stringent requirements, our Group faces a possible shortage of foreign workers. To mitigate the increasing expenses incurred with employing foreign workers, our Group will either hire skilled foreign workers (whose FWL are lower), or conduct regular in-house training and provides external training for

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

unskilled foreign workers. After sufficient training, our Group would then apply to the BCA Academy to qualify them as skilled foreign workers so as to benefit from the lower FWL. In our recruitment exercise, our Group also makes it a point to hire more skilled foreign workers as they are normally more productive and incur a lower FWL.

Out of the 381 staff, two have master's degrees, one has a professional qualification, 22 have bachelor's degrees and ten have diplomas.

Our Directors believe that the amount of expenditure incurred in relation to staff training for during the Track Record Period as a percentage of our Group's total revenue has been insignificant. Training is provided to staff on an as-needed basis, and all foreign workers undergo safety orientation courses.

Relationships with our employees

During the Track Record Period, we did not experience any significant problems with employees or other labour disturbances to our operations and we did not experience any difficulties in the recruitment and retention of experienced staff. We believe we have a good working relationship with our employees.

Compensation of Directors and senior management

During the three years ended 31 December 2015, the aggregate amount of compensation paid (salary, allowances, benefits in kind, discretionary bonuses and defined contribution) by our Company to our five highest paid individuals were approximately S\$1.2 million, S\$1.5 million and S\$1.8 million, respectively.

The Executive Directors are also employees of our Company and receive, in their capacity as employees of our Company, compensation in the form of salaries and other allowances and benefits in kind. Our Company reimburses our Directors for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to the operations of our Company.

During the three years ended 31 December 2015, the aggregate amount of compensation paid (fees, salaries, allowances, benefits in kind, discretionary bonuses and defined contribution) by our Company to our Directors were approximately S\$0.8 million, S\$1.2 million and S\$1.6 million, respectively.

Our Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities, workload, the time devoted to our Group, individual performance and the performance of our Group. Details of the terms of the service contracts are set out in the paragraph headed "Further information about our Directors and substantial shareholders" in Appendix V to this prospectus.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five largest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. The Directors estimate that under the current

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proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to the Directors will be approximately S\$1.5 million for the year ending 31 December 2016.

None of our Directors waived or agreed to waive any emoluments during the Track Record Period. Save as disclosed in this paragraph headed “Compensation of Directors and senior management”, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

Employees’ remuneration and benefits

Our employees are remunerated according to their job scope and responsibilities. Our local employees are also entitled to discretionary bonus depending on their respective performance. Our foreign workers are typically employed on one year basis depending on the period of their work permits, and subject to renewal based on their performance and are remunerated according to their work skills. Our Group provides medical insurance coverage for our foreign workers. Please refer to the section headed “Business — Insurance” in this prospectus for further information.

RETIREMENT BENEFIT SCHEME

Our Group participates in the mandatory provident fund for our employees in accordance with the Central Provident Fund Act, Chapter 36 of Singapore. In accordance with the aforesaid laws and regulations, our Group contributes an amount equivalent to a percentage of the employee’s wages, as stated in the table below:

Employee’s age (years)	Contribution rates from 1 January 2015 (%)	
	Employer’s contribution	Employee’s contribution
50 and below	17	20
Above 50 to 55	16	19
Above 55 to 60	12	13
Above 60 to 65	8.5	7.5
Above 65	7.5	5

The contribution is only applicable to all employees who are Singapore citizens or permanent residents. With effect from 1 January 2016, the contributions are subject to a maximum monthly wage of S\$6,000 and a maximum aggregate annual wage of S\$102,000.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option):

<i>Authorised:</i>	<i>HK\$</i>
10,000,000,000 Shares	100,000,000
<i>Shares issued and to be issued, and fully paid or credited as fully paid:</i>	
100 Shares in issue	1
829,999,900 Shares to be issued under the Capitalisation Issue ⁽¹⁾	8,299,999
145,000,000 New Shares to be issued under the International Offering	1,450,000
25,000,000 New Shares to be issued under the Hong Kong Public Offering	250,000
1,000,000,000 Shares in total	10,000,000

Note:

- (1) Pursuant to the written resolutions of the Shareholders passed on 10 May 2016, conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the amount of HK\$8,299,999 from the amount standing to the credit of the share premium account of our Company and to appropriate such amount as to pay up in full at par 829,999,900 Shares for allotment and issue to our Shareholders whose names appear on the register of members of our Company, of which 80,000,000 Shares are Sale Shares.

Assumptions

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and Global Offering are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option or any Shares which may be issued or repurchased by us pursuant to the general mandate granted to our Directors to issue or repurchase Shares as described below.

Rankings

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all our Shares 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 the Shares in respect of a record date which falls after the date of Listing other than entitlement under the Capitalisation Issue.

SHARE CAPITAL

Minimum public float

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of Listing and at all time thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the Listing Rules).

General mandate to allot and issue Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with the total nominal value of not more than the sum of:

- (1) 20% of the total nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option); and
- (2) the total nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred below.

The allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Articles of Association, or under the Global Offering, or on the exercise of any option which may be granted under the Share Option Scheme or the Over-allotment Option, do not generally require the approval of the Shareholders in general meeting and the total nominal value of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

This general mandate will expire at the earliest of:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company is required by law or our Articles of Association to hold our next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed "A. Further information about our Company — 4. Written resolutions of the Shareholders passed on 10 May 2016" in Appendix V to this prospectus.

General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in

SHARE CAPITAL

issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Buy-back by our Company of its own securities” in the section headed “Further information about our Company” in Appendix V to this prospectus.

The general mandate to issue and buy-back Shares will expire:

- at the conclusion of the next annual general meeting of our Company;
- at the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraphs headed “Written resolutions of the Shareholders passed on 10 May 2016” and “Buy-back by our Company of its own securities” in the section headed “Further information about our Company” in Appendix V to this prospectus.

Share Option Scheme

Pursuant to the resolutions in writing of our Shareholders passed on 10 May 2016, we have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the sections headed “Statutory and general information — D. Share Option Scheme” in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option) and the Capitalisation Issue, the following persons were expected to have interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of interested party	Capacity/Nature of interest	Shares held as at the Latest Practicable Date		Shares held immediately prior to the Capitalisation Issue and the Global Offering		Shares held immediately following the completion of the Capitalisation Issue and the Global Offering	
		Total number	Percentage	Total number	Percentage	Total number	Percentage
Brewster Global	Beneficial owner (Notes 1, 2)	93	93.00%	93	93.00%	697,500,000 (L)	69.75%
Mr. Alan Lim	Interest of controlled corporation (Notes 1, 2)	93	93.00%	93	93.00%	697,500,000 (L)	69.75%
Ms. Yee Say Lee ("Ms. Yee")	Interest of spouse (Notes 1, 2, 3)	93	93.00%	93	93.00%	697,500,000 (L)	69.75%

Notes:

- (1) The letter "L" denotes the person's long position in the relevant shares.
- (2) The entire issued share capital of Brewster Global is beneficially owned by Mr. Alan Lim who is deemed to be interested in all the Shares held by Brewster Global by virtue of the SFO. Mr. Alan Lim is a Controlling Shareholder and Executive Director of our Company.
- (3) Ms. Yee is the spouse of Mr. Alan Lim and is deemed to be interested in the Shares indirectly held by Mr. Alan Lim through Brewster Global.

Save as disclosed in this prospectus, our Directors are not aware of any other person who will, immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option) and the Capitalisation Issue, have a beneficial interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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You should read the following discussion and analysis of our results of operations and financial condition in conjunction with our combined financial information as of and for the Track Record Period, including the notes thereto, included in Appendix I to this prospectus. Our combined financial information has been prepared in accordance with HKFRSs. The following discussion contains forward-looking statements concerning events that involve risks and uncertainties. Our actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under “Risk factors” and elsewhere in this prospectus.

OVERVIEW

During the Track Record Period, our Group recorded total revenue of approximately S\$61.4 million, S\$92.4 million and S\$99.3 million for the three years ended 31 December 2013, 2014 and 2015 respectively. Our principal business activities are (i) the provision of earthworks and related services, in which we recognised approximately S\$55.0 million, S\$55.7 million and S\$48.6 million representing approximately 89.5%, 60.2% and 49.0% of the total revenue for the three years ended 31 December 2013, 2014 and 2015, respectively and (ii) the provision of general construction works in which comprised approximately 10.5%, 39.8% and 51.0% of our revenue for the three years ended 31 December 2013, 2014 and 2015, respectively. Earthworks include land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation, earth disposal, earth filling and shore protection. Certain earthworks projects may require civil engineering works such as road diversions, road reinstatements, overhead bridge, sewerage, drainage, pipe laying and cable trench works. During the Track Record Period, our Group had completed 199 projects in relation to the provision of earthworks and related services.

For the three years ended 31 December 2013, 2014 and 2015, we recognised profit for the year of approximately S\$10.2 million, S\$14.3 million and S\$11.5 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 25 August 2015 and became the holding company of CL Construction pursuant to the Reorganisation completed on 10 May 2016. Details of which are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus.

The financial information of our Group has been prepared as if our Company had been the holding company of CL Construction throughout the Track Record Period.

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SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Group's financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below:

Pipeline of construction projects and our order book

Both our earthworks and general construction works provided in Singapore are contracted on a project-basis. The duration of projects relating to earthworks services typically range between three to twelve months (except for MRT projects that are for duration of over two years). The duration of projects for general construction works typically range between one to two years. As our revenue is not recurring in nature, we have to continually secure new contracts of sufficient value. Specifically, as our Group is established in excavation works, we are highly dependent on the pipeline of such contracts which in turn is dependent on the construction projects in both public and private sectors.

Timing of projects and percentage completed

Our revenue is recognised on the percentage of completion method, and billing is based on monthly progress claims. As such, our revenue is dependent not only on the number of projects, its contract value, but also on the percentage completed. Hence, the number of contracts and progress of each contract we undertake in any period will affect our results of operations and lead to fluctuations in revenue recognised from period to period. For more information on the revenue recognition, please see the Note 5 of the Accountant's Report set out in Appendix I to this prospectus.

Pricing of our projects

One of our two key drivers to our Group's profitability is our pricing. Our projects come mainly from two sources, (i) an invitation to quote or tender from customers; or (ii) tender opportunities published on the GeBIZ system (the Singapore government's one-stop e-procurement portal). The tender quotation and the budgeted gross profit margin to be earned from the project will depend on various factors, including but not limited to, the scale, complexity and specifications of the project, our capacity and resources, potential to optimise or share resources for projects located in proximity to each other, prevailing market price, indicative pricing of our suppliers and subcontractors, and our past experience in tendering for similar projects. For further details, please refer to the section headed "Business — Pricing" in this prospectus. The gross profit margin that we can get from a contract will vary in part, based on our pricing and each contract will result in a different gross profit margin. Where additional scope of works are added or omitted, it may also affect the overall margin of a project. Our gross profit margins for the three years ended 31 December 2013, 2014 and 2015 amounted to approximately 21.0%, 20.3% and 20.1%, respectively.

Fluctuation in direct costs

Our key cost of sales in earthworks projects are (i) diesel; (ii) operating cost of tipper trucks and excavation machines, such as spare parts and tyres; (iii) use of earth disposal sites; and (iv) labour. Key cost of sales in general construction works projects are (i) material purchases; (ii) subcontracting costs; and (iii) labour. Of the components in our cost of sales, diesel, use of earth disposal sites and leasing costs are affected by the availability, pricing and waiting time at the earth disposal sites. Our Group's

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profitability also depends on the type of work required in the contract. Generally, for earthwork projects which have civil engineering components will generate a lower gross profit margin as the civil engineering works will be subcontracted and we focus on the earthwork components only. Please refer to section headed “Financial Information — Principal components of combined statements of comprehensive income — Direct costs” in the prospectus for further breakdown and analysis. For earthworks, one of our key cost driver is the location of earth disposal sites, waiting time at earth disposal sites and disposal fee charged for each sites. Should there be earth disposal sites located within close proximity, there will be savings in our transportation costs particularly our diesel costs. For further details, please refer to the section headed “Availability of earth filling sites located within close proximity to our earthwork project sites” below. Our main purchases are diesel, which fluctuates according to its demand and supply which in turn, are mainly driven by the price of crude oil. Other construction materials are purchased on a project basis such as ready-mixed concrete, prefabricated reinforcement steel and steel products.

We may engage subcontractors for part of certain earthworks and related services contracts, for instance, to provide services such as drainage and sewerage works. For general construction projects, we typically engage subcontractors in providing services such as air-conditioning and mechanical ventilation works, plumbing and sanitary works, electrical works and steelworks. Please refer to the sections headed “Business — Suppliers” and “Business — Subcontractors” in this prospectus for further details on our suppliers and subcontractors.

As part of our project management policy, we manage the risk of cost overruns via our budgeted gross profit margin during our tendering stage (for further details, please refer to the section headed “Business — Pricing” in this prospectus). Where subcontractors will be engaged for the project we are tendering, quotations from these subcontractors will typically be obtained, as well as quotations from suppliers. We do not sign any long term contracts with our suppliers and subcontractors (except a two-year agreement with a supplier of diesel and maintenance contracts with certain manufacturers of tipper trucks). The price that we pay to our suppliers is fixed at the time of issue of purchase order, and therefore, our exposure to subsequent fluctuation in the price of the construction materials is limited. For subcontractors, we will typically sign contracts with them and the subcontractor is obligated to fulfill the services at the agreed price and in accordance with the schedule. Most of our contracts with our customers have a fixed and pre-determined fee throughout the contract period or do not permit any price adjustment.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our direct costs on our profit before income tax during the Track Record Period.

Assuming that our direct costs fluctuated by 10.0%, 30.0% and 50.0% for the three years ended 31 December 2013, 2014 and 2015, respectively, our reported profit before income tax would have changed by the corresponding amounts below, with all other factors kept unchanged. This has been derived from historical fluctuations of our direct costs of approximately 52.0% and 7.8% for the two years ended 31 December 2014 and 2015, respectively.

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Hypothetical fluctuations	+/-10.0%	+/-30.0%	+/-50.0%
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Increase/decrease in direct costs</i>			
Year ended 31 December 2013	+/-4,848	+/-14,545	+/-24,241
Year ended 31 December 2014	+/-7,367	+/-22,101	+/-36,836
Year ended 31 December 2015	+/-7,940	+/-23,820	+/-39,700
<i>Decrease/increase in profit before income tax</i>			
Year ended 31 December 2013	-/+4,848	-/+14,545	-/+24,241
Year ended 31 December 2014	-/+7,367	-/+22,101	-/+36,836
Year ended 31 December 2015	-/+7,940	-/+23,820	-/+39,700

For the three years ended 31 December 2013, 2014 and 2015, our gross profit amounted to approximately S\$12.9 million, S\$18.7 million and S\$19.9 million, respectively. For illustrative purposes, we would have recorded a breakeven in our gross profit if our direct costs increased by approximately 26.6%, 25.4% and 25.1%, respectively, from the corresponding period.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of (i) our direct staff costs; (ii) our subcontracting fees; and (iii) our cost for use of earth disposal sites, on our profit before income tax during the Track Record Period.

Assuming that the abovementioned costs fluctuated by 10.0%, 30.0% and 50.0% for the three years ended 31 December 2013, 2014 and 2015, respectively, our reported profit before income tax would have changed by the corresponding amounts below, with all other factors kept unchanged.

Hypothetical fluctuations	+/-10%	+/-30%	+/-50%
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Increase/decrease in direct staff costs</i>			
Year ended 31 December 2013	+/-1,063	+/-3,188	+/-5,314
Year ended 31 December 2014	+/-1,158	+/-3,473	+/-5,788
Year ended 31 December 2015	+/-1,263	+/-3,788	+/-6,314
<i>Decrease/increase in profit before income tax</i>			
Year ended 31 December 2013	-/+1,063	-/+3,188	-/+5,314
Year ended 31 December 2014	-/+1,158	-/+3,473	-/+5,788
Year ended 31 December 2015	-/+1,263	-/+3,788	-/+6,314

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Hypothetical fluctuations	+/-10%	+/-30%	+/-50%
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Increase/decrease in subcontracting fees</i>			
Year ended 31 December 2013	+/-765	+/-2,296	+/-3,827
Year ended 31 December 2014	+/-3,023	+/-9,069	+/-15,115
Year ended 31 December 2015	+/-3,794	+/-11,383	+/-18,972
<i>Decrease/increase in profit before income tax</i>			
Year ended 31 December 2013	-/+765	-/+2,296	-/+3,827
Year ended 31 December 2014	-/+3,023	-/+9,069	-/+15,115
Year ended 31 December 2015	-/+3,794	-/+11,383	-/+18,972
Hypothetical fluctuations	+/-10%	+/-30%	+/-50%
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Increase/decrease in use of earth disposal sites</i>			
Year ended 31 December 2013	+/-811	+/-2,433	+/-4,056
Year ended 31 December 2014	+/-593	+/-1,778	+/-2,963
Year ended 31 December 2015	+/-480	+/-1,439	+/-2,399
<i>Decrease/increase in profit before income tax</i>			
Year ended 31 December 2013	-/+811	-/+2,433	-/+4,056
Year ended 31 December 2014	-/+593	-/+1,778	-/+2,963
Year ended 31 December 2015	-/+480	-/+1,439	-/+2,399

Availability of earth filling sites located within close proximity to our earthwork project sites

During the Track Record Period, we had an earth filling project located at Seletar area, which the earth filling work commenced in September 2013 and ended in December 2014, whereby we had provided our excavated earths from our other earthworks projects to this earth filling project. In addition, during the Track Record Period, certain earthworks projects benefited by the availability of other earth filling sites that located at close proximity to our earthwork project sites that resulted in cost savings in our transportation, labor, dumping and diesel costs. In case of earth filling projects of our Group, our Group can save approximately 13% in diesel, transportation, labour, leasing cost and dumping costs, which accounted for approximately 16.4%–41.3% of direct costs. Accordingly, the availability of other earth filling sites that located close proximity to our earthworks projects sites affect the overall margin of our projects.

Changes in laws and regulations governing the construction industry in Singapore

Our business is governed by the relevant regulations and licensing requirements from BCA and MOM. Changes in laws and regulations governing our business may affect our profitability and financial performance, such as the change in foreign worker levy rates will affect our costs. A summary of the regulatory framework is set out in the section headed “Regulatory overview” in this prospectus.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payment. Contract costs include costs that related directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Contract costs are recognised when incurred and costs that relate directly to a specific contract comprise site labour costs; costs of subcontracting; costs of materials used in construction and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the financial year.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. When progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Revenue recognition

(i) Construction contracts income

Revenue from construction contracts is recognised based on the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract.

Management based their judgements of contract costs and revenues on the latest available information (including the progress billings and costing information) and accordingly the estimates of contract costs, and revenues to be recognised accordingly, are updated regularly and significant changes are highlighted through established internal review procedures. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the

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budgeted amounts to the actual amounts incurred. Management conducts periodic review of the provisioning amount accordingly, revenue recognised for each project is derived in accordance with the latest budget cost and the cost incurred for each year of the Track Record Period.

In view of the above yearly review on the contracted cost estimation (the “**Yearly Cost Estimation Exercise**”), our management conducted the review for all of our projects and has re-assessed the budget cost and calculated the accumulated revenue to be recognised throughout the Track Record Period. Among the projects with contract value of over S\$2 million during the Track Record Period, for the years ended 31 December 2013, 2014 and 2015, the aggregate accumulated budgeted revenue recognised at the respective current financial year after the amendment to the budget as compared to the corresponding aggregate accumulated budgeted revenue to be recognised based on preceding year’s budget amounted to approximately S\$(0.3) million, S\$1.0 million and S\$0.8 million, respectively. In addition to the yearly review on the contracted budgeted cost as illustrated above, for year ended 31 December 2014, our management has also taken into account (i) the cost-saving effect/event occurring in 2014 for the circumstances upon cost savings due to close proximity to the earth disposal sites; and (ii) revised subcontractors’ fees payable to certain subcontractors. Accordingly our Group recognised additional aggregate accumulated budgeted revenue of approximately S\$2.7 million and S\$2.8 million for year ended 31 December 2014, respectively, as compare to the corresponding aggregate accumulated budgeted revenue to be recognised based on the respective preceding year’s budget. The above illustration demonstrates the accumulated effect of the amendment upon the budgeted revenue would have to be recognised throughout the Track Record Period resulting from the Yearly Cost Estimation Exercise. During the Track Record Period, the revenue accounted in the profit or loss of the respective accounting period, is in line with the up-to-date budget conducted and approved by our management.

(ii) Interest income

Interest income is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(iii) Service income

Service income is recognised when services are rendered.

(iv) Dividend income

Dividend income from investments is recognised when the shareholders’ rights to receive payment have been established.

(v) Rental income

Rental income from investment property is recognised on a straight-line basis over the periods of the respective tenancy.

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Impairment of trade and other receivables

Our Group's management assesses the collectibility of trade and other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of our Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting date.

Property, plant and equipment

In determining the useful lives of property, plant and equipment, our Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of our Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Estimated useful lives are reviewed, at the end of each of the financial year, based on changes in circumstances.

Investment property

Investment property (comprising a building and freehold land that has an unlimited useful life) is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The freehold land has an unlimited useful life and therefore is not depreciated. Other than freehold land, depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful life using straight-line method. The estimated useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

Our Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of our Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on our Group's net investment outstanding in respect of the leases.

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Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Our Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

Potential impact of IFRS

IFRS 16 Leases (“**IFRS 16**”) has been issued in January 2016, which will be effective for accounting periods beginning on or after 1 January 2019. Given the convergence between IFRS 16 and HKFRS 16, our Group has prepared the following analysis over the potential impact of IFRS 16 on the financial results or position of our Group.

IFRS 16 eliminates the classification of leases by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17 Leases (“**IAS 17**”), with some exemptions: IFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. leases with a term of 12 months or less, including the effect of any extension options) (the “**Short-term Leases**”) and (b) leases of low-value assets (for example, a lease of a personal computer).

IFRS 16 substantially carries forward the lessor’s accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

During the Track Record Period, our Group acted as lessee and lessor, in agreements related to its daily business operation.

From the perspective of a lessor, our Group earns rental income from its investment property or in the form of sublease income from a leased dormitories (our Group no longer acted as intermediate lessor since 2015), amounted to a total of approximately S\$1.2 million, S\$0.8 million and S\$0.1 million for the three years ended 31 December 2013, 2014 and 2015, respectively. Given that the requirements IFRS 16 carries the lessor’s accounting requirements in IAS 17, our Group expects there is no significant impact on the financial results or position for our Group acting as lessor. Our Directors consider the sublease income to be very minimal and our Group expects that we will no longer enter into sublease transaction in future tenancy.

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From the perspective of a lessee, our Group has analysed its transactions as follows. During the Track Record Period, our Group incurred rental expenses, mainly from the leasing of machinery for (i) construction purposes and (ii) administrative purposes or uses relating to staff dormitories. The total rental expenses amounted to approximately S\$7.6 million, S\$5.5 million, S\$5.9 million for the three years ended 31 December 2013, 2014 and 2015, respectively. All leases are accounted as operating leases.

Our Group is in the process of assessing their impact on the financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until our Group performs a detailed review.

RESULTS OF OPERATIONS

The following is a summary of the combined statements of comprehensive income of our Group for each of three years ended 31 December 2013, 2014 and 2015, respectively, derived from the Accountant's Report set forth in Appendix I to this prospectus.

<i>S\$'000</i>	For the year ended		
	31 December 2013	31 December 2014	31 December 2015
Revenue	61,386	92,412	99,322
Direct costs	<u>(48,482)</u>	<u>(73,671)</u>	<u>(79,399)</u>
Gross profit	12,904	18,741	19,923
Other income and gains	2,533	4,020	2,530
Administrative and other operating expenses	(3,310)	(3,896)	(4,588)
Other expenses	(646)	(1,230)	(3,645)
Finance costs	<u>(211)</u>	<u>(317)</u>	<u>(179)</u>
Profit before income tax	11,270	17,318	14,041
Income tax expense	<u>(1,094)</u>	<u>(3,057)</u>	<u>(2,505)</u>
Profit for the year	10,176	14,261	11,536
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) in revaluation of available-for-sale financial assets	60	(21)	(329)
Release on disposals of available-for-sale financial assets	<u>(48)</u>	<u>(146)</u>	<u>3</u>
Other comprehensive income for the year, net of tax	<u>12</u>	<u>(167)</u>	<u>(326)</u>
Total comprehensive income for the year attributable to the owners of our Company	<u><u>10,188</u></u>	<u><u>14,094</u></u>	<u><u>11,210</u></u>

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PRINCIPAL COMPONENTS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth the revenue of our Group for each of the three years ended 31 December 2013, 2014 and 2015, respectively:

	31 December 2013		For the year ended 31 December 2014		31 December 2015	
	S\$'000	%	S\$'000	%	S\$'000	%
Earthworks	54,963	89.5%	55,655	60.2%	48,642	49.0%
General construction	<u>6,423</u>	<u>10.5%</u>	<u>36,757</u>	<u>39.8%</u>	<u>50,680</u>	<u>51.0%</u>
TOTAL	<u>61,386</u>	<u>100.0%</u>	<u>92,412</u>	<u>100.0%</u>	<u>99,322</u>	<u>100.0%</u>

In addition, we also set out in the following table a breakdown of our Group's revenue by sector, namely public and private sectors for our projects for each of the three years ended 31 December 2013, 2014 and 2015 respectively:

	31 December 2013		For the year ended 31 December 2014		31 December 2015	
	S\$'000	%	S\$'000	%	S\$'000	%
Public sector	47,426	77.3%	41,601	45.0%	55,867	56.2%
Private sector	<u>13,960</u>	<u>22.7%</u>	<u>50,811</u>	<u>55.0%</u>	<u>43,455</u>	<u>43.8%</u>
TOTAL	<u>61,386</u>	<u>100.0%</u>	<u>92,412</u>	<u>100.0%</u>	<u>99,322</u>	<u>100.0%</u>

Revenue

Our revenue amounted to approximately S\$61.4 million, S\$92.4 million and S\$99.3 million for the three years ended 31 December 2013, 2014 and 2015, respectively. We derive our revenue mainly from the provision of earthworks and general construction works in Singapore. Public sector includes public residential, public infrastructures and government institutions buildings amongst others. Private sector includes private residential, commercial and industrial buildings amongst others.

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Direct costs

Direct costs include costs that are directly related to our contracts which comprise of diesel, construction materials, use of earth disposal sites, subcontracting fees, staff costs, leasing costs and overheads that is recognised when incurred, and amounted to approximately S\$48.5 million, S\$73.7 million and S\$79.4 million for the three years ended 31 December 2013, 2014 and 2015, respectively. The table below sets forth a breakdown of our direct costs by nature and percentage contribution to total direct costs for the periods indicated.

	31 December 2013		For the year ended 31 December 2014		31 December 2015	
	S\$'000	% to direct costs	S\$'000	% to direct costs	S\$'000	% to direct costs
Diesel	5,687	11.7%	5,514	7.5%	3,450	4.3%
Use of earth disposal sites	8,111	16.7%	5,926	8.0%	4,797	6.0%
Materials	1,244	2.6%	5,720	7.8%	5,148	6.5%
Subcontracting fees	7,654	15.8%	30,229	41.0%	37,944	47.8%
Staff costs	10,628	21.9%	11,575	15.7%	12,627	15.9%
Leasing costs	6,265	12.9%	3,987	5.4%	4,805	6.1%
Overheads	8,893	18.3%	10,720	14.6%	10,628	13.4%
Total	48,482	100.0%*	73,671	100.0%	79,399	100.0%

Note:

* The sum of figures does not add up to total due to rounding differences.

A further breakdown of material costs is indicated in the table below:

	31 December 2013		For the year ended 31 December 2014		31 December 2015	
	S\$'000	% to materials costs	S\$'000	% to materials costs	S\$'000	% to materials costs
Steel products	416	33.4%	1,904	33.3%	1,933	37.6%
Concrete and aggregates	484	38.9%	2,821	49.3%	1,762	34.2%
Lightings	22	1.8%	—	—	—	—
Others	322	25.9%	995	17.4%	1,453	28.2%
Total	1,244	100.0%	5,720	100.0%	5,148	100.0%

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For earthworks projects, our purchases mainly relate to diesel used in our fleet of tipper trucks and excavation machines, use of earth disposal sites and leasing costs for additional tipper trucks and excavation machines. Materials include our purchases of ready-mixed concrete and prefabricated reinforcement steel amongst others used in our general construction works. Subcontracting fees incurred for our earthworks projects mainly include services from our subcontractors for the provision of civil engineering works. Subcontracting fees are also incurred for services from subcontractors in our general construction works, such as for air-conditioning and mechanical ventilation works, plumbing, sanitary and sewerage works, electrical works and steel works. Staff costs are costs related to our staffs who work directly on-site such as site supervisors and foreign workers. Leasing costs are costs incurred for leasing of trucks and machinery. Overheads mainly include rental expenses in respect of warehouses, dormitories and workshops, upkeep costs for our trucks and machinery, miscellaneous site expenses and depreciation of motor vehicle and plant and machinery which are used directly in our projects.

Generally, our composition of direct costs relating to earthwork sector, such as diesel, use of earth disposal sites and leasing costs decreased during the Track Record Period. The decreased in the composition of direct costs for the diesel, use of earth disposal sites and leasing costs from approximately 11.7%, 16.7% and 12.9% respectively for the year ended 31 December 2013 to approximately 7.5%, 8.0% and 5.4% respectively for the year ended 31 December 2014 mainly due to cost savings arising from the availability of earth filling site located at close proximity to our earthwork projects sites. For further details, please refer to section headed “Financial information — Significant factors affecting our financial condition and results of operations — Availability of earth filling sites located within close proximity to our earthwork project sites” in this prospectus. The composition of direct costs for diesel and use of earth disposal sites continued to decrease to approximately 4.3% and 6.0% respectively for the year ended 31 December 2015 mainly due to decrease in our earthwork revenue and oil price. However the composition of direct costs for leasing costs increased slightly to approximately 6.1% for the year ended 31 December 2015 mainly due to the earth disposal sites were located further from our earthworks projects as a result of the completion of our earth filling project located at Seletar area, hence required more trucks to dispose the earth.

As for general construction sector, the composition of direct costs such as subcontracting fee and materials generally increased during the Track Record Period. The increased in the composition of direct costs for subcontracting fee and materials from approximately 15.8% and 2.6% respectively for the year ended 31 December 2013 to approximately 41.0% and 7.8% respectively for the year ended 31 December 2014 due to new contracts for general construction works recognised in the year ended 31 December 2014. The composition of direct costs for subcontracting fee continued to increase to approximately 47.8% while materials decrease slightly to approximately 6.5% for the year ended 31 December 2015 mainly due to HDB projects where most of the works were subcontracted and materials required for such works were within the scope of our subcontractors, hence lesser material cost to our Group.

Gross profit

Our gross profit and gross profit margin are dependent on various factors, including the nature of the projects that were undertaken by our Group and the progress of such projects during the relevant financial year. As such, our gross profit margin achieved in a financial year is not an accurate indicator of our gross profit margin that may be achieved in a subsequent financial year.

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Our gross profit was approximately S\$12.9 million, S\$18.7 million and S\$19.9 million for the three years ended 31 December 2013, 2014 and 2015, respectively. The following table sets forth the gross profit and gross profit margin by nature of our projects for the three year ended 31 December 2013, 2014 and 2015 respectively:

	For the year ended 31 December 2013			For the year ended 31 December 2014			For the year ended 31 December 2015		
	Revenue recognised	Gross profit	Gross profit margin	Revenue recognised	Gross profit	Gross profit margin	Revenue recognised	Gross profit	Gross profit margin
	S\$'000	S\$'000	Approximate %	S\$'000	S\$'000	Approximate %	S\$'000	S\$'000	Approximate %
Earthworks	54,963	11,718	21.3%	55,655	11,754	21.1%	48,642	11,836	24.3%
General construction	6,423	1,186	18.5%	36,757	6,987	19.0%	50,680	8,087	16.0%
TOTAL	61,386	12,904	21.0%	92,412	18,741	20.3%	99,322	19,923	20.1%

During the Track Record Period, our Group recorded gross profit margin on earthwork sector of approximately 21.3%, 21.1% and 24.3% for the three years ended 31 December 2013, 2014 and 2015 respectively. The margins remained relatively stable during the Track Record Period except for the year ended 31 December 2015. For the year ended 31 December 2015, our gross profit margin on earthwork sector increased slightly to approximately 24.3% mainly due to savings in our cost of use of earth disposal sites and/or transportation costs for dumping the excavated earth for two of our major earthwork projects.

During the Track Record Period, our Group recorded gross profit margin on general construction sector of approximately 18.5%, 19.0% and 16.0% for the three years ended 31 December 2013, 2014 and 2015 respectively. The margins remained relatively stable during the Track Record Period except for the year ended 31 December 2015 whereby we recorded a slightly lower gross profit margin of approximately 16.0%. The lower gross profit margin was mainly due to a HDB project (public residential) which tend to have a lower gross profit margin compared to other projects awarded with revenue recognised at approximately S\$15.3 million and gross profit margin of approximately 3.7% for the year ended 31 December 2015.

In addition, we also set out in the following table a breakdown of our Group's gross profit and gross profit margin by sector, namely public and private sectors for our projects for each of the three years ended 31 December 2013, 2014 and 2015 respectively:

	For the year ended 31 December 2013			For the year ended 31 December 2014			For the year ended 31 December 2015		
	Revenue recognised	Gross profit	Gross profit margin	Revenue recognised	Gross profit	Gross profit margin	Revenue recognised	Gross profit	Gross profit margin
	S\$'000	S\$'000	Approximate %	S\$'000	S\$'000	Approximate %	S\$'000	S\$'000	Approximate %
Public sector	47,426	10,166	21.4%	41,601	5,394	13.0%	55,867	9,184	16.4%
Private sector	13,960	2,738	19.6%	50,811	13,347	26.3%	43,455	10,739	24.7%
TOTAL	61,386	12,904	21.0%	92,412	18,741	20.3%	99,322	19,923	20.1%

In relation to the profitability of various major completed projects driving our Group's historical performance during the Track Record Period and up to the Latest Practicable Date, the range of the gross profit margins associated with completed earthwork project with contract value over S\$2 million was between -1.2% and 57.5%. The negative gross profit margin was attributable to the public residential earthwork project that was completed in 2013, in which S\$0.03 million loss was incurred due

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to reversal of our revenue as a result of the bankruptcy of the customer. For further details, please refer to note 3 in the section headed “Business — Projects” of this prospectus. The high gross profit margin was attributable to one private residential and one private commercial and industrial project that were completed in the first half of 2015 and 2014 respectively. These projects were within the close proximity of either the Changi Staging Ground or the Chuan Marine SNK Engineering & Trading Pte. Ltd.’s dumping site, which led to savings in the cost of using the earth disposal sites and/or transportation costs.

The range of gross profit margins associated with major completed general construction projects with contract value over S\$2 million was between approximately 6.5% and 30.8%. The lower gross profit margin was attributable to a project involving the construction of a private residential bungalow and the higher gross profit margin relates to A&A projects, which conforms with the norm that contracts in the A&A sector have commonly been more profitable than other general construction projects.

There was no project which incurred significant losses during the Track Record Period, save for one project with material cost overrun; this project was an earthwork project commenced in year 2011 and completed in year 2014 with a contract value of approximately S\$1.6 million for which the cost overruns resulted in an accumulated loss of approximately S\$1.1 million. This project had adversely affected our profits for the years ended 31 December 2013 and 2014 by approximately S\$0.5 million and S\$0.04 million, respectively. The cost overrun was mainly due to unanticipated long waiting time at earth disposal site leading to increase in dumping fees and truck associated costs. To mitigate reliance on the use of third party’s earth disposal site and the costs associated with such usage, one of our use of proceeds is for the securing of earth filling project site. In the preparation of quotations to our customers, we would also take into consideration the congestion at earth disposal sites.

When preparing project quotations, there will be a project budget with an estimate of the budgeted gross profit margin to be earned from the projects. During the Track Record Period, our initial budgeted gross profit margins of projects of contract value over S\$2 million were approximately 2.7% to 37.7%. The lower range of budgeted gross profit margins were for public sector contracts in the general construction sector for which we made the decision to take on certain HDB projects which tends to have a lower gross profit margin when preparing the quotation. For higher profit margins, our Group has began to build up better reputation on general construction sector after completing a few landmark projects, as a result our Group has a wider choice in choosing or tendering projects with higher gross profit margins.

Whenever there is a major revision in the scope of work under a contract in the form of variation orders or during our annual review on the cost estimation/plan of each ongoing projects, our budgeted gross profit margins will be revised. For further details, please refer to section headed “Construction contract revenue recognition” on Appendix I-22 to I-23 the prospectus. Save as disclosed below, there were no significant deviation (above 2%) between our revised budgeted gross profit margin with the actual gross profit margin for completed projects during the Track Record Period with contract value of over S\$2 million.

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Projects	Contract value <i>S\$'000</i>	Revenue recognised during the Track Record Period <i>S\$'000</i>	Actual gross profit margin	Budget gross profit margin <i>(note)</i>
<i>Earthworks</i>				
1. Public residential	5,280	1,001	19.0%	15.9%
2. Public residential	2,805	(325)	-1.2%	14.8%
3. Public residential	4,636	1,681	36.0%	32.8%

Note: The budget is subject to revision, based on the change of the proposed scope of works and our yearly cost estimation of each project, whichever is the latest.

Our actual gross profit margin for the two public residential projects stated above (project No. 1 and No. 3) were with higher actual gross profit margin as compared to the budgeted gross profit margin. For project No. 1 (located at Pasir Ris area), the higher actual gross profit margin, was mainly due to the close proximity of one of our project close to Pasir Ris area, which require earth for earth filling purpose and led to cost savings for the use of the earth disposal sites and its related transportation costs. We did not anticipate such savings, as the earth filling operation of our project site occurred from May to June 2014, which was after we revised our budget cost for project No.1.

For project No.3 (located at Punggol East area), the deviation of approximately 3.2% increase in the actual gross profit margin, was due to an ad-hoc arrangement made by our customer after we revised our budget cost, allowing us to dispose the earth disposal to its project site near Paya Lebar at no disposal cost.

However, we recorded a negative gross profit margin for project No. 2, one public residential earthworks project, as compared to a budgeted gross profit margin of approximately 14.8% as a result of the bankruptcy of the customer, for details please refer to note 3 in the section headed “Business — Projects” in this prospectus.

During the Track Record Period, the public sector recorded a gross profit margin of approximately 21.4%, 13.0% and 16.4% for the three years ended 31 December 2013, 2014 and 2015 respectively. The downward trend was mainly due to the increase in both the number of contracts and contract value of upgrading projects with HDB, as the gross profit margin for HDB projects tend to be lower as compared to other projects awarded. For the private sector, we recorded an increasing trend mainly due to cost savings incurred in the earthwork projects as mentioned in the section “Financial information — Significant factors affecting our financial condition and results of operations — Availability of earth filling sites located within close proximity to our earthwork project site”, contributing to the gross profit margin of approximately 19.6%, 26.3% and 24.7% for the three years ended 31 December 2015.

Other income and gains

Our other income and gains comprised mainly rental and maintenance income of dormitory, management service income, sales of scrap materials and consumables and gains on disposals. Rental and maintenance income of dormitory relates to operator fee for managing a dormitory owned by Hulett

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Construction. Management service income relates to share of overhead costs such as staff costs and office expenses from related parties. For further details, please refer to the section “Connected transactions” of this prospectus. Sales of scrap materials and consumables relates to recyclable materials such as metal scraps from our demolition works and consumables. The gains on disposals of property, plant and equipment were in relation to tipper trucks and excavation machines. Gains on disposals of associates were in relation to the disposals of our equity interests in ECO CDW Management Pte. Ltd. and Bluconnection Pte. Ltd. to Independent Third Parties, for cash considerations of approximately S\$1.5 million and S\$0.5 million, respectively. Other income and gains amounted to approximately S\$2.5 million, S\$4.0 million and S\$2.5 million for the three years ended 31 December 2013, 2014 and 2015, respectively. The table below sets forth a breakdown of our other income and gains for the periods indicated.

<i>S\$'000</i>	For the year ended		
	31 December 2013	31 December 2014	31 December 2015
Other income			
Rental and maintenance income of dormitory	1,118	682	—
Management service income	281	232	236
Interest income on financial assets carried at amortised cost	111	79	57
Bad debts recovered	80	480	1,535
Rental income from investment property	124	124	126
Dividend income from available-for-sale financial assets	1	1	28
Sales of scrap materials and consumables	267	659	195
Others	37	365	167
	2,019	2,622	2,344
Gains			
Gains on disposals of property, plant and equipment	29	784	186
Gains on disposals of available-for-sale financial assets	65	162	—
Gains on disposals of associates	420	450	—
Net foreign exchange gain	—	2	—
	514	1,398	186
Total other income and gains	2,533	4,020	2,530

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Administrative and other operating expenses

The following table sets forth a breakdown of our administrative and other operating expenses for the periods indicated:

<i>S\$'000</i>	For the year ended		
	31 December 2013	31 December 2014	31 December 2015
Staff costs	2,452	2,656	2,989
Director fees	140	200	460
Depreciation	129	119	128
Rental expenses	54	142	165
Utilities	63	58	51
Donation	57	182	89
Bank charges	93	92	92
Legal and professional fees	42	59	194
Other miscellaneous expenses	280	388	420
Total administrative and other expenses	3,310	3,896	4,588

Administrative and other operating expenses comprised mainly staff costs. Others mainly include depreciation of property, plant and equipment and investment property, office rental, donation, utilities, bank charges, director fees, legal and professional fees and other miscellaneous expenses. Administrative and other operating expenses amounted to approximately S\$3.3 million, S\$3.9 million and S\$4.6 million for the three years ended 31 December 2013, 2014 and 2015, respectively.

Staff costs related to staff salaries and bonus, CPF contributions and other benefits. Our staff costs amounted to approximately S\$2.5 million, S\$2.7 million and S\$3.0 million for the three years ended 31 December 2013, 2014 and 2015, respectively. Fees paid to our directors amounted to approximately S\$140,000, S\$200,000 and S\$460,000 for the three years ended 31 December 2013, 2014 and 2015, respectively.

Depreciation of our property, plant and equipment, and our investment property amounted to approximately S\$129,000, S\$119,000 and S\$128,000 for the three years ended 31 December 2013, 2014 and 2015, respectively. Rental expenses mainly related to rental of our office premises which amounted to approximately S\$54,000, S\$142,000 and S\$165,000 for the three years ended 31 December 2013, 2014 and 2015 respectively.

Utilities related to telephone charges, water and electricity bills for our office amounted to approximately S\$63,000, S\$58,000 and S\$51,000 for the three years ended 31 December 2013, 2014 and 2015, respectively. Donation related to cash donation to a few charitable organisations which amounted to approximately S\$57,000, S\$182,000 and S\$89,000 for the three years ended 31 December 2013, 2014 and 2015, respectively. Bank charges related to among others, bank facilities fees, commission charges for bank guarantees and bank confirmations which amounted to approximately S\$93,000, S\$92,000 and S\$92,000 for the three years ended 31 December 2013, 2014 and 2015, respectively. Legal and professional fees mainly related to audit fee, tax agent fee and ISO audit fee.

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Other miscellaneous expenses included repair and maintenance expenses, travelling expenses and sundry expenses. Other miscellaneous expenses amounted to approximately S\$280,000, S\$388,000 and S\$420,000 for the three years ended 31 December 2013, 2014 and 2015, respectively. Our administrative and other operating expenses amounted to approximately 5.4%, 4.2% and 4.6% of our total revenue for the three years ended 31 December 2013, 2014 and 2015, respectively.

Other expenses

The following table sets forth a breakdown of our other expenses for the periods indicated:

S\$'000	For the year ended		
	31 December 2013	31 December 2014	31 December 2015
Listing expenses	—	—	2,316
Provision for impairment of trade receivables	633	1,230	1,326
Loss on derivative financial instruments	13	—	—
Loss on disposal of available-for-sale financial assets	—	—	3
Total other expenses	<u>646</u>	<u>1,230</u>	<u>3,645</u>

Other expenses comprised mainly of provision for impairment of trade receivables and listing expenses. Other expenses amounted to approximately S\$0.6 million, S\$1.2 million and S\$3.6 million for the three years ended 31 December 2013, 2014 and 2015, respectively. Provision for impairment of trade receivables related to trade receivables which we considered to be impaired based on the low likelihood of collectability. Our other expenses amounted to approximately 1.1%, 1.3% and 3.7% of our revenue for the three years ended 31 December 2013, 2014 and 2015, respectively. The increase of other expenses for the year ended 31 December 2015 was mainly attributed to the listing expenses amounted to approximately S\$2.3 million.

Finance costs

Finance costs comprised mainly of interest expenses on finance leases for tipper trucks and excavators, and loans amounted to approximately S\$211,000, S\$317,000 and S\$179,000 for the three years ended 31 December 2013, 2014 and 2015, respectively.

Income tax expense

Since our operation is based in Singapore, our Group is liable to pay corporate income tax in accordance with the tax regulations of Singapore. Income tax expenses of our Group amounted to approximately S\$1.1 million, S\$3.1 million and S\$2.5 million for the three years ended 31 December 2013, 2014 and 2015, respectively.

The statutory corporate tax rate in Singapore was 17% throughout the Track Record Period, while our corresponding effective tax rates were approximately 9.7%, 17.7% and 17.8% for the three years ended 31 December 2013, 2014 and 2015, respectively. Our effective tax rate was lower than the statutory tax rate for the year ended 31 December 2013 mainly due to amongst others, non-taxable income, tax incentives and rebates relating to the Productivity and Innovation Credit Scheme (“PIC

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Scheme”) where we had additional tax deductions and temporary differences. The 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. However, for the year ended 31 December 2014, our effective tax rate was higher than the statutory tax rate mainly due to amongst others, under provision for prior years. Besides, for the year ended 31 December 2015, our effective tax rate was also higher than the statutory tax rate mainly due to non-deductible expenses arising from our listing expenses. Our Directors have confirmed that all relevant taxes had been paid when due and there are no disputes or unresolved tax issues with the relevant tax authorities.

Gains/losses in revaluation of available-for-sale financial assets

Gains or losses in revaluation of available-for-sale financial assets reflect an increase or decrease in the fair value of our investment in listed equity securities. We recorded gains in revaluation of our available-for-sale financial assets amounted to approximately S\$60,000 for the year ended 31 December 2013. However, we recorded losses in revaluation of available-for-sale financial assets amounted to approximately S\$21,000 and S\$329,000 for the two years ended 31 December 2014 and 2015 respectively.

Release on disposals of available-for-sale financial assets

Release on disposals of available-for-sale financial assets are the cumulative gain or loss previously accumulated being reclassified to profit or loss as a result of disposals of the available-for-sale financial assets. For the two years ended 31 December 2013 and 2014, we reclassified the cumulative gain previously accumulated to profit or loss amounted to approximately S\$48,000 and S\$146,000 respectively as a result of disposals of the available-for-sale financial assets. For the year ended 31 December 2015, we reclassified the cumulative loss previously accumulated to profit or loss amounted to approximately S\$3,000 as a result of disposals of the available-for-sale financial assets.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

While the earthwork projects was still the largest revenue generator during 2013 and 2014, we started to recognise increased revenue in general construction projects in 2014. The following table sets forth the revenue recognised in earthworks and general construction works for the two years ended 31 December 2013 and 2014.

	For the year ended 31 December 2013		For the year ended 31 December 2014	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Earthworks	54,963	89.5%	55,655	60.2%
General construction	6,423	10.5%	36,757	39.8%
TOTAL	61,386	100.0%	92,412	100.0%

In addition, we also set out in the following table a breakdown of our Group's revenue by sector, namely public and private sectors for our projects for the two years ended 31 December 2013 and 2014.

	For the year ended 31 December 2013		For the year ended 31 December 2014	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Public sector	47,426	77.3%	41,601	45.0%
Private sector	13,960	22.7%	50,811	55.0%
TOTAL	61,386	100.0%	92,412	100.0%

Our revenue increased by approximately S\$31.0 million or 50.5%, from approximately S\$61.4 million for the year ended 31 December 2013 to approximately S\$92.4 million for the year ended 31 December 2014. This was principally due to increase in revenue generated from provision of general construction works, which contributed approximately S\$30.3 million for the year ended 31 December 2014. This was mainly due to four high value contracts for commercial and industrial projects with aggregate contract values of approximately S\$69.1 million were awarded, in which, approximately S\$32.2 million was recognised for the year ended 31 December 2014 and these were private sector projects.

Direct costs

Our direct costs increased by approximately S\$25.2 million or 52.0%, from approximately S\$48.5 million for the year ended 31 December 2013 to approximately S\$73.7 million for the year ended 31 December 2014, which was consistent with the increase in the revenue. Such increase was mainly due to (i) increase in our subcontracting fees by approximately S\$22.6 million or 294.9%, from approximately

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S\$7.7 million for the year ended 31 December 2013 to approximately S\$30.2 million for the year ended 31 December 2014; and (ii) increase in our material costs by approximately S\$4.5 million or 359.8%, from approximately S\$1.2 million for the year ended 31 December 2013 to approximately S\$5.7 million for the year ended 31 December 2014. The increase in subcontracting costs and material costs were mainly due to more projects for general construction works for the year ended 31 December 2014, which by nature, these contracts required more subcontractors and construction materials as compared to earthworks.

Moreover, as some of our ongoing earthworks projects for the year ended 31 December 2014 required extensive civil engineering works, which we subcontracted to other parties, subcontracting costs incurred for our earthworks projects also increased from approximately S\$4.4 million, representing approximately 8.0% of the revenue from earthworks for the year ended 31 December 2013 to approximately S\$7.9 million, representing approximately 14.2% of the revenue from earthworks for the year ended 31 December 2014.

Gross profit and gross profit margin

Our gross profit increased by approximately S\$5.8 million or 45.2%, from approximately S\$12.9 million for the year ended 31 December 2013 to approximately S\$18.7 million for the year ended 31 December 2014 due to the increase in contract value contributed by the general construction works as explained above. Our gross profit margin remained relatively stable at approximately 21.0% to 20.3% during such period.

The gross profit margin of our three major earthworks projects, with an aggregate revenue of approximately S\$10.1 million recorded in the year ended 31 December 2013 ranged from approximately 8.3% to 19.5%. The low gross profit margin of approximately 8.3% was due to a public infrastructure (MRT) project, with revenue of approximately S\$3.9 million recorded for the year ended 31 December 2013, which is more competitive in terms of pricing as the contract value was high and the management was willing to bid at a lower gross profit margin so as to maintain a position in the MRT related earthworks market. The effect of the low gross profit margin was offset by four earthworks projects with revenue between S\$1 million to S\$2 million, which recognised an aggregate revenue of approximately S\$5.5 million in the year ended 31 December 2013, which recorded gross profit margins ranged from approximately 23.7% to 40.0% mainly due to close proximity of these projects to a third party project site and/or the new earth filling project at Seletar area.

The gross profit margin of our four major earthworks projects, with an aggregate revenue of approximately S\$13.2 million recorded in the year ended 31 December 2014 ranged from 9.9% to 28.6%. Among those four major projects, one of our major earthworks project, with revenue of approximately S\$3.0 million recorded in the year ended 31 December 2014, which recorded gross profit margins of approximately 28.6% mainly due to close proximity to our earth filling project at Seletar area which led to savings in our earth disposal fee and/or transportation costs. The effect was partially offset by one major earthworks project, with revenue of approximately S\$4.1 million recorded in the year ended 31 December 2014, with a gross profit margins of 9.9% as the project has a relatively substantial civil engineering component which accounted for approximately 71.7%, being subcontracted to our subcontractors which resulted in our Group only earning approximately 4.1% gross profit margin. Save as disclosed, all other major earthwork projects did not have a substantial civil engineering components in the year ended 31 December 2014.

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Other income and gains

Our other income and gains increased by approximately S\$1.5 million or 58.7%, from S\$2.5 million for the year ended 31 December 2013 to approximately S\$4.0 million for the year ended 31 December 2014, which was primarily due to increase in selling of scrap materials and consumables by approximately S\$0.4 million, and increase in gains on disposals of property, plant and equipment for the year ended 31 December 2014 by approximately S\$0.8 million.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately S\$0.6 million or 17.7%, from approximately S\$3.3 million for the year ended 31 December 2013 to approximately S\$3.9 million for the year ended 31 December 2014. The increase was primarily due to increase in the number of employees from 343 in 2013 to 380 in 2014 including project staff and foreign workers which led to higher staff costs for the year ended 31 December 2014.

Other expenses

Other expenses increased by approximately S\$0.6 million or 90.4%, from approximately S\$0.6 million for the year ended 31 December 2013 to approximately S\$1.2 million for the year ended 31 December 2014. The increase was mainly due to higher provision made for impairment of trade receivables (including retention sum receivables) of approximately S\$0.6 million for the year ended 31 December 2014.

Finance costs

Finance costs increased by approximately S\$106,000 or 50.2%, from approximately S\$211,000 for the year ended 31 December 2013 to approximately S\$317,000 for the year ended 31 December 2014. The increase was primarily due to an increase in interest charged on finance leases as we purchased more property, plant and equipment under finance leases.

Income tax expense

Income tax expense increased by approximately S\$2.0 million or 179.4%, from approximately S\$1.1 million for the year ended 31 December 2013 to approximately S\$3.1 million for the year ended 31 December 2014. Our effective tax rates were approximately 9.7% for the year ended 31 December 2013 and approximately 17.7% for the year ended 31 December 2014. The increase in our income tax expense is consistent with the increase in our profit before income tax. Excluding the effect of the under provision for prior years, our effective tax rate for the year ended 31 December 2014 was approximately 16.0%. During the year ended 31 December 2014, there was approximately S\$0.1 million relating to enhanced tax allowances, exemptions and rebates. Of this amount, approximately S\$58,000 related to the PIC Scheme whereby we obtained tax deductions for the staff training expenses during the year. Other tax allowances related to corporate income tax rebates and partial tax exemptions for companies.

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Profit for the year

Our profit for the year increased by approximately S\$4.1 million or 40.1%, from approximately S\$10.2 million for the year ended 31 December 2013 to approximately S\$14.3 million for the year ended 31 December 2014. This was mainly attributable to the increase in gross profit by approximately S\$5.8 million as discussed above.

Profit margin

Our profit margin decreased from approximately 16.6% for the year ended 31 December 2013 to approximately 15.4% for the year ended 31 December 2014 despite an increase of approximately 40.1% in profit for the year mainly due to higher effective tax rate for the year ended 31 December 2014.

Other comprehensive income for the year

Other comprehensive income for the year decreased by approximately S\$179,000 or 1,491.7%, from approximately S\$12,000 for the year ended 31 December 2013 to a loss of approximately S\$167,000 for the year ended 31 December 2014. This was mainly attributable to the loss of approximately S\$21,000 recognised in the revaluation of available-for-sale financial assets and reclassification of gain previously accumulated of approximately S\$146,000 to profit or loss as a result of disposals of available-for-sale financial assets for the year ended 31 December 2014.

Year ended 31 December 2015 compared to year ended 31 December 2014

Revenue

Our revenue increased by approximately S\$6.9 million or 7.5%, from approximately S\$92.4 million for the year ended 31 December 2014 to approximately S\$99.3 million for the year ended 31 December 2015. The following table sets forth the revenue recognised in earthworks and general construction works for the two years ended 31 December 2014 and 2015.

	For the year ended 31 December 2014		For the year ended 31 December 2015	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Earthworks	55,655	60.2%	48,642	49.0%
General construction	<u>36,757</u>	<u>39.8%</u>	<u>50,680</u>	<u>51.0%</u>
TOTAL	<u>92,412</u>	<u>100.0%</u>	<u>99,322</u>	<u>100.0%</u>

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In addition, we also set out in the following table a breakdown of our Group's revenue by sector, namely public and private sectors for our projects for the two years ended 31 December 2014 and 2015.

	For the year ended 31 December 2014		For the year ended 31 December 2015	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Public sector	41,601	45.0%	55,867	56.2%
Private sector	50,811	55.0%	43,455	43.8%
TOTAL	92,412	100.0%	99,322	100.0%

The increase in revenue was principally due to increase in revenue generated from provision of general construction works by approximately S\$13.9 million for the year ended 31 December 2015 mainly due to higher percentage of completion for one public residential project and one commercial and industrial building project in which approximately S\$15.3 million and S\$23.1 million respectively being recognised for the year ended 31 December 2015.

However, the increase in revenue generated from provision of general construction works was offset by the decrease in revenue generated from earthworks by approximately S\$7.0 million. The decrease in earthworks revenue was mainly due to substantial completion of a government institution project and a public residential project whereby approximately S\$4.1 million and S\$2.1 million respectively was recognised for the year ended 31 December 2014 while approximately S\$0.7 million and S\$0.1 million respectively of revenue was recognised for the year ended 31 December 2015.

Despite the increase in revenue for general construction sector during our Track Record Period, our Directors are of the view that the earthworks sector remains as our Group's business focus during the Track Record Period and in the foreseeable future due to (i) the one-off transaction in connection with the construction of a commercial and industrial building comprising office, workers dormitory, workshop and parking lots at No. 20 Senoko Drive, Singapore for Hulett Construction, a company which is owned as to 65% by Mr. Alan Lim, our Executive Director and as to 35% by the spouse of Mr. Alan Lim and therefore a connected person under the definition of the Listing Rules. Such transaction was entered into on normal commercial terms which were generally in-line with our other commercial and industrial projects in private sector of similar size. The revenues recognised were approximately S\$8.8 million and S\$23.1 million, respectively, for the two years ended 31 December 2015. The construction has completed as at the Latest Practicable Date; (ii) during the period from 1 January 2016 to the Latest Practicable Date, our Group has secured 17 new projects for the provision of earthworks and its related services with aggregate contract value of approximately S\$28.5 million but no new projects for the general construction works during the same period and (iii) as at the Latest Practicable Date, we have tendered for 29 earthworks and related services projects whereby the status of award is still pending which potentially form part of our order book and record revenue for the next two financial years, while we only tendered for eight general construction projects whereby the status of award is still pending. However, there is no assurance that our Group will succeed in these tenders as stated in the "Risk factors" section of this prospectus.

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Direct costs

Our direct costs increased by approximately S\$5.7 million or 7.8%, from approximately S\$73.7 million for the year ended 31 December 2014 to S\$79.4 million for the year ended 31 December 2015. Such increase was mainly due to increase in our subcontracting fee by approximately S\$7.7 million or 25.5%, from approximately S\$30.2 million for the year ended 31 December 2014 to S\$37.9 million for the year ended 31 December 2015. The increase in subcontracting fee was mainly due to higher claims incurred as a result of higher percentage of completion for general construction works for the year ended 31 December 2015.

Gross profit and gross profit margin

Our gross profit increased by approximately S\$1.2 million or 6.3%, from approximately S\$18.7 million for the year ended 31 December 2014 to approximately S\$19.9 million for the year ended 31 December 2015. Our gross profit margin remained relatively stable at approximately 20.3% and 20.1% during such period.

Our overall gross profit margin for the year ended 31 December 2015 of approximately 20.1% was attributed to a slightly higher gross profit margin for earthworks sector of approximately 24.3% while the effect was partially offset with a slightly lower gross profit margin for general construction sector of approximately 16.0%. The gross profit margin for earthwork sector was higher for the year ended 31 December 2015 mainly due to four major earthworks projects, with aggregate revenue of approximately S\$11.4 million with gross profit margin ranged from approximately 17.7% to 42.1%. Out of the four major earthworks projects, two projects recorded a higher gross profit margin mainly due to (i) a public infrastructure project with revenue of approximately S\$3.0 million recorded a gross profit margin of approximately 42.1% mainly due to savings in our cost of use of earth disposal site as we dumped the excavated earth to a third party project site at zero cost and (ii) a public residential project with revenue of approximately S\$2.4 million recorded a gross profit margin of approximately 29.7% mainly due to savings in disposal fee as the actual quantity of earth disposed is lesser than the budgeted quantity. The effect was partially offset by one commercial and industrial project, with revenue of approximately S\$3.1 million which recorded gross profit margin of approximately 17.7% as our Group intentionally priced lower for this project in order to win the bid to build the reputation in the construction industry and to further expand the client base.

However, the gross profit margin for general construction was lower for the year ended 31 December 2015 mainly due to one HDB project (public residential) which tend to have a lower gross profit margin compared to other projects awarded with revenue of approximately S\$15.3 million which recorded gross profit margin of approximately 3.7%. The effect was partially offset by one commercial and industrial project with revenue of approximately S\$23.1 million which recorded gross profit margin of approximately 23.4% which was generally in-line with our other private sector commercial and industrial projects which tend to have higher gross profit margins.

Other income and gains

Our other income and gains decreased by S\$1.5 million or 37.1%, from approximately S\$4.0 million for the year ended 31 December 2014 to approximately S\$2.5 million for the year ended 31 December 2015, which was primarily due to (i) no rental and maintenance income of dormitory recognised for the year ended 31 December 2015 as the new dormitory was under construction, (ii) gain

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on disposal of our associate company of approximately S\$450,000 was recognised for the year ended 31 December 2014 and (iii) lower gains on disposals of property, plant and equipment recognised for the year ended 31 December 2015 amounting to approximately S\$186,000 as compared to approximately S\$784,000 recognised for the year ended 31 December 2014.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately S\$0.7 million or 17.8%, from approximately S\$3.9 million for the year ended 31 December 2014 to approximately S\$4.6 million for the year ended 31 December 2015. The increase was primarily due to increase in the number of employees from 380 in 2014 to 390 in 2015 including project staff and foreign workers which led to higher staff costs for the year ended 31 December 2015.

Other expenses

Other expenses increased by approximately S\$2.4 million or 196.3%, from approximately S\$1.2 million for the year ended 31 December 2014 to approximately S\$3.6 million for the year ended 31 December 2015. The increase was mainly due to the initial listing expenses of approximately S\$2.3 million incurred.

Finance costs

Finance costs decreased by approximately S\$138,000 or 43.5%, from approximately S\$317,000 for the year ended 31 December 2014 to approximately S\$179,000 for the year ended 31 December 2015. The decrease was mainly due to decreased interest on finance leases as we repay our finance leases.

Income tax expense

Income tax expense decreased by approximately S\$0.6 million or 18.1%, from approximately S\$3.1 million for the year ended 31 December 2014 to approximately S\$2.5 million for the year ended 31 December 2015. Our effective tax rate for the year ended 31 December 2015 was approximately 17.8%, which is higher than the statutory tax rate mainly due to non-deductible expenses arising from our listing expenses.

Profit for the year

Our profit for the year decreased by approximately S\$2.7 million or 19.1%, from approximately S\$14.3 million for the year ended 31 December 2014 to approximately S\$11.5 million for the year ended 31 December 2015. This was mainly attributable to (i) decrease in other income and gains by approximately S\$1.5 million and (ii) increase in other expenses by approximately S\$2.4 million as discussed above.

Profit margin

Our profit margin decreased from approximately 15.4% for the year ended 31 December 2014 to approximately 11.6% for the year ended 31 December 2015 mainly due to reasons as discussed above.

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Other comprehensive income for the year

Our other comprehensive income for the year decreased by approximately S\$159,000 or 95.2%, from a loss of approximately S\$167,000 for the year ended 31 December 2014 to a loss of approximately S\$326,000 for the year ended 31 December 2015. This was mainly due to losses recognised in the revaluation of available-for-sale financial assets of approximately S\$329,000 for the year ended 31 December 2015.

LIQUIDITY AND CAPITAL RESOURCES

Our business operation depends on the sufficiency of working capital and effective cost management, in particular competitive prices from our suppliers or subcontractors and management of our foreign workforce. Our source of funds for our operations mainly comes from our internal generated funds and banking facilities. Our primary uses of cash are for payment to suppliers, subcontractors and working capital needs. Upon the Listing, our source of funds will be a combination of internal generated funds, banking facilities and net proceeds from the Global Offering. The following table is a condensed summary of our combined statements of cash flows for the periods indicated:

<i>S\$'000</i>	For the year ended		
	31 December 2013	31 December 2014	31 December 2015
Net cash generated from operating activities	9,075	10,198	9,278
Net cash (used in)/ generated from investing activities	(508)	1,558	(2,115)
Net cash used in financing activities	(4,671)	(9,324)	(8,771)
Net increase/(decrease) in cash and cash equivalents	3,896	2,432	(1,608)
Cash and cash equivalents at beginning of the year	5,912	9,808	12,240
Cash and cash equivalents at end of the year	9,808	12,240	10,632

Operating activities

Net cash generated from operating activities primarily consisted of profit before income tax adjusted for non-cash items, such as depreciation of property, plant and equipment and investment property, gains on disposals of plant and equipment and available-for-sale financial assets, gains on disposals of associates, provision for impairment of trade receivables, interest income, interest expense, loss on derivative financial instruments and dividend income. We derive our cash inflow from operations principally from our revenue. Our cash outflow used in operations is principally for payment to suppliers, subcontractors and working capital needs.

For the year ended 31 December 2015, our net cash generated from operating activities was approximately S\$9.3 million. The net cash from operating activities was mainly attributable to our profit before income tax of approximately S\$14.0 million, which was adjusted primarily for (i) depreciation of property, plant and equipment of approximately S\$4.2 million and (ii) provision for impairment of trade receivables of approximately S\$1.3 million.

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The difference of approximately S\$10.2 million between the operating profit before working capital changes and net cash generated from operating activities was mainly attributable to the combined effect of (i) increase in trade receivables of approximately S\$12.0 million, (ii) increase in amounts due from customers for contract work of approximately S\$2.4 million, (iii) increase in deposits, prepayments and other receivables of approximately S\$0.3 million, (iv) increase in trade payables of approximately S\$5.6 million, (v) increase in other payables, accruals and deposits received of approximately S\$1.8 million and (vi) income tax paid of approximately S\$2.8 million.

For the year ended 31 December 2014, our net cash generated from operating activities was approximately S\$10.2 million. The net cash from operating activities was mainly attributable to our profit before income tax of approximately S\$17.3 million, which was adjusted primarily for (i) depreciation of property, plant and equipment of approximately S\$4.1 million, (ii) provision for impairment of trade receivables (including retention sum receivables) of approximately S\$1.2 million, (iii) gains on disposals of property, plant and equipment of approximately S\$0.8 million and (iv) gains on disposal of an associate, Bluconnection Pte. Ltd. of approximately S\$0.5 million.

The difference of approximately S\$11.3 million between the operating profit before working capital changes and net cash generated from operating activities was mainly attributable to the combined effect of (i) increase in amounts due from customers for contract work of approximately S\$1.3 million, (ii) increase in trade receivables of approximately S\$12.2 million, (iii) decrease in deposits, prepayments and other receivables of approximately S\$1.4 million, (iv) increase in amounts due to customers for contract work of approximately S\$2.4 million and (v) income tax paid of approximately S\$1.4 million.

For the year ended 31 December 2013, our net cash generated from operating activities was approximately S\$9.1 million. The net cash generated from operating activities was mainly attributable to our profit before income tax of approximately S\$11.3 million, which was adjusted primarily for (i) interest income of approximately S\$111,000, (ii) gains on disposal of associate, ECO CDW Management Pte. Ltd. of approximately S\$420,000, (iii) interest expense of approximately S\$211,000, (iv) depreciation of property, plant and equipment of approximately S\$3.2 million and (v) provision for impairment of trade receivables (including retention sum receivables) of approximately S\$633,000.

The difference of approximately S\$5.7 million between the operating profit before working capital changes and net cash generated from operating activities was mainly attributable to the combined effect of (i) increase in amounts due from customers for contract work of approximately S\$1.6 million, (ii) increase in trade receivables of approximately S\$2.8 million, (iii) increase in deposits, prepayments and other receivables of approximately S\$0.2 million, (iv) increase in amounts due to customers for contract works of approximately S\$2.6 million, (v) decrease in trade payables of approximately S\$3.8 million, (vi) increase in other payables, accruals and deposits received of approximately S\$0.7 million, and (vii) income tax paid of approximately S\$0.4 million.

Investing activities

Our cash generated from investing activities are primarily from proceeds from disposal of property, plant and equipment and available-for-sale financial assets, proceeds from disposal of associated companies and interest received. Our cash used in investing activities is primarily for the purchases of property, plant and equipment.

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For the year ended 31 December 2015, our net cash used in investing activities was approximately S\$2.1 million, mainly due to purchase of available-for-sale financial assets of approximately S\$1.8 million.

For the year ended 31 December 2014, our net cash generated from investing activities was approximately S\$1.6 million, mainly from (i) proceeds from disposal of available-for-sale financial assets of approximately S\$437,000, (ii) proceeds from disposal of property, plant and equipment of approximately S\$784,000, and (iii) proceeds from disposal of an associate of approximately S\$450,000. The main use of cash was approximately S\$193,000 for the purchases of property, plant and equipment.

For the year ended 31 December 2013, our net cash used in investing activities was approximately S\$508,000, primarily due to (i) proceeds from disposal of available-for-sale financial assets of approximately S\$137,000, (ii) proceeds from disposal of an associate of approximately S\$726,000, and (iii) interest received of approximately S\$111,000. The main use of cash was approximately S\$1.5 million for the purchases of property, plant and equipment.

Financing activities

Our cash used in financing activities is principally due to interest and capital elements of finance leases, repayment of bank borrowings, and payment of dividends. Our cash inflow from financing activities is primarily due to new bank borrowings and proceeds from issue of shares.

For the year ended 31 December 2015, our net cash used in financing activities was approximately S\$8.8 million, primarily due to (i) capital and interest element of finance lease obligations of approximately S\$4.1 million, (ii) dividends paid of approximately S\$6.6 million. Our main cash inflow was proceeds from issue of shares of approximately S\$2.2 million.

For the year ended 31 December 2014, our net cash used in financing activities was approximately S\$9.3 million, primarily due to (i) capital and interest element of finance lease obligations of approximately S\$4.1 million, (ii) repayment of bank borrowings of approximately S\$0.9 million, and (iii) dividends paid of approximately S\$4.4 million.

For the year ended 31 December 2013, our net cash used in financing activities was approximately S\$4.7 million primarily due to (i) capital and interest element on finance lease obligations of approximately S\$2.9 million, (ii) repayment of bank borrowings of approximately S\$1.7 million, (iii) dividends paid of S\$1.7 million, and offset by (iv) new bank borrowings of S\$2.0 million.

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INDEBTEDNESS

The table below sets out the indebtedness of our Group as at the respective dates indicated.

	As at 31 December			As at
	2013	2014	2015	30 April
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
				(unaudited)
Indebtedness				
Non-current				
Bank borrowings	1,112	750	398	314
Finance lease obligations	<u>1,698</u>	<u>1,953</u>	<u>1,522</u>	<u>1,911</u>
	<u>2,810</u>	<u>2,703</u>	<u>1,920</u>	<u>2,225</u>
Current				
Due to directors	25	165	400	—
Bank borrowings	847	312	252	252
Finance lease obligations	2,417	3,537	2,701	2,756
Finance lease obligations due after one year which contain a repayment on demand clause	<u>2,452</u>	<u>3,062</u>	<u>1,597</u>	<u>1,681</u>
	<u>5,741</u>	<u>7,076</u>	<u>4,950</u>	<u>4,689</u>
	<u><u>8,551</u></u>	<u><u>9,779</u></u>	<u><u>6,870</u></u>	<u><u>6,914</u></u>

Unutilised banking facilities

The table below summarises the details of our banking and other facilities as at 30 April 2016:

	Facility guaranteed	Utilisation	Un-Utilised
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Term loan/bank loans	2,000	1,718	282
Mortgage loan	827	827	—
Hire purchases	20,889	15,525	5,364
Letter of credit, bank overdraft and bank guarantee	<u>16,500</u>	<u>6,100</u>	<u>10,400</u>
Grand total	<u><u>40,216</u></u>	<u><u>24,170</u></u>	<u><u>16,046</u></u>

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As at 30 April 2016, the latest practicable date for the purpose of indebtedness statement for this prospectus, we had outstanding borrowings including finance lease obligations of approximately S\$6.9 million.

As at 31 December 2013, 2014 and 2015 and 30 April 2016, the balances of approximately S\$25,000, S\$165,000 and S\$400,000 and nil due to director(s) were unsecured, interest-free and repayable on demand.

As at the Latest Practicable Date, we have no material covenants relating to our outstanding debts, save for the details set out herein are the relevant financial covenants, amongst others, (i) the combined tangible net worth (based on the net asset value) of our Group shall be maintained at no less than S\$15.0 million at all times and; (ii) the gearing ratio of our Group shall be maintained at no more than 1.5 times at all times.

Our Group raises borrowings to finance the acquisitions of machinery and equipment and fulfil working capital requirements. We expect to repay the borrowings through our cash flows generated from operating activities and financing activities.

During the Track Record Period, our Group settled our debt obligations in a timely manner and did not breach any financial bank covenants.

Bank borrowings

Set out below is the maturity profile of our bank borrowings as at the respective dates indicated, and ignoring the effect of any repayment on demand clauses.

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)			
Indebtedness by due date				
Within one year	847	312	252	252
In the second year	741	315	256	211
In the third to fifth year	313	435	142	103
More than five years	58	—	—	—
	1,959	1,062	650	566

The bank borrowings represent bank loans raised for working capital purposes.

As at 31 December 2013, 2014, 2015 and 30 April 2016, our Group had bank borrowings of approximately S\$2.0 million, S\$1.1 million, S\$0.7 million and S\$0.6 million, respectively.

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As at 31 December 2013, 2014 and 2015 and 30 April 2016, our Group's banking facilities were secured by:

- (i) the pledge of our Group's deposits of approximately S\$4.3 million, S\$4.3 million, S\$4.3 million and S\$4.3 million, respectively;
- (ii) the mortgage of the investment property of our Group consists of a four-storey industrial building used for rental income generation purpose and located at 1015 Upper Serangoon Road, Singapore 534753 with net book amount of approximately S\$1.4 million, S\$1.4 million, S\$1.4 million and S\$1.4 million, respectively;
- (iii) the pledge of certain of our Group's property, plant and equipment with a net book value of approximately S\$43,000, S\$22,000, nil and nil, respectively; and
- (iv) the personal guarantee executed by Mr. Alan Lim, which shall be released upon Listing and replaced by corporate guarantees granted by our Company.

For details, please refer to Notes 15, 16, 24 and 27(e) of the Accountant's Report set out in Appendix I to this prospectus.

The bank borrowings classified as non-current liabilities amounted to approximately S\$1.1 million, S\$0.8 million, S\$0.4 million and S\$0.3 million as at 31 December 2013, 2014 and 2015 and 30 April 2016, and the bank borrowings (including current portion due for repayment within one year, amounts due after one year which contain a repayment on demand clause) classified as current liabilities amounted to approximately S\$0.8 million, S\$0.3 million, S\$0.3 million and S\$0.3 million, respectively.

The terms for our term loans and mortgaged loans ranged from thirty months to fifteen years.

Finance lease obligations

The following table sets forth our present values of minimum lease payments under our finance lease obligations as of the dates indicated:

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 30 April 2016 (unaudited)
S\$'000				
Within one year	2,417	3,537	2,701	2,756
In the second to fifth years, inclusive	4,150	5,015	3,119	3,592
	6,567	8,552	5,820	6,348

The above finance leases were for certain property, plant and equipment. These obligations are secured by the charge over the leased assets of net book value of approximately S\$7.0 million, S\$9.3 million, S\$7.0 million as at 31 December 2013, 2014 and 2015 respectively, and approximately S\$7.6

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million as at 30 April 2016, guaranteed by Mr. Alan Lim, and certain balances are secured by pledged deposits. The personal guarantees provided by Mr. Alan Lim for our existing finance leases shall be released upon Listing and replaced by corporate guarantees granted by our Company.

Contingent liabilities and financial guarantees

As at 30 April 2016, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, we had contingent liabilities in respect of (a) performance bonds of construction contracts in our ordinary course of business with utilised amount of approximately S\$6.0 million, and (b) guarantee provided and restricted to one of the major fuel suppliers for the commercial fuel supply agreement amounting to S\$150,000. We also provided corporate guarantees to banks amounting to approximately S\$38.2 million in respect of term loans and banker's guarantee granted to Hulett Construction, a company which is owned by Mr. Alan Lim and his spouse, and approximately S\$4.6 million in respect of term loan offered to Pirie Investments (Aust) Pty Ltd, a wholly-owned subsidiary of Pirie Investments Pte. Ltd., an investment holding company incorporated in Singapore which is in turn indirectly owned as to 15% by We Lim Builders, a connected person, as to 25% by customer of CL Construction during the Track Record Period and as to 60% by an Independent Third Party. The term loans and banker's guarantee granted to Hulett Construction are mainly to fund the construction cost of a commercial and industrial building and the corporate guarantee for such banking facilities will be released upon Listing while the corporate guarantee for the term loan granted to Pirie Investments (Aust) Pty Ltd to finance the acquisition of a property in Australia, has been released on 12 May 2016. In addition, we will not provide any corporate guarantee to Independent Third Party after Listing.

Apart from the above and except as disclosed in the paragraph headed "Bank borrowings", we do not have other material outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities outstanding as at 30 April 2016 being the date of the indebtedness statement. Our Directors confirmed that as at the Latest Practicable Date, we have not raised material external debt financing and have no plans to do so in the near future.

Our Directors confirmed that we had neither experienced any difficulties in obtaining banking facilities or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period.

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COMMITMENTS

Capital commitments

The following table sets forth our commitments in respect of acquisition of property, plant and equipment as of the dates indicated:

<i>S\$'000</i>	31 December 2013	As at 31 December 2014	31 December 2015
Contracted but not provided for, in respect of acquisition of property, plant and equipment	<u>1,459</u>	<u>—</u>	<u>2,533</u>

We plan to fund such capital commitments with proceeds from the Global Offering, cash flows from our operating activities as well as debt financing including drawdowns from our unutilised banking facilities.

Operating lease arrangement

Our Group leases office premises, office equipments, workshops and warehouses and a dormitory under operating leases. The following table sets forth our future minimum rental payables as of the dates indicated:

<i>S\$'000</i>	31 December 2013	As at 31 December 2014	31 December 2015
Within one year	420	732	113
Within second to fifth year	<u>26</u>	<u>213</u>	<u>—</u>
	<u>446</u>	<u>945</u>	<u>113</u>

CAPITAL EXPENDITURES

During the Track Record Period, our Group's capital expenditures have principally consisted of expenditures on property, plant and equipment. We incurred cashflows on capital expenditures for purchases of property, plant and equipment in the amounts of approximately S\$1.5 million, S\$0.2 million and S\$0.2 million for the three years ended 31 December 2013, 2014 and 2015, respectively. For the year ending 31 December 2016, we expect the capital expenditures to be approximately S\$11.8 million. Arising from these additional purchases, the estimated increased depreciation charge would be approximately S\$1.3 million for the year ending 31 December 2016. As there is a significant increase in depreciation charge arising from these additional purchases, please refer to the section headed "Risk factor — Increased depreciation charge from additional capital expenditure could affect our financial performance".

FINANCIAL INFORMATION

OFF-BALANCE SHEET TRANSACTION

Except for the commitments set forth above, we have not entered into any material off-balance sheet transactions or arrangements

FINANCIAL INSTRUMENTS

Except as otherwise disclosed, we have not entered into any other financial instruments for hedging purposes.

EVENT AFTER THE REPORTING PERIOD

The companies in our Group underwent the Reorganisation in preparation for the listing of shares of our Company on the Main Board of the Stock Exchange. Further details of the Reorganisation are set out in “History, Reorganisation and corporate structure — Reorganisation” of this prospectus.

ASSETS AND LIABILITIES

The table below sets out selected information for our assets and liabilities as at the dates indicated:

<i>S\$'000</i>	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 30 April 2016 (unaudited)
Non-current assets				
Property, plant and equipment	8,739	10,710	8,035	8,717
Investment property	1,394	1,382	1,370	1,366
Other assets	39	39	373	373
Interests in associates	—	—	—	—
Deposits and other receivables	886	382	209	203
Available-for-sale financial assets	594	152	1,635	1,635
Deferred tax assets	405	268	237	237
	<u>12,057</u>	<u>12,933</u>	<u>11,859</u>	<u>12,531</u>
Current assets				
Due from customers for contract work	11,566	12,837	15,199	10,447
Trade receivables	13,282	24,285	34,950	22,827
Deposits, prepayments and other receivables	2,487	1,535	2,043	2,720
Pledged deposits	4,251	4,270	4,271	4,281
Cash and cash equivalents	9,808	12,240	10,632	24,125
	<u>41,394</u>	<u>55,167</u>	<u>67,095</u>	<u>64,400</u>

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<i>S\$'000</i>	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 30 April 2016 (unaudited)
Current liabilities				
Due to customers for contract work	4,399	6,774	6,774	3,959
Trade payables	4,817	4,750	10,314	7,972
Other payables, accruals and deposits received	2,728	2,627	4,383	3,310
Due to directors	25	165	400	—
Dividend payable	2,000	601	—	—
Bank borrowings	847	312	252	252
Finance lease obligations	4,869	6,599	4,298	4,437
Income tax payable	<u>1,416</u>	<u>2,945</u>	<u>2,598</u>	<u>3,283</u>
	<u>21,101</u>	<u>24,773</u>	<u>29,019</u>	<u>23,213</u>
 Net current assets	 20,293	 30,394	 38,076	 41,187
Non-current liabilities				
Deposits received	10	—	15	15
Bank borrowings	1,112	750	398	314
Finance lease obligations	<u>1,698</u>	<u>1,953</u>	<u>1,522</u>	<u>1,911</u>
	<u>2,820</u>	<u>2,703</u>	<u>1,935</u>	<u>2,240</u>
 Net assets	 <u>29,530</u>	 <u>40,624</u>	 <u>48,000</u>	 <u>51,478</u>

We recorded net current assets of approximately S\$20.3 million, S\$30.4 million and S\$38.1 million as at 31 December 2013, 2014 and 2015, respectively.

Net current assets increased from approximately S\$20.3 million as at 31 December 2013 to approximately S\$30.4 million as at 31 December 2014. The increase of net current assets of approximately S\$10.1 million was primarily due to the (i) increase in amounts due from customers for contract work from approximately S\$11.6 million as at 31 December 2013 to approximately S\$12.8 million as at 31 December 2014; (ii) increase in trade receivables from approximately S\$13.3 million as at 31 December 2013 to approximately S\$24.3 million as at 31 December 2014; and (iii) increase in cash and cash equivalents from approximately S\$9.8 million as at 31 December 2013 to approximately S\$12.2 million as at 31 December 2014. Such an increase was partially offset by (i) increase in amounts due to customers for contract work from approximately S\$4.4 million as at 31 December 2013 to approximately S\$6.8 million as at 31 December 2014; (ii) increase in finance lease obligations from approximately S\$4.9 million as at 31 December 2013 to approximately S\$6.6 million as at 31 December 2014; (iii) increase in income tax payable from approximately S\$1.4 million as at 31 December 2013 to approximately S\$2.9 million as at 31 December 2014; and (iv) decrease in deposits, prepayments and other receivables from approximately S\$2.5 million as at 31 December 2013 to approximately S\$1.5 million as at 31 December 2014.

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The increase in net current assets of approximately S\$7.7 million from approximately S\$30.4 million as at 31 December 2014 to approximately S\$38.1 million as at 31 December 2015 was primarily due to (i) increase in trade receivables from approximately S\$24.3 million as at 31 December 2014 to approximately S\$35.0 million as at 31 December 2015; (ii) decrease in finance lease obligations from approximately S\$6.6 million as at 31 December 2014 to approximately S\$4.3 million as at 31 December 2015; (iii) increase in due from customers for contract work from approximately S\$12.8 million as at 31 December 2014 to S\$15.2 million as at 31 December 2015. Such an increase was partially offset by (i) decrease in cash and cash equivalents from approximately S\$12.2 million as at 31 December 2014 to S\$10.6 million as at 31 December 2015; and (ii) increase in trade payables from approximately S\$4.8 million as at 31 December 2014 to S\$10.3 million as at 31 December 2015.

Based on the unaudited management accounts of our Group as at 30 April 2016, the net current assets increased to approximately S\$41.2 million. The increase of approximately S\$3.1 million was primarily due to (i) decrease in trade payables from approximately S\$10.3 million as at 31 December 2015 to approximately S\$8.0 million as at 30 April 2016; (ii) increase in cash and cash equivalents from approximately S\$10.6 million as at 31 December 2015 to approximately S\$24.1 million as at 30 April 2016; and (iii) decrease in amounts due to customers for contract work from approximately S\$6.8 million as at 31 December 2015 to approximately S\$4.0 million as at 30 April 2016. Such an increase was partially offset by (i) decrease in due from customers for contract work from approximately S\$15.2 million as at 31 December 2015 to approximately S\$10.4 million as at 30 April 2016; and (ii) decrease in trade receivables from approximately S\$35.0 million as at 31 December 2015 to approximately S\$22.8 million as at 30 April 2016.

CERTAIN BALANCE SHEET ITEMS

Trade receivables

Our trade receivables (net of provision for impairment) as at 31 December 2013, 2014 and 2015 were approximately S\$13.3 million, S\$24.3 million and S\$35.0 million, respectively, of which a breakdown is set out below:

<i>S\$'000</i>	31 December 2013	As at 31 December 2014	31 December 2015
Trade receivables	12,252	20,456	33,990
Retention sum receivables	2,537	6,086	3,008
Less: Provision for impairment of trade receivables (including retention sum receivables)	(1,507)	(2,257)	(2,048)
	13,282	24,285	34,950

Trade receivables (net of provision for impairment) increased from approximately S\$13.3 million as at 31 December 2013 to approximately S\$24.3 million as at 31 December 2014 and continued to increase to approximately S\$35.0 million as at 31 December 2015, which was generally in line with our revenue trend during the Track Record Period.

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We generally granted a 30 days credit term to customers upon issuance of invoice. Our contracts typically provide for a retention sum of up to a maximum of 5% of total contract value of which half will be released upon substantial completion and the remaining released upon expiration of the defect liability period, usually 12 to 18 months from substantial completion date. The retention sum receivables are non-interest-bearing and on terms based on respective contract's retention period. In line with the progress of our projects, the balance of our retention sum receivables increased from approximately S\$2.5 million as at 31 December 2013 to approximately S\$6.1 million as at 31 December 2014. As at 31 December 2015, our retention sum receivables decreased to approximately S\$3.0 million.

The breakdown of trade receivables (net of provision for impairment) between third parties and related parties during the Track Record Period and the subsequent settlement up to the Latest Practicable Date is as follows:

	31 December 2013 <i>S\$'000</i>	As at 31 December 2014 <i>S\$'000</i>	31 December 2015 <i>S\$'000</i>	Amount outstanding as at Latest Practicable Date for outstanding balance as at 31 December 2015 <i>S\$'000</i>	% of outstanding as at the Latest Practicable Date %
Third parties	11,306	15,466	15,370	2,785	18.1%
Related parties	1,976	8,819	19,580	909	4.6%
Total	13,282	24,285	34,950	3,694	10.6%

The ageing analysis of trade receivables (net of provision for impairment) is as follows:

	31 December 2013	As at 31 December 2014	31 December 2015
<i>S\$'000</i>			
0 to 30 days	6,522	10,900	11,355
31 to 90 days	3,395	6,331	7,349
91 to 180 days	1,509	4,082	7,249
181 to 365 days	1,082	2,051	8,027
1 year to less than 2 years	196	921	970
2 years and over	578	—	—
Total	13,282	24,285	34,950

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Based on the above table, there was approximately S\$16.2 million that were past 90 days as at 31 December 2015. Despite our credit terms typically being 30 days, such overdues were mainly due to customers requesting for a delay in payment as they have yet to be paid by the end customers (the “**Deferred Settlement Request**”) and delay in drawdown of loans from banks and we allow them for deferred settlement after considering their payment history and financial situations in order to establish a long relationship with them. We have not revised the official 30-days credit term granted to those customers. We closely follow up and monitor subsequent settlement pattern of the Deferred Settlement Request (the “**Follow-up Settlement Procedures**”). Subsequent to 31 December 2015, certain progress settlements have been received by our Group upon the Follow-up Settlement Procedures.

The aging analysis of trade receivables (net of provision for impairment) that are not impaired is as follows:

<i>S\$'000</i>	31 December 2013	As at 31 December 2014	31 December 2015
Neither past due nor impaired	6,626	11,292	12,371
1 to 30 days past due	2,005	4,236	5,652
31 to 90 days past due	1,959	3,401	6,555
91 to 180 days past due	1,284	2,951	8,513
181 to 365 days past due	960	1,548	1,181
1 year to less than 2 years past due	196	857	678
2 years and over	252	—	—
Total	13,282	24,285	34,950

As at 31 December 2013, 2014 and 2015, approximately S\$6.7 million, S\$13.0 million and S\$22.6 million, respectively, representing approximately 50.1%, 53.5% and 64.6% of our trade receivables (net of provision for impairment), respectively, were past due but not impaired. As at 31 December 2015, the proportion of overdue trade receivables (net of provision for impairment) increased mainly due to the outstanding balances from Hulett Construction of approximately S\$17.4 million out of which approximately S\$14.7 million was overdue as Hulett Construction was awaiting for its source of funds from bank loans to be drawn down. As at the Latest Practicable Date, the entire outstanding balances from Hulett Construction of approximately S\$17.4 million was settled. Based on our experience, our Directors are of the view that no impairment allowance is necessary in respect of these overdue balances as there has not been significant change in credit quality of our customers and the balances are considered fully recoverable.

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Out of the approximately S\$10.4 million that were over 90 days past due as at 31 December 2015, a breakdown of aggregate balances exceeding S\$200,000 that were over 90 days past due is shown below, with reasons for which we believe to be causing the delay in collections of the receivables:

Customer	Reason	Over 90 days past due outstanding as at 31 December 2015 S\$'000	Amount outstanding as at the Latest Practicable Date for over 90 days past due outstanding balance as at 31 December 2015 S\$'000	% of outstanding %
Hulett Construction	Delay in drawdown of loans from banks to Hulett Construction	7,957	—	—
Golden Empire Civil Engineering Pte. Ltd.	Longer time for the verification of progress claims	616	616	100.0%
Chuan Lim Engineering Pte. Ltd.	Project is pending finalisation of accounts with its customer	600	—	—
Cheng Yap Construction Pte Ltd	Customer requested for offset of the amount due from them against the amount due to them	356	—	—
Total		<u>9,529</u>	<u>616</u>	<u>6.5%</u>

Percentage of above receivables over total receivables that were over 90 days past due as at 31 December 2015 91.9%

Please refer to the section headed “Connected transactions” of this prospectus for further information on Hulett Construction, Golden Empire Civil Engineering Pte. Ltd., Chuan Lim Engineering Pte. Ltd. and Cheng Yap Construction Pte Ltd.

Our Group considered no further provision is needed on the following basis: (i) most of customers are main contractors carried out construction works in public sector (excluding Hulett Construction) and have demonstrated good historical repayment record; (ii) subsequent settlement up to the Latest Practicable Date amounted to approximately S\$31.3 million out of which approximately 66.8% were to settle overdue balance; and (iii) we have put strong effort in chasing payments for overdue balance and frequently assessed repayment schedule of customers by

FINANCIAL INFORMATION

having communications with them and we were not aware of circumstances which might cause impairment to these trade receivables, and therefore we considered and concluded that the trade receivables were recoverable and not impaired.

The movement in the provision for impairment of trade receivables (including retention sum receivables) is as follows:

<i>S\$'000</i>	31 December 2013	As at 31 December 2014	31 December 2015
Balance at beginning of the year	949	1,507	2,257
Impairment losses	633	1,230	1,326
Bad debts recovered	<u>(75)</u>	<u>(480)</u>	<u>(1,535)</u>
Balance at end of the year	<u>1,507</u>	<u>2,257</u>	<u>2,048</u>

As at 31 December 2013, 2014 and 2015, approximately S\$1.5 million, S\$2.3 million and S\$2.0 million, representing approximately 10.2%, 8.5% and 5.5% of our gross trade receivables, respectively, were provided for impairment. These were mainly due to the customers' request to delay payment until after finalisation of accounts. Apart from the above, our Directors are of the view that no further provision is necessary in respect of the overdue balances that were not impaired as there has not been a significant change in the credit quality of our customers. Approximately 89.4% of our trade receivables (net of provision for impairment) balance as at 31 December 2015 had been subsequently settled up to the Latest Practicable Date.

For the three years ended 31 December 2013, 2014 and 2015, the trade receivable turnover days were approximately 72 days, 74 days and 109 days, respectively. The trade receivable turnover days increased for the three years ended 31 December 2013, 2014 and 2015 was primarily due to customers requesting for a delay in payment as they have yet to be paid by the end customers and their delay in drawdown of loans from banks and we allow them for deferred settlement after considering their payment history and financial situations in order to establish a long relationship with them which we have not revised the official 30-days credit term granted to those customers. The increase in trade receivable turnover days for the year ended 31 December 2015 was primarily due to the outstanding balances from Hulett Construction of approximately S\$17.4 million as at 31 December 2015, of which approximately S\$14.7 million was overdue. The approximately S\$14.7 million overdue was due to the fact that Hulett Construction was awaiting for its source of funds from bank loans to be drawn down, in which the entire amount was settled as at the Latest Practicable Date.

Amounts due from/(to) customers for contract work

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. When progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amounts due from contract customers.

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The following table sets out the amounts due from/(to) customers for contract work as at the end of each year as indicated.

<i>S\$'000</i>	31 December 2013	As at 31 December 2014	31 December 2015
Contract costs incurred plus recognised profits less recognised losses	74,801	104,446	142,300
Less: Progress billings	<u>(67,634)</u>	<u>(98,383)</u>	<u>(133,875)</u>
	<u>7,167</u>	<u>6,063</u>	<u>8,425</u>
Analysed for reporting purposes as:			
Amounts due from customers for contract work	11,566	12,837	15,199
Amounts due to customers for contract work	<u>(4,399)</u>	<u>(6,774)</u>	<u>(6,774)</u>
Balance at end of the year	<u><u>7,167</u></u>	<u><u>6,063</u></u>	<u><u>8,425</u></u>

All amounts due from/(to) customers for contract work are expected to be recovered/settled within one year.

Trade payables

Trade payables as at 31 December 2013, 2014 and 2015 were approximately S\$4.8 million, S\$4.8 million and S\$10.3 million respectively, of which a breakdown is set out below:

<i>S\$'000</i>	31 December 2013	As at 31 December 2014	31 December 2015
Trade payables	4,662	4,296	9,443
Retention payables	<u>155</u>	<u>454</u>	<u>871</u>
	<u><u>4,817</u></u>	<u><u>4,750</u></u>	<u><u>10,314</u></u>

The ageing analysis of trade payables as at the reporting dates is as follows:

<i>S\$'000</i>	31 December 2013	As at 31 December 2014	31 December 2015
0 to 30 days	2,080	3,292	8,023
31 to 90 days	533	628	1,100
91 to 180 days	63	164	172
Over 180 days	<u>2,141</u>	<u>666</u>	<u>1,019</u>
Total	<u><u>4,817</u></u>	<u><u>4,750</u></u>	<u><u>10,314</u></u>

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Trade payables remained fairly consistent as at 31 December 2013 and 31 December 2014. Trade payables increased to approximately S\$10.3 million as at 31 December 2015 mainly due to higher claims incurred as at year end as a result of higher percentage of completion for general construction works. Our Group's trade payables are non-interest bearing and the credit period granted by our subcontractors or suppliers is generally 35 days and 30 days, respectively after issuance of invoice. Approximately 92.8% of our trade payables balance as at 31 December 2015 had been subsequently settled as at the Latest Practicable Date.

For the three years ended 31 December 2013, 2014 and 2015, the trade payable turnover days were approximately 50 days, 24 days and 35 days, respectively. Our trade payable turnover days decreased mainly due to prompt settlement as we value our relationship with our suppliers and subcontractors and promptly settle their invoices to maintain a good working relationship. Although the trade payable turnover days increased for the year ended 31 December 2015 as a result of increase in trade payables as explained above, it was generally in line with the credit terms granted by our subcontractors or suppliers of 35 days and 30 days respectively.

KEY FINANCIAL RATIOS

	As at		
	31 December 2013 <i>(times)</i>	31 December 2014 <i>(times)</i>	31 December 2015 <i>(times)</i>
Current ratio ⁽¹⁾	2.0	2.2	2.3
Gearing ratio ⁽²⁾	0.3	0.2	0.1

	For the year ended		
	31 December 2013 <i>(%)</i>	31 December 2014 <i>(%)</i>	31 December 2015 <i>(%)</i>
Gross profit margin ⁽³⁾	21.0	20.3	20.1
Profit before income tax margin ⁽⁴⁾	18.4	18.7	14.1
Profit for the year margin ⁽⁵⁾	16.6	15.4	11.6
Return on total assets ⁽⁶⁾	19.0	20.9	14.6
Return on equity ⁽⁷⁾	34.5	35.1	24.0

	For the year ended		
	31 December 2013 <i>(days)</i>	31 December 2014 <i>(days)</i>	31 December 2015 <i>(days)</i>
Trade receivable turnover ⁽⁸⁾	72	74	109
Trade payable turnover ⁽⁹⁾	50	24	35

Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the respective year end.
- (2) Gearing ratio is calculated by dividing total borrowings (bank borrowings and finance lease obligations) by total equity as at the respective year end.

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- (3) Gross profit margin is calculated by dividing gross profit for the year by the revenue.
- (4) Profit before income tax margin is calculated by dividing profit before income tax by the revenue.
- (5) Profit for the year margin is calculated by dividing profit for the year by the revenue.
- (6) Return on total assets for the three years ended 31 December 2013, 2014 and 2015 is calculated by dividing profit for the year by the total assets as at the respective year end.
- (7) Return on equity for the three years ended 31 December 2013, 2014 and 2015 is calculated by dividing profit for the year by the total equity as at the respective year end.
- (8) Trade receivable turnover is calculated by dividing the average of its beginning and ending trade receivables (including retention sum receivables) by the revenue and multiply by 365 days.
- (9) Trade payable turnover is calculated by dividing the average of its beginning and ending trade payables (including retention payables) by the direct costs and multiply by 365 days.

Current ratio

Our Group's current ratio increased from approximately 2.0 times as at 31 December 2013 to approximately 2.3 times as at 31 December 2015. The increase in the current ratio is mainly due to increase in trade receivables and amounts due from customers for contract work, which are generally in line with increase in revenue.

Gearing ratio

Our gearing ratio as at 31 December 2013, 2014 and 2015 was approximately 0.3 times, 0.2 times and 0.1 times, respectively. The decrease in our gearing ratio was due to increase in our total equity whereby we recorded approximately S\$29.5 million, S\$40.6 million and S\$48.0 million as at 31 December 2013, 2014 and 2015 respectively, which contributed by the increase in retained profit.

Return on total assets

Our return on total assets increased from approximately 19.0% for the year ended 31 December 2013 to approximately 20.9% for the year ended 31 December 2014, which was mainly due to the increase of our total assets by approximately 27.4% from approximately S\$53.5 million as at 31 December 2013 to approximately S\$68.1 million as at 31 December 2014 while our profit for the year increased by a more-than-proportionate percentage of approximately 40.1% from approximately S\$10.2 million for the year ended 31 December 2013 to approximately S\$14.3 million for the year ended 31 December 2014. That was mainly because of the increase in gross profit from approximately S\$12.9 million for the year ended 31 December 2013 to approximately S\$18.7 million for the year ended 31 December 2014, representing an increase of approximately 45.2% arising from higher revenue recognised.

Our return on total assets decreased from approximately 20.9% for the year ended 31 December 2014 to approximately 14.6% for the year ended 31 December 2015, which was mainly due to increase of our total assets by approximately 15.9% from approximately S\$68.1 million as at 31 December 2014 to approximately S\$78.9 million as at 31 December 2015 while our profit for the year decreased by approximately 19.1% from approximately S\$14.3 million for the year ended 31 December 2014 to approximately S\$11.5 million for the year ended 31 December 2015. That was mainly due to increase in other expenses by approximately S\$2.4 million arising mainly from listing expenses.

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Return on equity

Return on equity increased from approximately 34.5% for the year ended 31 December 2013 to approximately 35.1% for the year ended 31 December 2014, which was mainly due to the increase of our total equity by approximately 37.6% from approximately S\$29.5 million as at 31 December 2013 to approximately S\$40.6 million as at 31 December 2014 while our profit for the year was increased by a more-than-proportionate percentage of approximately 40.1% from approximately S\$10.2 million for the year ended 31 December 2013 to approximately S\$14.3 million for the year ended 31 December 2014. That was mainly due to same reason mentioned above that there was an increase in gross profit from approximately S\$12.9 million for the year ended 31 December 2013 to approximately S\$18.7 million for the year ended 31 December 2014, representing an increase of 45.2% arising from higher revenue recognised.

Return on equity decreased from approximately 35.1% for the year ended 31 December 2014 to approximately 24.0% for the year ended 31 December 2015, which was mainly due to increase of our total equity by approximately 18.2% from approximately S\$40.6 million as at 31 December 2014 to approximately S\$48.0 million as at 31 December 2015 while our profit for the year decreased by approximately 19.1% from approximately S\$14.3 million for the year ended 31 December 2014 to approximately S\$11.5 million for the year ended 31 December 2015. That was mainly due to increase in other expenses by approximately S\$2.4 million arising mainly from listing expenses as mentioned above.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the internal resources and banking facilities presently available to our Group, and the estimated net proceeds of the Global Offering, our Directors are satisfied, after due and careful inquiry that our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing from the date of this prospectus.

RELATED PARTY TRANSACTIONS

The table below sets out the amounts due from/to related parties and amounts due to directors as at 31 December 2013, 2014 and 2015:

<i>S\$'000</i>	As at		
	31 December 2013	31 December 2014	31 December 2015
Amounts due from related parties	2,500	13,975	28,341
Amounts due to related parties	2,093	933	508
Amounts due to directors	25	165	400

Amounts due from related parties were mainly trade in nature, unsecured, interest-free and repayable on demand. Amounts due to related parties were trade in nature, non-interest bearing and generally have payment terms of 30 days. Details of which are set out in Note 20, Note 21, Note 22, Note 25 and Note 33 of the Accountant's Report in Appendix I to this prospectus.

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The amounts due to directors represented advances from Mr. Alan Lim and Mr. Dicky Lau and the amounts were unsecured, interest-free and repayable on demand. Our Directors confirmed that the balances of the amounts due to them have been fully settled prior to Listing. Details of which are set out Note 23 of the Accountant's Report in Appendix I to this prospectus.

With respect to the related party transactions set forth in the Accountant's Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole, and furthermore that they do not distort our results during the Track Record Period or make such results not reflective of our future performance.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted combined net tangible assets prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Global Offering on the combined net tangible assets of our Group attributable to owners of our Company as if the Global Offering had taken place on 31 December 2015. This unaudited pro forma statement of adjusted combined net tangible assets 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 our Group attributable to owners of our Company had the Global Offering been completed on 31 December 2015 or at any future dates.

	Audited combined net tangible assets attributable to the owners of the Company as at 31 December 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted combined net tangible assets per Share
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$</i>
	<i>(note 1)</i>	<i>(note 2)</i>		<i>(notes 2 to 3)</i>
Based on an Offer Price of HK\$0.59 per Share	47,627	15,884	63,511	0.0635 (equivalent to HK\$0.3478)
Based on an Offer Price of HK\$0.88 per Share	47,627	24,569	72,196	0.0722 (equivalent to HK\$0.3954)

Notes:

- (1) The unadjusted audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2015 is arrived at after deducting other assets of approximately S\$373,000 from the audited combined net assets of approximately S\$48,000,000 as at 31 December 2015, as shown in the Accountant's Report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on 170,000,000 new shares and the indicative Offer Price of HK\$0.59 and HK\$0.88 per Share, being the lower and higher end of the stated Offer Price range per Share, assuming no exercise of Over-allotment Option or any options that may be granted under the Share Option Scheme, after deduction of the underwriting fees and other related expenses (excluding listing related expenses of approximately S\$2,316,000 which have been accounted for prior to 31 December 2015) payable by our Company in connection with the Global Offering. The estimated net proceeds are converted into S\$ at the rate of S\$1 = HK\$5.4770, which was the rate prevailing on 31 December 2015.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Global Offering assuming (i) the Global Offering had been completed on 31 December 2015 and (ii) no exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme and no Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of our Group enter into subsequent to 31 December 2015.
- (5) The property interests of our Group as at 29 February 2016 were valued by Roma Appraisals Limited. Details of the valuation in respect of these property interests were set out in Appendix III to this prospectus. The revaluation surplus of the property interests under investment property of approximately S\$3,930,000 will not be included in our Group's financial statements as of 31 December 2015. Our Group's accounting policy is to state such investment property at cost less accumulated depreciation and any impairment loss rather than at fair value. Had all the property interests been stated at such valuations, the additional annual depreciation would be approximately S\$13,000.

DISTRIBUTABLE RESERVES

As at 31 December 2015, there were no reserves available for distribution to the shareholders of our Company. The Companies Law provides that share premium account of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND

For each of the three years ended 31 December 2013, 2014 and 2015, CL Construction declared dividends of S\$3.0 million, S\$3.0 million and S\$6.0 million, respectively, to our then equity owners. All these dividends had been fully settled as at the Latest Practicable Date. Dividends declared and paid in the past should not be regarded as an indication of the dividend policy to be adopted by our Company following Listing.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions (if any) and other factors which our Directors deem relevant. We do not have any predetermined dividend payout ratio.

Cash dividends on our shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our shareholders by any means which our Directors deem legal, fair and practicable. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

FINANCIAL INFORMATION

TAXATION

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law. There is no taxation on income under the Cayman Islands laws as at the Latest Practicable Date. For our subsidiaries incorporated in the BVI, they are exempt from all provisions of the BVI Income Tax Ordinance. For our subsidiary incorporated in Singapore, Singapore income tax is calculated at the rate of 17% on the estimated assessable profit for the Track Record Period.

ESTIMATED LISTING EXPENSES

During the Track Record Period, specifically during the year ended 31 December 2015, we had incurred and recognised approximately S\$2.3 million listing-related expenses in the profit and loss account. The total estimated expenses in relation to placing and offering cost and professional parties fees are approximately S\$5.7 million, of which approximately S\$5.0 million will be borne by our Group and approximately S\$0.7 million will be borne by the Selling Shareholder. For the aggregate placing and offering costs, which consist of underwriter's fee, SFC transaction levy, Stock Exchange trading fee and share registrar charges of approximately S\$1.2 million, as such costs are in relation to the placing and offering of New Shares and Sales Shares, the cost is allocated between our Group and the Selling Shareholder based on the proportion of the New Shares and Sales Shares to the total number of Sale Shares and New Shares. For the aggregate professional parties' expenses (other than placing and offering costs) such as sponsor, legal counsels, reporting accountant, internal control adviser, property valuer etc of approximately S\$4.5 million, as such costs are in relation to the Listing as a whole, the expenses is allocated between our Group and the Selling Shareholder based on the proportion of (i) New Shares including the existing shares before Listing and (ii) Sales Shares to the total number of issued shares immediately upon Listing. In addition, for the amount borne by our Group of approximately S\$5.0 million, it is estimated that approximately S\$1.6 million is directly attributable to the issue of New Shares to the public and is to be accounted for as an equity deduction upon Listing. The remaining amount of approximately S\$1.1 million is expected to be charged to the profit and loss of our Group for the financial year ending 31 December 2016 (approximately S\$2.3 million has been recognised in the profit and loss account during the Track Record Period). This calculation is based on the mid-point of our indicative Offer Price of HK\$0.735 per Share. The estimated listing-related expenses of our Group are subject to adjustments based on the actual amount of expenses incurred/to be incurred by our Company upon the completion of the Listing.

FINANCIAL RISK MANAGEMENT

Interest rate risk

Our Group's exposure to changes in interest rates is mainly attributable to bank deposits, pledged deposits, bank borrowings and finance lease obligations. The cash flow interest rate risk is mainly concentrated on fluctuations associated with bank borrowings with floating rate which represent prime rate plus margin per annum and variable rate bank balances. Finance lease obligations and bank borrowings issued at fixed rates expose our Group to fair value interest-rate risk.

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Credit risk

As at 31 December 2013, 2014 and 2015, our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties and the financial guarantees provided by our Group is primarily attributable to trade and other receivables, pledged deposits, cash and cash equivalents and the contingent liabilities in relation to financial guarantee issued by our Group. Our Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

Our Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Group relies on internally generated funding and borrowings as significant sources of liquidity. Our Group also monitors the utilisation of borrowings and ensures compliance with loan covenants.

PROPERTY VALUATION

Roma Appraisals Limited, an independent valuer, has valued our property at No. 1015 Upper Serangoon Road, Singapore 534753 as at 29 February 2016. For further details on the valuation, please refer to Appendix III — Property valuation report in this prospectus. The summary of the valuation as extracted from the property valuation report is as follows:

Property	Market value in existing state as at 29 February 2016	Valuation methodology
Unit nos. 01-01, 02-01, 03-01 and 04-01, No. 1015 Upper Serangoon Road, Singapore 534753	S\$5,300,000	The property has been valued using the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments have been made to account for the differences between the properties and the comparables in terms of age, time, location, floor level and other relevant factors

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A reconciliation of our property interests (the “**Reconciliation**”) under investment property as at 29 February 2016 and such property interests in our combined financial information as at 31 December 2015 as required under Rule 5.07 of the Listing Rules, is set out solely for illustrative purpose. Our Group’s accounting policy of the property interests is to state such investment property at cost less accumulated depreciation and any impairment loss. The Reconciliation is set forth as followings:

	S\$’000
Net book value, at cost less accumulated depreciation and any impairment loss, as at 31 December 2015	1,370
Depreciation for the two months ended 29 February 2016	<u>(2)</u>
Net book value, at cost less accumulated depreciation and any impairment loss, as at 29 February 2016	1,368
Revaluation surplus*	<u>3,932</u>
Valuation of our property interests as at 29 February 2016	<u><u>5,300</u></u>

* Revaluation surplus, represents variance between the net book value, at cost less accumulated depreciation and any impairment loss, of our property interests under investment property, and the valuation of such property interests as at 29 February 2016, as if the property interests under investment property are stated at fair value. The revaluation surplus of the property interests under investment property will not be included our Group’s financial statements in accordance with our Group’s accounting policies.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that save as disclosed above and in the paragraph headed “Contingent liabilities and financial guarantees” in this section of the prospectus, as at the Latest Practicable Date, there are no circumstances which, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD AND NO MATERIAL ADVERSE CHANGE

We have continued to focus on strengthening our market position for our earthworks and general construction works in Singapore. As far as we are aware, our industry remained relatively stable after the Track Record Period. There was no material adverse change in the general economic and market conditions in Singapore or the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely.

From 31 December 2015 up to the date of this prospectus, we did not experience any significant drop in revenue or increase in cost of sales or other costs as there were no significant changes to the general business model of our Group and economic environment.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2015 (being the end of the periods covered by the Accountant’s Report in Appendix I of this prospectus) and there is no event since 1 January 2016 which would materially affect the information shown in our financial statements included in the Accountant’s Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the sections headed “Business — Business objectives and strategies” in this prospectus for a detailed description of our business strategies and future plans.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.735 per Share (being the midpoint of the indicative Offer Price range of HK\$0.59 to HK\$0.88 per Share) will be approximately HK\$97.8 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately HK\$41.1 million, representing approximately 42% of the net proceeds will be used to purchase excavation machines and tipper trucks in relation to expansion of earthworks sector and also to replace some of our older tipper trucks. We intend to purchase 21 tipper trucks (out of which six will be used to replace our existing older trucks for an aggregate consideration of approximately HK\$6.0 million), ten excavators and four telescopic excavators during the year ending 31 December 2016. Taking into account the demand of excavation machines and tipper trucks for year ending 31 December 2016 in respect of (i) our Group’s existing projects; and (ii) projects that our Group has already submitted the tenders and the Directors are of the view that they are likely to secure, our Group estimates that the utilization rates for the existing and those to be purchased new excavation machines and tipper trucks to be approximately 80% and 100%, respectively. For any shortfall (if any) of excavation machines and/or tipper trucks in the future, our Group will obtain additional excavation machines and tipper trucks through leasing from other industry players or purchasing additional excavation machines and tipper trucks with our Group’s internal resources and/or bank borrowings. Each tipper truck, excavator and telescopic excavator cost approximately S\$200,000, S\$200,000 and S\$650,000 respectively;
- approximately HK\$24.4 million, representing approximately 25% of the net proceeds will be used to secure earth filling project which are located at close proximity to our earthwork projects as our earth disposal site for the two years ended 31 December 2017. The owner of these lands typically will charge a fee for disposal of earth on such land. We will fill the land using the earth excavated from our earthwork projects which may lead to savings in our transportation costs. We have not identified any specific site for this purpose. Should our Company fail to identify or secure earth filling project for earth disposal from earthwork projects by end of year 2016, approximately HK\$12.2 million will be reassigned for the purchase of additional excavation machines and tipper trucks. In addition, unless our Company has entered into agreements for securing earth filling project by 31 October 2017, any unutilised proceeds originally assigned to secure earth filling project for earth disposal from earthwork project will be reassigned for the purchase of additional excavation machines and tipper trucks and such proceeds shall be utilised in full by the year ending December 2017. For further details, please refer to the section headed “Business — Strategies” in this prospectus;
- approximately HK\$16.3 million, representing approximately 17% of the net proceeds will be used for expansion and enhancement of our workforce to support our business expansion both at the worksites (project supervisors and workers) and at our premise to service our fleet of tipper trucks and excavation equipment for the two years ending 31 December 2017. We intend to increase our number of staff by about fifty which consists of thirty general workers,

FUTURE PLANS AND USE OF PROCEEDS

ten drivers and excavator operators in line with our purchase of tipper trucks and excavation machines, five project managers and supervisors and five office staff for support function. We also intend to provide opportunities to our staff to attend courses to learn new competencies and upgrade their skills and be eligible to register under the construction registration of tradesmen (“**CoreTrade**”) as CoreTrade staff may qualify as “higher skilled” under MOM and this will reduce our foreign workers’ levy. We will also review our remuneration packages to ensure they are attractive to acquire and retain a talented workforce;

- approximately HK\$7.7 million, representing approximately 8% of the net proceeds will be used to purchase AutoCad software which could assist in the design and drawing of plans for earthworks; performance monitoring software to track the usage of our machines and the progress of our projects; building information modelling software which could improve productivity and level of integration across various disciplines across the entire construction value chain; and payroll software for the two years ending 31 December 2017; and
- the remaining balance of approximately HK\$8.3 million, representing approximately 8% of the net proceeds will be used for additional working capital and other general corporate purposes for the two years ending 31 December 2017.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.88 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Offer of New Shares will increase by approximately HK\$24.7 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.59 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Offer of New Shares will decrease by approximately HK\$24.7 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$27.6 million, assuming an Offer Price of HK\$0.735 per Share, being the midpoint of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at the high-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will increase by approximately HK\$5.4 million. If the Offer Price is set at the low-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will decrease by approximately HK\$5.4 million. In the event the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds for the above purposes in the proportions stated above.

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 demand deposits with authorised financial institutions and/or licensed banks in Singapore or Hong Kong.

Assuming the Offer Price is fixed at HK\$0.735 per Share (being the mid-point of the indicative range of the Offer Price), we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$54.7 million, after deducting the underwriting commissions and fees payable by the Selling Shareholder in respect of the Sale Shares. We will not receive the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the International Offering.

UNDERWRITING

HONG KONG UNDERWRITERS

VBG Capital Limited
Pacific Foundation Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering for subscription of the Hong Kong Offer Shares at the Offer Price under the Hong Kong Public Offering, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Hong Kong Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Hong Kong Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Hong Kong Offer Shares.

The Hong Kong Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the International Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. PFS (for itself and on behalf of the Hong Kong Underwriters) may in its absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by written notice to our Company (for ourselves and on behalf of the Selling Shareholder) at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or prospective change (whether or not permanent) in the business or in the business or in the financial or trading position of our Group; or
 - (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money

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and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, BVI, Cayman Islands, Singapore or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or

- (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
- (d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
- (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
- (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and Executive Directors under the Hong Kong Underwriting Agreement pursuant to the indemnities contained therein; or
- (h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (l) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollar against any foreign currency; or

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- (m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Global Offering; or
- (p) non-compliance of this prospectus or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (q) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (r) any material loss or damage sustained by any member of our Group; or
- (s) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being instigated against any member of our Group; or
- (t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (u) the chairman or president of our Company vacating his office; or
- (v) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or
- (w) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Hong Kong Underwriting Agreement or there has been a material breach of any other provisions thereof; or
- (x) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC,

which in the sole and absolute opinion of PFS (for itself and on behalf of the Hong Kong Underwriters):

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or

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- (b) has or will or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, and/or the Global Offering to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Global Offering on the terms and in the manner contemplated in this prospectus; or
- (ii) the Joint Global Coordinators or any of the Hong Kong Underwriters shall become aware of the fact that, or have cause to believe that:
- (a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Hong Kong Underwriting Agreement or pursuant to the International Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated, or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
 - (b) any statement contained in this prospectus, the Application Forms, the formal notice or any announcement or advertisement issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if such document were to be issued at that time, constitute a material omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed in such document are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole;
 - (c) there has been a material breach on the part of any of our Company, Controlling Shareholders and Executive Director of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
 - (d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or
 - (e) any material adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group; or
 - (f) approval by the Listing Committee of the listing of, and permission to deal in, the Offer Shares to be issued or sold (including any additional Offer Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

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- (g) we withdraw this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters, and each of our Controlling Shareholders and Executive Directors has undertaken to and covenants with the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters that he/it will procure our Company that:

- (a) except pursuant to the Global Offering, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Hong Kong Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”);
- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Global Offering, the Capitalisation Issue or the exercise of the subscription rights attaching to the Over-allotment Option or any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

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- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and
- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such Subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sole Sponsor, the Joint Global Coordinators, the Hong Kong Underwriters and our Company that, except pursuant to the Global Offering (including the offer for sale of the Sale Shares by the Selling Shareholder) and the Stock Borrowing Agreement and unless in compliance with the Listing Rules, he or it shall not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), directly or indirectly, and shall procure that none of his or its close associates (as defined in the Listing Rules) or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, during the First Six-month Period:

- (a) offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or
- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the

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Second Six-month period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to our Controlling Shareholders' undertaking above, each of the Controlling Shareholders undertakes to the Sole Sponsor, the Joint Global Coordinators, the Hong Kong Underwriters and our Company that within the First Six-month Period and the Second Six-month Period he or it shall:

- (a) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Global Offering (including the offer for sale of the Sale Shares by the Selling Shareholder) and any lending of the Shares pursuant to the Stock Borrowing Agreement or unless in compliance with the requirements of the Listing Rules, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of its or his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above 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 our Controlling Shareholder.

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Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that it or he will, within a period of commencing on the date by reference to which disclosure of its or his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when it or he or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company, our Controlling Shareholders and Executive Directors will enter into the International Underwriting Agreement with the Sole Sponsor, the Joint Global Coordinators, the International Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the International Underwriting Agreement, our Company and Controlling Shareholders will

UNDERWRITING

make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed “Undertakings to the Hong Kong Underwriters” above in this section.

Our Company is expected to grant to the International Underwriters the Over-allotment Option. PFS or its agent, on behalf of the International Underwriters, can exercise the Over-allotment Option to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per International Offer Share, solely to cover over-allocations, if any, in the International Offering.

The Over-allotment Option may be exercised by PFS any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, being Wednesday, 29 June 2016. The purpose of the exercise of the Over-allotment Option is to settle any over-allocations in the International Offering, if any. For further details of the Over-allotment Option, please refer to the section headed “Structure and conditions of the Global Offering” in this prospectus.

Commission, fees and expenses

The Hong Kong Underwriters will receive a gross underwriting commission of 3.5% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering out of which any sub-underwriting commission, praecipium and selling concession will be paid. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and any International Offer Shares reallocated from the International Offering to the Hong Kong Public Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

Based on the Offer Price of HK\$0.735 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount to approximately S\$5.7 million in total (assuming 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 Global Offering respectively. We will also pay for all expenses in connection with any exercise of the Over-allotment Option.

SOLE SPONSOR’S AND UNDERWRITERS’ INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee to the Global Offering. The Joint Global Coordinators and the Underwriters will receive an underwriting commission and/or praecipium. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Commission, fees and expenses” above.

We have appointed VBG Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

UNDERWRITING

Save as disclosed above, none of the Sole Sponsor and the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Global Coordinators will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of:

- a. the Hong Kong Public Offering of 25,000,000 New Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the paragraph headed “The Hong Kong Public Offering” below; and
- b. the International Offering of an aggregate of 225,000,000 Shares comprising 145,000,000 New Shares and 80,000,000 Sale Shares (subject to adjustment and the Over-allotment Option as mentioned below) which will conditionally be placed with selected professional, institutional, and other investors under the International Offering.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to adjustment as described in the section headed “— the Hong Kong Public Offering — Reallocation” below.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 25,000,000 Hong Kong Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Hong Kong Public Offering, representing 10% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent 2.5% of the total issued share capital of our Company immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Global Offering” of this section.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any adjustment as referred to below) is to be divided equally (to the nearest board lot) into two pools for allocation purposes: 12,500,000 Offer Shares for each of pool A and 12,500,000 Offer Shares for pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the total value in pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 12,500,000 Hong Kong Offer Shares, being 50% of the 25,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. In the event of over-applications in the Hong Kong Public Offering, Joint Global Coordinators (for themselves and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be 75,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Global Offering;

- (b) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be 100,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Global Offering; and
- (c) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be 125,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate. In addition, Joint Global Coordinators (for themselves and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed, Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such amount as Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate. If the International Offer Shares are not fully subscribed or purchased, Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed or un-purchased International Offer Shares to the Hong Kong Public Offering in such amount as Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she 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 International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated International Offer Shares under the International Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum offer price of HK\$0.88 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$3,555.48 for one board lot of 4,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed “Pricing and allocation” of this section below, is less than the maximum offer price of HK\$0.88 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in “How to apply for Hong Kong Offer Shares.”

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to adjustment as described above and the Over-allotment Option, the International Offering will consist of 225,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering, assuming that the Over-allotment Option is not exercised. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 22.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. The International Offer Shares will be selectively placed to certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and allocation” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit, of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection headed “The Hong Kong Public Offering - Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by PFS on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by PFS (on behalf of the International Underwriters) at any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, being Wednesday, 29 June 2016, to require our Company to allot and issue, at the Offer Price, up to an aggregate of 37,500,000 additional New Shares, representing 15% of the number of Offer Shares initially being offered under the Global Offering, on the same terms and conditions as those applicable to the Global Offering, to cover over-allocations in the International Offering and/or the obligations of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement. We will make an announcement if the Over-allotment Option is exercised.

If the Over-allotment Option is exercised in full, the additional Offer Shares allotted and issued will represent approximately 3.61% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering and the exercise of the Over-allotment Option.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates and agents, up to 37,500,000 Shares from Brewster Global pursuant to a stock borrowing arrangement (being the maximum number of Shares which may be allotted and issued by our Company upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Brewster Global is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocation in the International Offering and such arrangement is not 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 complied with.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In connection with the Global Offering, the Stabilising Manager and/or its affiliates and agents, 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 our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and until the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, being Wednesday, 29 June 2016. 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 its agent 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 on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, being Wednesday, 29 June 2016. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued under the Over-allotment Option, namely 37,500,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilising actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules include: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our 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 our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; and (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) above.

Specifically, prospective applicants for and investors in our Shares should note that:

- a. the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- b. 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 long position;
- c. liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of our Shares;
- d. no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Wednesday, 29 June 2016, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- e. the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- f. 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, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by PFS, 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 International Offering, the Stabilising Manager may borrow up to 37,500,000 Shares from Brewster Global, equivalent to the maximum number of Shares to be allotted and issued by the Company on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The same number of Shares so borrowed must be returned to Brewster Global or its nominees, as the case may be, on or before the third Business day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulation requirements.

No payments or other benefit will be made to Brewster Global by the Stabilising Manager in relation to the stock borrowing arrangement.

PRICING AND ALLOCATION

Determination of the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Tuesday, 31 May 2016, and in any event on or before Monday, 6 June 2016, by agreement between PFS (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Offer Price range

The Offer Price will not be more than HK\$0.88 per Offer Share and is expected to be not less than HK\$0.59 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.**

Price payable on application

Applicants for Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$0.88 for each Hong Kong Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$3,555.48 per board lot of 4,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.88 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, 6 June 2016, the Global Offering will not proceed and will lapse.

Further details are set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.

Change to Offer Price range

Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a book-building process in respect of the International Offering, and with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of the Offer Shares being offered under the Global Offering and/or change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day lodging applications under the Hong Kong Public Offering, cause there to be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.chuanholdings.com notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics, and any other financial information in this prospectus which may change as a result of any such change.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants who have submitted their applications for Hong Kong Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a reduction in the number of the Offer Shares and/or change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Announcement of Offer Price and basis of allocations

Announcement of the final Offer Price, together with the level of indication of interests in the International Offering, and the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares are expected to be published on Tuesday, 7 June 2016 in the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.chuanholdings.com website.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), agreeing on the Offer Price. We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed "Underwriting" of this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering (including the Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option, and upon the exercise of any options which may be granted under the Share Option Scheme) and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

2. International Underwriting Agreement

The execution and delivery of the International Underwriting Agreement on or about the Price Determination Date.

3. Obligations under the Underwriting Agreements

The obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

4. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If, for any reason, the Offer Price is not agreed between us (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Monday, 6 June 2016, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.chuanholdings.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to apply for Hong Kong Offer Shares." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 7 June 2016 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 8 June 2016 provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made for 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 Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 8 June 2016, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on 8 June 2016.

The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 1420.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; 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 Global Coordinators, the **HK eIPO White Form** Service Provider 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 Hong Kong 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 under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

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, our Company, the Sole Sponsor and the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are 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 Global Offering;
- are a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, either (i) use a **WHITE** Application Form; or (ii) apply online through the designated website of the **HK eIPO White Form** service provider at www.hkeipo.hk under the **HK eIPO White Form** service.

For Hong Kong 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, either (i) complete and sign the **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS.

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, 25 May 2016 to 12:00 noon on Monday, 30 May 2016 from:

- (i) the following office of the Hong Kong Underwriters:

VBG Capital Limited
18th Floor, Prosperity Tower
39 Queen's Road Central
Hong Kong

Pacific Foundation Securities Limited
11th Floor, New World Tower II
16–18 Queen's Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch, the receiving bank for the Hong Kong Public Offering:

District	Branch Name	Address
Hong Kong Island	Hong Kong Branch Wanchai Sub-Branch	20 Pedder Street, Central Shop B on G/F., Johnston Court, 32–34 Johnston Road
Kowloon	Mongkok Sub-Branch Kwun Tong Sub-Branch	G/F and 1/F, Shun Wah Building, Nos. 735 & 735A Nathan Road, Mongkok Shop E, Block G & H, G/F, East Sun Industrial Centre, 16 Shing Yip Street, Kwun Tong
New Territories	Tiu Keng Leng Sub-Branch	Shops Nos. L2–064 and L2–065, Level 2, Metro Town, Tiu Keng Leng

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 25 May 2016 until 12:00 noon on Monday, 30 May 2016 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 Communications (Nominee) Co. Ltd. — Chuan Holdings 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, 25 May 2016 — 9:00 a.m. to 5:00 p.m.**
- **Thursday, 26 May 2016 — 9:00 a.m. to 5:00 p.m.**
- **Friday, 27 May 2016 — 9:00 a.m. to 5:00 p.m.**
- **Saturday, 28 May 2016 — 9:00 a.m. to 1:00 p.m.**
- **Monday, 30 May 2016 — 9:00 a.m. to 12:00 noon**

HOW TO APPLY FOR HONG KONG OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 30 May 2016, the last application day or such later time as described in “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 or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong 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 Law, the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance and the Memorandum and 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 Global Offering in this prospectus;
- (vi) agree that none of our Company, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering 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 International Offering nor participated in the International Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (viii) agree to disclose to our Company, the Selling Shareholder, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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;
- (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 Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 Hong Kong 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 Hong Kong 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 Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to deposit any share certificate(s) into CCASS and/or to send any share certificate(s) and/or any e-Auto Refund payment instructions 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, the Selling Shareholder, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (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 or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 25 May 2016 until 11:30 a.m. on Monday, 30 May 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 30 May 2016 or such later time under the “Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application**

HOW TO APPLY FOR HONG KONG OFFER SHARES

instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong 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 Centre**

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 Hong Kong Offer Shares on your behalf.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong 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 Hong Kong 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 Hong Kong 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 International 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 Selling Shareholder, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong 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 Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 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 Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, 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, the Selling Shareholder, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 Hong Kong 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 (Miscellaneous Provisions) 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 Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

HOW TO APPLY FOR HONG KONG 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 Law, the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; 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 Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong 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 Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- **Wednesday, 25 May 2016 — 9:00 a.m. to 8:30 p.m.⁽¹⁾**
- **Thursday, 26 May 2016 — 8:00 a.m. to 8:30 p.m.⁽¹⁾**
- **Friday, 27 May 2016 — 8:00 a.m. to 8:30 p.m.⁽¹⁾**
- **Saturday, 28 May 2016 — 8:00 a.m. to 1:00 p.m.⁽¹⁾**
- **Monday, 30 May 2016 — 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, 25 May 2016 until 12:00 noon on Monday, 30 May 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 30 May 2016, the last application day or such later time as described in “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 Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Miscellaneous Provisions) 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 (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal data

The section of the Application Form headed “Personal data” applies to any personal data held by our Company, the Selling Shareholder, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, 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.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. 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, the Selling Shareholder, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong 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 Monday, 30 May 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 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).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

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 Global Offering — Pricing and allocation” in this prospectus.

10. 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 Monday, 30 May 2016. 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the application lists do not open and close on Monday, 30 May 2016 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.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offering on Tuesday, 7 June 2016 on our Company’s website at **www.chuanholdings.com** 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 (where appropriate) of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.chuanholdings.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 7 June 2016;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 7 June 2016 to 12:00 midnight on Monday, 13 June 2016;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 7 June 2016 to Monday, 13 June 2016 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 7 June 2016 to Friday, 10 June 2016 at all the receiving banks’ designated branches and sub-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 Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and condition of the Global Offering” of 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong 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 or to the **HK eIPO White Form** Service Provider, 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 (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider 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 Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(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) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- 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 Global Coordinators 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 Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.88 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and conditions of the Global Offering — Conditions of the Global Offering" 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 Tuesday, 7 June 2016.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (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).

HOW TO APPLY FOR HONG KONG OFFER SHARES

No temporary document of title will be issued in respect of the Hong Kong Offer 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 Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity 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 dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Tuesday, 7 June 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 8 June 2016 provided that the Global Offering 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 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 7 June 2016 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 Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 7 June 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 7 June 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 7 June 2016, 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 Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong 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 Hong Kong Public Offering 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 Tuesday, 7 June 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong 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 through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 7 June 2016, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 7 June 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong 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 Tuesday, 7 June 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of results" above on Tuesday, 7 June 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 7 June 2016 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 Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong 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 Tuesday, 7 June 2016. Immediately following the credit of the Hong Kong 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 Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 7 June 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.



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25 May 2016

The Directors
Chuan Holdings Limited

VBG Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Chuan Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), including the combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of the Group for each of the years ended 31 December 2013, 2014 and 2015 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 December 2013, 2014 and 2015 and the statement of financial position of the Company as at 31 December 2015, together with notes thereon, for inclusion in the prospectus of the Company dated 25 May 2016 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 25 August 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands.

Pursuant to a corporate reorganisation (the “Reorganisation”) as more fully explained in the section headed “History, Reorganisation and corporate structure” in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and Longlands Holdings Limited, as they have not carried on any business since the date of incorporation and are investment holding companies which are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The Group is principally engaged in provision of earthworks and related services and general construction. The Company and its subsidiaries have adopted 31 December as their financial year end date. Particulars of the subsidiaries comprising the Group are set out in note 1 of section II of this report.

For the purpose of the Financial Information of this report, the directors of the Company have prepared the combined financial statements (the “Underlying Financial Statements”) of the Group for the Relevant Periods in accordance with the basis set out in note 2 of section II and accounting policies in note 5 of section II which conform with Hong Kong Financial Reporting Standards, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Financial Information set out in this report has been prepared by the directors based on the Underlying Financial Statements after making such adjustments as we consider appropriate.

Respective responsibilities of directors and reporting accountant

The directors of the Company are responsible for the contents of the Prospectus, including the preparation and the true and fair presentation of the Financial Information prepared in accordance with the basis of presentation set out in note 2 of section II, accounting policies set out in note 5 of section II, the disclosure requirements of the Hong Kong Companies Ordinance and applicable Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. For the purpose of this report, we have carried out audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing (the “HKSAAs”) issued by the HKICPA. We have examined the Financial Information in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA and have carried out such additional procedures on the Financial Information as we considered necessary. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2015.

Opinion in respect of the Financial Information

In our opinion, the Financial Information set out below, for the purpose of this report and on the basis of presentation set out in note 2 of section II and in accordance with accounting policies set out in note 5 of section II below, gives a true and fair view of the financial performance and cash flows of the Group for the Relevant Periods and of the financial position of the Group as at 31 December 2013, 2014 and 2015, and of the financial position of the Company as at 31 December 2015.

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	<i>Notes</i>	As at 31 December		
		2013 <i>S\$'000</i>	2014 <i>S\$'000</i>	2015 <i>S\$'000</i>
Revenue	8	61,386	92,412	99,322
Direct costs		<u>(48,482)</u>	<u>(73,671)</u>	<u>(79,399)</u>
Gross profit		12,904	18,741	19,923
Other income and gains	8	2,533	4,020	2,530
Administrative and other operating expenses		(3,310)	(3,896)	(4,588)
Other expenses		(646)	(1,230)	(3,645)
Finance costs	9	<u>(211)</u>	<u>(317)</u>	<u>(179)</u>
Profit before income tax	10	11,270	17,318	14,041
Income tax expense	12(a)	<u>(1,094)</u>	<u>(3,057)</u>	<u>(2,505)</u>
Profit for the year		10,176	14,261	11,536
Other comprehensive income for the year				
Items that may be reclassified subsequently to profit or loss:				
Gains/(losses) in revaluation of available-for-sale financial assets		60	(21)	(329)
Release on disposals of available-for-sale financial assets		<u>(48)</u>	<u>(146)</u>	<u>3</u>
Other comprehensive income for the year, net of tax		<u>12</u>	<u>(167)</u>	<u>(326)</u>
Total comprehensive income for the year attributable to the owners of the Company		<u>10,188</u>	<u>14,094</u>	<u>11,210</u>

Combined Statements of Financial Position

	Notes	As at 31 December		
		2013 S\$'000	2014 S\$'000	2015 S\$'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	8,739	10,710	8,035
Investment property	16	1,394	1,382	1,370
Other assets	17	39	39	373
Interests in associates	18	—	—	—
Deposits and other receivables	22	886	382	209
Available-for-sale financial assets	19	594	152	1,635
Deferred tax assets	12(b)	405	268	237
		<u>12,057</u>	<u>12,933</u>	<u>11,859</u>
Current assets				
Due from customers for contract work	20	11,566	12,837	15,199
Trade receivables	21	13,282	24,285	34,950
Deposits, prepayments and other receivables	22	2,487	1,535	2,043
Pledged deposits	24	4,251	4,270	4,271
Cash and cash equivalents	24	9,808	12,240	10,632
		<u>41,394</u>	<u>55,167</u>	<u>67,095</u>
Current liabilities				
Due to customers for contract work	20	4,399	6,774	6,774
Trade payables	25	4,817	4,750	10,314
Other payables, accruals and deposits received	26	2,728	2,627	4,383
Due to directors	23	25	165	400
Dividend payable		2,000	601	—
Bank borrowings	27	847	312	252
Finance lease obligations	28	4,869	6,599	4,298
Income tax payable		1,416	2,945	2,598
		<u>21,101</u>	<u>24,773</u>	<u>29,019</u>
Net current assets		<u>20,293</u>	<u>30,394</u>	<u>38,076</u>
Total assets less current liabilities		<u>32,350</u>	<u>43,327</u>	<u>49,935</u>

		As at 31 December		
		2013	2014	2015
	Notes	S\$'000	S\$'000	S\$'000
Non-current liabilities				
Deposits received	26	10	—	15
Bank borrowings	27	1,112	750	398
Finance lease obligations	28	<u>1,698</u>	<u>1,953</u>	<u>1,522</u>
		<u>2,820</u>	<u>2,703</u>	<u>1,935</u>
Net assets		<u><u>29,530</u></u>	<u><u>40,624</u></u>	<u><u>48,000</u></u>
EQUITY				
Equity attributable to the owners of the Company				
Share capital	29	1	1	1
Reserves	29	<u>29,529</u>	<u>40,623</u>	<u>47,999</u>
Total equity		<u><u>29,530</u></u>	<u><u>40,624</u></u>	<u><u>48,000</u></u>

Statement of Financial Position

	<i>Note</i>	As at 31 December 2015 S\$'000
ASSETS		
Net current assets and net assets		<u>—⁽¹⁾</u>
EQUITY		
Equity attributable to the owners of the Company		
Share capital	29	<u>—⁽¹⁾</u>
Total equity		<u>—⁽¹⁾</u>

⁽¹⁾ Represent the amount less than S\$1,000.

⁽²⁾ As at 31 December 2015, other than share capital of Hong Kong dollar ("HK\$") 0.01 and amount due from a shareholder of HK\$0.01, the Company had no assets or liabilities.

Combined Statements of Changes in Equity

	Share capital S\$'000 (note 29)	Share premium* S\$'000 (note 29)	Capital reserve* S\$'000 (note 29)	Investment revaluation reserve* S\$'000	Retained profits* S\$'000	Total S\$'000
At 1 January 2013	1	—	2,999	73	19,269	22,342
Dividends (note 13)	—	—	—	—	(3,000)	(3,000)
Transactions with owners	—	—	—	—	(3,000)	(3,000)
Profit for the year	—	—	—	—	10,176	10,176
Other comprehensive income						
Gains in revaluation of available- for-sale financial assets	—	—	—	60	—	60
Release on disposals of available- for-sale financial assets	—	—	—	(48)	—	(48)
Total comprehensive income for the year	—	—	—	12	10,176	10,188
As at 31 December 2013 and 1 January 2014	1	—	2,999	85	26,445	29,530
At 31 December 2013 and 1 January 2014	1	—	2,999	85	26,445	29,530
Dividends (note 13)	—	—	—	—	(3,000)	(3,000)
Transactions with owners	—	—	—	—	(3,000)	(3,000)
Profit for the year	—	—	—	—	14,261	14,261
Other comprehensive income						
Losses in revaluation of available- for-sale financial assets	—	—	—	(21)	—	(21)
Release on disposals of available- for-sale financial assets	—	—	—	(146)	—	(146)
Total comprehensive income for the year	—	—	—	(167)	14,261	14,094
As at 31 December 2014 and 1 January 2015	1	—	2,999	(82)	37,706	40,624

	Share capital S\$'000 (note 29)	Share premium* S\$'000 (note 29)	Capital reserve* S\$'000 (note 29)	Investment revaluation reserve* S\$'000	Retained profits* S\$'000	Total S\$'000
At 31 December 2014 and 1 January 2015	1	—	2,999	(82)	37,706	40,624
Issue of shares (note 29)	—	2,166	—	—	—	2,166
Dividends (note 13)	—	—	—	—	(6,000)	(6,000)
Transactions with owners	—	2,166	—	—	(6,000)	(3,834)
Profit for the year	—	—	—	—	11,536	11,536
Other comprehensive income						
Losses in revaluation of available- for-sale financial assets	—	—	—	(329)	—	(329)
Release on disposals of available- for-sale financial assets	—	—	—	3	—	3
Total comprehensive income for the year	—	—	—	(326)	11,536	11,210
At 31 December 2015	1	2,166	2,999	(408)	43,242	48,000

* These reserve accounts comprise the combined reserves of approximately S\$29,529,000, S\$40,623,000 and S\$47,999,000 in the combined statements of financial position as at 31 December 2013, 2014 and 2015, respectively.

Combined Statements of Cash Flows

	<i>Notes</i>	Year ended 31 December		
		2013	2014	2015
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Cash flows from operating activities				
Profit before income tax		11,270	17,318	14,041
Adjustments for:				
Interest income	8	(111)	(79)	(57)
Interest expense	9	211	317	179
Dividend income from available-for-sale financial assets	8	(1)	(1)	(28)
Depreciation of property, plant and equipment	10	3,214	4,069	4,162
Depreciation of investment property	10	12	12	12
(Gains)/loss on disposals of available-for-sale financial assets	8,10	(65)	(162)	3
Gains on disposals of property, plant and equipment	8	(29)	(784)	(186)
Gains on disposals of associates	8	(420)	(450)	—
Provision for impairment of trade receivables	10	633	1,230	1,326
Loss on derivative financial instruments	10	13	—	—
		<u>14,727</u>	<u>21,470</u>	<u>19,452</u>
Operating profit before working capital changes		14,727	21,470	19,452
Increase in amounts due from customers for contract work		(1,606)	(1,271)	(2,362)
Increase in trade receivables		(2,835)	(12,233)	(11,991)
(Increase)/decrease in deposits, prepayments and other receivables		(247)	1,426	(335)
Increase in amounts due to customers for contract work		2,573	2,375	—
(Decrease)/increase in trade payables		(3,772)	(67)	5,564
Increase/(decrease) in other payables, accruals and deposits received		<u>663</u>	<u>(111)</u>	<u>1,771</u>
		<u>9,503</u>	<u>11,589</u>	<u>12,099</u>
Cash generated from operations		9,503	11,589	12,099
Income tax paid, net		<u>(428)</u>	<u>(1,391)</u>	<u>(2,821)</u>
		<u>9,075</u>	<u>10,198</u>	<u>9,278</u>
Net cash generated from operating activities		<u>9,075</u>	<u>10,198</u>	<u>9,278</u>

	Year ended 31 December		
	2013	2014	2015
<i>Notes</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Cash flows from investing activities			
Proceeds from disposals of available-for-sale financial assets	137	437	1
Proceeds from disposals of property, plant and equipment	29	784	186
Purchases of property, plant and equipment	(1,499)	(193)	(240)
Purchases of other asset	—	—	(334)
Proceeds from disposals of associates	726	450	—
Purchase of available-for-sale financial assets	—	—	(1,813)
Settlement of derivative contracts	(13)	—	—
Interest received	111	79	57
Dividend received	<u>1</u>	<u>1</u>	<u>28</u>
Net cash (used in)/generated from investing activities	<u>(508)</u>	<u>1,558</u>	<u>(2,115)</u>
Cash flows from financing activities			
Proceeds from issue of shares	29	—	2,166
(Decrease)/increase in amounts due to directors	(311)	140	235
Interest element on finance lease payments	(148)	(279)	(162)
Capital element of finance lease obligations	(2,781)	(3,832)	(3,979)
New bank borrowings	2,000	—	—
Repayment of bank borrowings	(1,659)	(897)	(412)
Increase in pledged deposits	(9)	(19)	(1)
Dividends paid	(1,700)	(4,399)	(6,601)
Interests paid	<u>(63)</u>	<u>(38)</u>	<u>(17)</u>
Net cash used in financing activities	<u>(4,671)</u>	<u>(9,324)</u>	<u>(8,771)</u>
Net increase/(decrease) in cash and cash equivalents	3,896	2,432	(1,608)
Cash and cash equivalents at beginning of the year	<u>5,912</u>	<u>9,808</u>	<u>12,240</u>
Cash and cash equivalents at end of the year	<u><u>9,808</u></u>	<u><u>12,240</u></u>	<u><u>10,632</u></u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 August 2015. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is located at 20 Senoko Drive, Singapore 758207.

The Company is an investment holding company while the principal subsidiary of the Group is engaged in provision of earthworks and related services and general construction in Singapore.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Company name	Place and date of incorporation	Particulars of issued and fully paid up share capital	Effective interest held by the Company in the Relevant Periods	Principal activities
<i>Interest held directly</i>				
Longlands Holdings Limited ("Longlands") (note 1)	British Virgin Islands ("BVI") 9 June 2015	United States Dollar ("US\$") 100	100%	Investment holding
<i>Interest held indirectly</i>				
Chuan Lim Construction Pte Ltd ("CL Construction") (note 2)	Singapore 27 January 1996	Singapore dollar ("S\$") 3,000,000	100%	Provision of earthworks and related services and general construction

Notes:

- (1) No audited financial statements have been prepared for the Company and Longlands as there is no statutory requirement to have their financial statements audited under the relevant rules and regulations in the jurisdiction of incorporation.
- (2) The statutory financial statements of CL Construction for the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with Singapore Financial Reporting Standards and provisions of the Singapore Companies Act, Chapter 50. The financial statements for the years ended 31 December 2013, 2014 and 2015 were audited by RSM Chio Lim LLP. The audited financial statements were unqualified.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Group reorganisation (“Reorganisation”)

The Reorganisation involved only inserting new holding companies on top of the existing companies and has not resulted in any change of economic substance. Accordingly, the Financial Information has been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the Relevant Periods.

Immediately after the Reorganisation, the Company became the holding company of its subsidiaries now comprising the Group on 10 May 2016.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Periods have been prepared to present the results, changes in equity and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever was shorter. The combined statements of financial position of the Group as at 31 December 2013, 2014 and 2015 have been prepared to present the assets and liabilities of the Company and its subsidiaries as if the current group structure had been in existence at those dates.

The assets and liabilities of the companies comprising the Group are combined using the existing book values from the controlling shareholders' perspective. No amount is recognised as goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between listing group companies have been eliminated on combination.

3. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with the basis of presentation set out in note 2 and the accounting policies in note 5 which comply with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA. The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance for the Relevant Periods presented and the Listing Rules. All HKFRSs effective for the accounting periods commencing from 1 January 2013 and relevant to the Group have been adopted by the Group in the preparation of the Financial Information consistently throughout the Relevant Periods to the extent required or allowed by the transitional provisions in the HKFRSs. The Financial Information has been prepared under the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the year ended 31 December 2015, as a result, there are changes to presentation and disclosures of certain information in the Financial Information.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 6.

The functional currency of the Company is HK\$, while the functional currency of the principal subsidiary, CL Construction, is S\$. The Financial Information is presented in S\$ and all values are rounded to the nearest thousand except when otherwise indicated.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

At the date of this report, the following new or amended HKFRSs, potentially relevant to the Group's financial information, have been published but are not yet effective, and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle ¹
Amendments to HKAS 1	Disclosure initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ No mandatory effective date yet determined

HKFRS 9 (2014) Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

1. Identify the contract(s) with the customer
2. Identify the performance obligations in the contract

3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of the above new or amended HKFRSs and the directors of the Company (the "Directors") so far concluded that the application of these new or amended HKFRSs will have no material impact on the Group's financial information.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Information are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is combined into the combined financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

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 elements of control described above.

Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the combined financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the combined statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the combined statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the combined statement of comprehensive income during the period in which they are incurred.

Depreciation on property, plant and equipment is provided over their estimated useful lives, using the straight line method. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date.

Assets acquired under hire purchase arrangements are depreciated over their estimated useful lives on the same basis as owned assets. The estimated useful lives are as follows:

Plant and machinery	5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Investment property

Investment property (comprising a building and freehold land that has an unlimited useful life) is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The freehold land has an unlimited useful life and therefore is not depreciated. Other than freehold land, depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful life using straight-line method. The estimated useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payment. Contract costs include costs that related directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Contract costs are recognised when incurred and costs that relate directly to a specific contract comprise site labour costs; costs of subcontracting; costs of materials used in construction and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the Relevant Periods.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. When progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Revenue recognition

(i) Construction contracts income

Revenue from construction contracts is recognised based on the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract.

(ii) Interest income

Interest income is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(iii) Service income

Service income is recognised when services are rendered.

(iv) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(v) Rental income

Rental income from investment property is recognised on a straight-line basis over the periods of the respective tenancy.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, form an integral part of the Group's cash management.

Financial instruments*(i) Financial assets*

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, pledged deposits and cash and cash equivalents in the statement of financial position. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as other categories of financial assets. Available-for-sale financial assets (including investment in life insurance policy) are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment may include:

- significant financial difficulty of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset 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 the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in investment revaluation reserve.

(ii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, accruals, amounts due to directors, dividend payable, finance lease obligations, and bank borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of

the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

Employee benefits — defined contribution

Payments made to Central Provident Fund (“CPF”) in Singapore which is a defined contribution retirement plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- other assets;
- investment property; and
- interests in associates

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Related parties

- (1) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (2) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company, being the chief operating decision-maker ("CODM") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major construction works type.

Each of the operating segments is managed separately as each of the segments requires different resources as well as marketing approaches.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in this report prepared under HKFRS, except that:

- (i) interest on bank overdrafts and loans;
- (ii) income tax expense; and
- (iii) corporate income and expenses which are not directly attributable to the business activities of any operating segment;

are not included in arriving at the segment results of the operating segment.

Segment assets included all assets but certain property, plant and equipment, investment property, available-for-sale financial assets, pledged deposits, cash and cash equivalents, deferred tax assets and corporate assets. Corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities included all liabilities but tax liabilities, bank borrowings, dividend payable and corporate liabilities. Corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

Key sources of estimation uncertainty

In addition to disclosed elsewhere in these Financial Information, other key sources estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

Impairment of trade and other receivables

The Group's management assesses the collectibility of trade and other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting date. The carrying amounts of trade and other receivables are disclosed in notes 21 and 22, respectively.

Construction contract revenue recognition

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and provision for claims, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual

amounts incurred. The provision for claims is determined on the basis of the delay in the number of workdays of the completion of the construction works which is highly subjective and is subject to negotiation with the customers. Management conducts periodic review of the provisioning amount.

Significant judgement is required in estimating the contract revenue, contract costs, variation works and provision for claims which may have an impact in terms of percentage of completion and profit taken. Management based their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

Estimated useful lives of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Estimated useful lives are reviewed, at the end of each of the Relevant Periods, based on changes in circumstances. The carrying amount of property, plant and equipment is disclosed in note 15.

Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

Income tax

Determining income tax provisions requires the Group to make judgement on the tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. The carrying amount of provision for taxation is amounted to approximately S\$1,416,000, S\$2,945,000 and S\$2,598,000 as at 31 December 2013, 2014 and 2015, respectively.

Financial guarantee

At 31 December 2013, 2014 and 2015, the Group had provided corporate guarantees to certain banks (the "Holders") on the term loans/banking facilities given to the parties as set out in note 30. Judgement is required in estimating the fair value upon issuing financial guarantee contract to the Holders at the inception date of the offerings.

The Directors have assessed whether the financial guarantees offered to the Holders, required for recognising as financial liability in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement". Given that the term loans/banking facilities provided by the Holders are pledged with development of construction project and certain properties, and with reference to valuation reports from an independent professional qualified valuer, the Directors are in the opinion that the fair value of the financial guarantees is insignificant at the inception date of the financial guarantees offered.

The Group assesses the financial guarantee at the end of each reporting date by best estimating the expenditure required to settle the corresponding obligation under the financial guarantee, based on changes in circumstances.

7. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group determines its operating segments based on the reports reviewed by CODM that are used to make strategic decisions. Financial information reported to the CODM, based on the following segments:

- (i) Provision of earthworks and related services, mainly include excavation, earth disposal, demolition and various ancillary services (collectively referred as "Earthworks"); and
- (ii) Provision of general construction works, mainly include construction of new buildings, alternation and addition works (collectively referred as "General Construction Works").

(a) Segment revenue and results

Segment revenue below represents revenue from external customers. There were no inter-segment revenue during the Relevant Periods. Operating revenue, direct costs, gains on disposals of property, plant and equipment (including plant and machinery, and motor vehicles), interest expenses on finance leases, provision for impairment of trade receivables and bad debts recovered, are allocated to different segments to assess corresponding performance.

The segment revenue and results, and the totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Financial Information are as follows:

	Earthworks	General Construction Works	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Year ended 31 December 2013			
Revenue from external customers	<u>54,963</u>	<u>6,423</u>	<u>61,386</u>
Reportable segment results	<u>11,044</u>	<u>1,183</u>	<u>12,227</u>
Reportable segment results			12,227
Unallocated other income and gains			2,429
Corporate and other unallocated expenses			(3,323)
Interest on bank overdrafts and loans			<u>(63)</u>
Profit before income tax			<u>11,270</u>
Year ended 31 December 2014			
Revenue from external customers	<u>55,655</u>	<u>36,757</u>	<u>92,412</u>
Reportable segment results	<u>11,511</u>	<u>6,985</u>	<u>18,496</u>
Reportable segment results			18,496
Unallocated other income and gains			2,756
Corporate and other unallocated expenses			(3,896)
Interest on bank overdrafts and loans			<u>(38)</u>
Profit before income tax			<u>17,318</u>

During the years ended 31 December 2013 and 2014, the corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipments, operating lease expenses and other centralised administrative cost for the Group's headquarter.

	Earthworks S\$'000	General Construction Works S\$'000	Total S\$'000
Year ended 31 December 2015			
Revenue from external customers	<u>48,642</u>	<u>50,680</u>	<u>99,322</u>
Reportable segment results	<u>12,071</u>	<u>8,085</u>	<u>20,156</u>
Reportable segment results			20,156
Unallocated other income and gains			809
Corporate and other unallocated expenses			(6,907)
Interest on bank loans			<u>(17)</u>
Profit before income tax			<u>14,041</u>

During the year ended 31 December 2015, the corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipments, operating lease expenses and other centralised administrative cost for the Group's headquarter and listing expenses.

(b) Segment assets and liabilities

The following is an analysis of the Group's segment assets by reportable and operating segment:

Reportable segment assets

	As at 31 December		
	2013 S\$'000	2014 S\$'000	2015 S\$'000
Earthworks	29,658	32,079	24,207
General Construction Works	<u>3,864</u>	<u>15,507</u>	<u>33,928</u>
Total	<u>33,522</u>	<u>47,586</u>	<u>58,135</u>
Additions to non-current segment assets			
Earthworks	5,178	5,924	1,304
General Construction Works	<u>—</u>	<u>—</u>	<u>88</u>
Total	<u>5,178</u>	<u>5,924</u>	<u>1,392</u>

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Financial Information as follows:

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Reportable segment assets	33,522	47,586	58,135
Unallocated property, plant and equipment	237	246	225
Investment property	1,394	1,382	1,370
Available-for-sale financial assets	594	152	1,635
Other assets	39	39	373
Deferred tax assets	405	268	237
Pledged deposits	4,251	4,270	4,271
Cash and cash equivalents	9,808	12,240	10,632
Corporate and other unallocated assets	<u>3,201</u>	<u>1,917</u>	<u>2,076</u>
Group assets	<u>53,451</u>	<u>68,100</u>	<u>78,954</u>

Corporate and other unallocated assets mainly included deposits, prepayments paid for operating leases and office expenses, and other receivables due from associates/related parties.

The following is an analysis of the Group's segment liabilities by reportable and operating segment:

Reportable segment liabilities

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Earthworks	14,647	17,876	14,471
General Construction Works	<u>1,136</u>	<u>2,200</u>	<u>8,437</u>
Total	<u>15,783</u>	<u>20,076</u>	<u>22,908</u>

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Financial Information as follows:

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Reportable segment liabilities	15,783	20,076	22,908
Dividend payable	2,000	601	—
Bank borrowings	1,959	1,062	650
Corporate and other unallocated liabilities	<u>4,179</u>	<u>5,737</u>	<u>7,396</u>
Group liabilities	<u>23,921</u>	<u>27,476</u>	<u>30,954</u>

As at 31 December 2013 and 2014, the corporate and other unallocated liabilities mainly included accruals for employee benefit expenses and payable of office operating expenses, utilities, and amounts due to directors.

As at 31 December 2015, the corporate and other unallocated liabilities mainly included accruals for employee benefit expenses, listing expenses and payable of office operating expenses, utilities, and amounts due to directors.

(c) Other segment information

	General Construction			
	Earthworks	Works	Unallocated	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Year ended 31 December 2013				
Gains on disposals of property, plant and equipment	29	—	—	29
Depreciation of property, plant and equipment	3,064	33	117	3,214
Bad debts recovered	75	—	5	80
Provision for impairment of trade receivables	633	—	—	633
Finance costs	145	3	63	211
	<u>145</u>	<u>3</u>	<u>63</u>	<u>211</u>

	General Construction			
	Earthworks	Works	Unallocated	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Year ended 31 December 2014				
Gains on disposals of property, plant and equipment	784	—	—	784
Depreciation of property, plant and equipment	3,929	33	107	4,069
Bad debts recovered	480	—	—	480
Provision for impairment of trade receivables	1,230	—	—	1,230
Finance costs	277	2	38	317
	<u>277</u>	<u>2</u>	<u>38</u>	<u>317</u>

	General Construction			
	Earthworks	Works	Unallocated	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Year ended 31 December 2015				
Gains on disposals of property, plant and equipment	186	—	—	186
Depreciation of property, plant and equipment	3,996	50	116	4,162
Bad debts recovered	1,535	—	—	1,535
Provision for impairment of trade receivables	1,326	—	—	1,326
Finance costs	160	2	17	179
	<u>160</u>	<u>2</u>	<u>17</u>	<u>179</u>

(d) Geographical information

The Group's non-current assets are all based in Singapore. No geographical information is presented for the Group's business segment as the Group is principally engaged projects in Singapore.

(e) Revenue from customers during the Relevant Periods over 10% of the Group's total revenue is as follows:

	Year ended 31 December		
	2013	2014	2015
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Customer A			
— attributable to Earthworks	6,557	n/a	n/a
— attributable to General Construction Works	249	n/a	n/a
	<u>6,806</u>	n/a	n/a
Customer B — attributable to General Construction Works	n/a	16,612	n/a
Customer C — attributable to General Construction Works	n/a	n/a	23,124
Customer D — attributable to General Construction Works	n/a	n/a	17,257
	<u>n/a</u>	<u>n/a</u>	<u>17,257</u>

n/a: Transactions during the year did not exceed 10% of the Group's revenue.

8. REVENUE, OTHER INCOME AND GAINS

- (a) Revenue, which is also the Group's turnover, represents the income from Earthworks and General Construction Works. Revenue recognised during the Relevant Periods is as follows:

	Revenue from external customers		
	Year ended 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Earthworks	54,963	55,655	48,642
General Construction Works	6,423	36,757	50,680
	<u>61,386</u>	<u>92,412</u>	<u>99,322</u>

- (b) An analysis of the Group's other income and gains during the Relevant Periods is as follows:

	Year ended 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Other income			
Rental and maintenance income of dormitory	1,118	682	—
Management service income	281	232	236
Interest income on financial assets carried at amortised cost	111	79	57
Bad debts recovered	80	480	1,535
Rental income from investment property	124	124	126
Dividend income from available-for-sale financial assets	1	1	28
Sales of scrap materials and consumables	267	659	195
Others	37	365	167
	<u>2,019</u>	<u>2,622</u>	<u>2,344</u>
Gains			
Gains on disposals of property, plant and equipment	29	784	186
Gains on disposals of available-for-sale financial assets	65	162	—
Gains on disposals of associates	420	450	—
Net foreign exchange gain	—	2	—
	<u>514</u>	<u>1,398</u>	<u>186</u>
	<u>2,533</u>	<u>4,020</u>	<u>2,530</u>

9. FINANCE COSTS

	Year ended 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Interest expenses for financial liabilities carried at amortised cost:			
— Interest on finance leases	148	279	162
— Interest on bank overdraft and loans wholly repayable within five years	63	38	17
	<u>211</u>	<u>317</u>	<u>179</u>

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Auditor's remuneration			
— Current year	26	35	48
— Over provision in prior year	(13)	—	—
	<u>13</u>	<u>35</u>	<u>48</u>
Depreciation of property, plant and equipment*	3,214	4,069	4,162
Depreciation of investment property**	12	12	12
Direct operating expenses arising from investment property that generated rental income	17	18	19
Net foreign exchange loss	—	—	42
Operating lease rental expenses in respect of:			
— Office equipment and machines	6,292	4,025	4,836
— Warehouses, premises, dormitories and workshops	<u>1,273</u>	<u>1,475</u>	<u>1,055</u>
	<u>7,565</u>	<u>5,500</u>	<u>5,891</u>
Employee benefit expenses (including directors' remuneration (note 11))			
— Salaries, wages and bonuses	11,498	12,415	13,549
— Defined contribution	510	551	612
— Other short-term benefits	<u>1,212</u>	<u>1,465</u>	<u>1,914</u>
	<u>13,220</u>	<u>14,431</u>	<u>16,075</u>
Listing expenses	—	—	2,316
Provision for impairment of trade receivables	633	1,230	1,326
Loss on disposal of available-for-sale financial assets	—	—	3
Loss on derivative financial instruments, included in other expenses***	<u>13</u>	<u>—</u>	<u>—</u>

* Depreciation of property, plant and equipment amounted to approximately S\$3,097,000, S\$3,962,000 and S\$4,046,000 has been included in direct costs and approximately S\$117,000, S\$107,000 and S\$116,000 in administrative and other operating expenses during the years ended 31 December 2013, 2014 and 2015, respectively.

** Depreciation of investment property has been included in administrative and other operating expenses during the Relevant Periods.

*** During the year ended 31 December 2013, the Group entered a 6-month commodity forward contract which was not designated and effective as a hedging instrument. A realised loss amounted to approximately S\$13,000 was recognised in the period in which they arise. The Group did not adopt hedge accounting in respect of that commodity contract.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

The remuneration of each of the Directors for the Relevant Periods is set out below:

	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Discretionary bonuses S\$'000	Defined contribution S\$'000	Total S\$'000
Year ended 31 December 2013					
<i>Executive directors:</i>					
Mr. Alan Lim	90	318	135	14	557
Mr. Dicky Lau	20	134	13	14	181
Mr. Bijay Joseph	30	36	12	8	86
	<u>140</u>	<u>488</u>	<u>160</u>	<u>36</u>	<u>824</u>
Total	<u>140</u>	<u>488</u>	<u>160</u>	<u>36</u>	<u>824</u>
Year ended 31 December 2014					
<i>Executive directors:</i>					
Mr. Alan Lim	100	345	173	14	632
Mr. Dicky Lau	100	139	39	14	292
Mr. Quek Sze Whye ("Mr. Albert Quek")*	—	172	60	9	241
Mr. Bijay Joseph	—	36	12	8	56
	<u>200</u>	<u>692</u>	<u>284</u>	<u>45</u>	<u>1,221</u>
Total	<u>200</u>	<u>692</u>	<u>284</u>	<u>45</u>	<u>1,221</u>
Year ended 31 December 2015					
<i>Executive directors:</i>					
Mr. Alan Lim	280	360	197	15	852
Mr. Dicky Lau	100	142	64	15	321
Mr. Albert Quek	70	180	60	10	320
Mr. Bijay Joseph	10	36	12	8	66
	<u>460</u>	<u>718</u>	<u>333</u>	<u>48</u>	<u>1,559</u>
Total	<u>460</u>	<u>718</u>	<u>333</u>	<u>48</u>	<u>1,559</u>

* Mr. Albert Quek was appointed as an executive director of the Group with effect from January 2014.

(b) Five highest paid individuals

The five highest paid individuals of the Group included 2, 3 and 3 directors for the years ended 31 December 2013, 2014 and 2015, respectively, whose emoluments are reflected in note (a).

The analysis of the emolument of the remaining 3, 2 and 2 highest paid individuals for the years ended 31 December 2013, 2014 and 2015, respectively, are set out below:

	Year ended 31 December		
	2013 S\$'000	2014 S\$'000	2015 S\$'000
Salaries, allowances and benefits in kind	384	224	256
Discretionary bonuses	84	41	51
Defined contribution	28	21	29
	<u>496</u>	<u>286</u>	<u>336</u>
Total	<u>496</u>	<u>286</u>	<u>336</u>

The remuneration of the remaining individuals fell within the following bands:

	Number of individuals		
	Year ended 31 December		
	2013	2014	2015
Nil–HK\$1,000,000	1	1	1
HK\$1,000,001–HK\$1,500,000	<u>2</u>	<u>1</u>	<u>1</u>
	<u><u>3</u></u>	<u><u>2</u></u>	<u><u>2</u></u>

- (c) During the Relevant Periods, no director or any of the highest paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the Directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.
- (d) The Independent Non-Executive Directors were appointed with effect from 10 May 2016 and had not received any emoluments during the Relevant Periods.

12. INCOME TAX EXPENSE

(a) Income tax

	Year ended 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Current tax — Singapore income tax			
Tax for the year	1,131	2,632	2,599
(Over)/under provision for prior years	<u>(37)</u>	<u>288</u>	<u>(125)</u>
	1,094	2,920	2,474
Deferred tax			
Charged to profit or loss	<u>—</u>	<u>137</u>	<u>31</u>
Income tax expense	<u><u>1,094</u></u>	<u><u>3,057</u></u>	<u><u>2,505</u></u>

Singapore income tax has been provided at the rate of 17% on the estimated assessable profits for each of the financial years during the Relevant Periods.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax per the combined statements of comprehensive income as follows:

	Year ended 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Profit before income tax	<u>11,270</u>	<u>17,318</u>	<u>14,041</u>
Tax at statutory tax rate of 17%	1,916	2,944	2,387
Enhanced tax allowances, exemptions and rebates	(56)	(114)	(259)
Effect of non-deductible expenses	34	18	463
Effect of non-taxable income	(234)	(115)	(5)
(Over)/under provision for prior years	(37)	288	(125)
Effect of temporary differences	<u>(529)</u>	<u>36</u>	<u>44</u>
Income tax expense	<u>1,094</u>	<u>3,057</u>	<u>2,505</u>

(b) Deferred tax

Details of the deferred tax assets recognised and movements in the Relevant Periods:

	Accelerated tax depreciation		
	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
At beginning of the year	405	405	268
Charged to profit or loss for the year	<u>—</u>	<u>(137)</u>	<u>(31)</u>
At end of the year	<u>405</u>	<u>268</u>	<u>237</u>

13. DIVIDENDS

No dividend has been declared or paid by the Company since its incorporation. Dividend declared and paid by CL Construction to its then equity shareholders during the Relevant Periods is as follows:

	Year ended 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Interim dividends	<u>3,000</u>	<u>3,000</u>	<u>6,000</u>

14. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation, and the presentation of the results of the Group for the Relevant Periods on a combined basis as disclosed in note 2 above.

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery <i>S\$'000</i>	Furniture, fixtures and office equipment <i>S\$'000</i>	Motor vehicles <i>S\$'000</i>	Total <i>S\$'000</i>
At 1 January 2013				
Cost	13,368	556	12,151	26,075
Accumulated depreciation	<u>(10,861)</u>	<u>(316)</u>	<u>(8,237)</u>	<u>(19,414)</u>
Net book amount	<u>2,507</u>	<u>240</u>	<u>3,914</u>	<u>6,661</u>
Year ended 31 December 2013				
Opening net book amount	2,507	240	3,914	6,661
Additions	2,618	114	2,560	5,292
Depreciation	<u>(1,479)</u>	<u>(117)</u>	<u>(1,618)</u>	<u>(3,214)</u>
Closing net book amount	<u>3,646</u>	<u>237</u>	<u>4,856</u>	<u>8,739</u>
At 31 December 2013 and 1 January 2014				
Cost	15,680	586	14,711	30,977
Accumulated depreciation	<u>(12,034)</u>	<u>(349)</u>	<u>(9,855)</u>	<u>(22,238)</u>
Net book amount	<u>3,646</u>	<u>237</u>	<u>4,856</u>	<u>8,739</u>
Year ended 31 December 2014				
Opening net book amount	3,646	237	4,856	8,739
Additions	2,995	116	2,929	6,040
Depreciation	<u>(1,803)</u>	<u>(107)</u>	<u>(2,159)</u>	<u>(4,069)</u>
Closing net book amount	<u>4,838</u>	<u>246</u>	<u>5,626</u>	<u>10,710</u>
At 31 December 2014 and 1 January 2015				
Cost	16,126	537	17,458	34,121
Accumulated depreciation	<u>(11,288)</u>	<u>(291)</u>	<u>(11,832)</u>	<u>(23,411)</u>
Net book amount	<u>4,838</u>	<u>246</u>	<u>5,626</u>	<u>10,710</u>
Year ended 31 December 2015				
Opening net book amount	4,838	246	5,626	10,710
Additions	544	95	848	1,487
Depreciation	<u>(1,725)</u>	<u>(116)</u>	<u>(2,321)</u>	<u>(4,162)</u>
Closing net book amount	<u>3,657</u>	<u>225</u>	<u>4,153</u>	<u>8,035</u>
At 31 December 2015				
Cost	16,390	581	17,698	34,669
Accumulated depreciation	<u>(12,733)</u>	<u>(356)</u>	<u>(13,545)</u>	<u>(26,634)</u>
Net book amount	<u>3,657</u>	<u>225</u>	<u>4,153</u>	<u>8,035</u>

- (a) The net book value of property, plant and equipment held under finance lease obligations comprise:

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Cost	27,142	30,373	30,751
Accumulated depreciation	<u>(20,094)</u>	<u>(21,049)</u>	<u>(23,780)</u>
Net book value	<u>7,048</u>	<u>9,324</u>	<u>6,971</u>

- (b) As at 31 December 2013, 2014 and 2015, property, plant and equipment amounting to S\$43,000, S\$22,000 and S\$Nil were secured for the Secured Term Loans as below-mentioned in note 27(c).

16. INVESTMENT PROPERTY

	S\$'000
At 1 January 2013	
Cost	1,546
Accumulated depreciation	<u>(140)</u>
Net book amount	<u>1,406</u>
Year ended 31 December 2013	
Opening net book amount	1,406
Depreciation	<u>(12)</u>
Closing net book amount	<u>1,394</u>
At 31 December 2013 and 1 January 2014	
Cost	1,546
Accumulated depreciation	<u>(152)</u>
Net book amount	<u>1,394</u>
Year ended 31 December 2014	
Opening net book amount	1,394
Depreciation	<u>(12)</u>
Closing net book amount	<u>1,382</u>

	<i>S\$'000</i>
At 31 December 2014 and 1 January 2015	
Cost	1,546
Accumulated depreciation	<u>(164)</u>
Net book amount	<u><u>1,382</u></u>
Year ended 31 December 2015	
Opening net book amount	1,382
Depreciation	<u>(12)</u>
Closing net book amount	<u><u>1,370</u></u>
At 31 December 2015	
Cost	1,546
Accumulated depreciation	<u>(176)</u>
Net book amount	<u><u>1,370</u></u>
Fair value	
At 31 December 2013	<u><u>4,760</u></u>
At 31 December 2014	<u><u>5,000</u></u>
At 31 December 2015	<u><u>5,300</u></u>

The investment property of the Group consists of a four-storey industrial building used for rental income generation purpose. It was located at 1015 Upper Serangoon Road, Singapore 534753 on a freehold land. The estimated useful life of the investment property is 50 years. The investment property is stated at cost less accumulated depreciation and any impairment loss.

Fair value is determined by a market comparison method by taking into account the movement of the industrial property market index in Singapore. The fair value of the investment property has been carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value disclosed is categorised as Level 3 valuation. Significant increases/decreases in the unobservable input would result in a significant higher/lower fair value measurement. The highest and best use of the investment property of the Group does not differ from its current use.

The investment property was secured for the Group's mortgage loan (note 27(b)).

17. OTHER ASSETS

The Group's other assets represented the golf club membership. The golf club membership is tested for impairment annually.

As at the reporting dates, the Directors have performed impairment review and are in the opinion that no impairment is recognised.

18. INTERESTS IN ASSOCIATES

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Unlisted investment	900	—	—
Share of post-acquisition profits/(losses), net of dividends received	(900)	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Share of net assets	<u>—</u>	<u>—</u>	<u>—</u>

Particulars of the associates, which are accounted for using the equity method in the Financial Information, are as follows:

Name of companies	Place and date of incorporation	Paid-up share capital	Percentage of equity interest attributable to the Company	Principal activities
ECO CDW Management Pte. Ltd. ("ECO CDW Management")	Singapore 8 October 2002	S\$200,000	45%	Construction, demolition waste processing and recycling
Bluconnection Pte. Ltd. ("Bluconnection")	Singapore 21 December 2009	S\$2,859,998	23.96%	Manufacturer of chemical used in dyeing denim

Notes:

- (a) The associates are unlisted corporate entities whose quoted market price is not available.
- (b) Disposals of associates in the Relevant Periods:
- (1) The Group held 45% equity interest in ECO CDW Management and accounted for investment as an associate since the Group's acquisition in February 2003. In December 2013, the Group disposed of its entire interest in ECO CDW Management at consideration of S\$1,453,000. This transaction has resulted in the recognition of a gain on disposal of an associate, calculated as follows:

	S\$'000
Consideration	1,453
Less: carrying amount of 45% investment on date of loss of significant influence*	<u>(1,033)</u>
Gain on disposal of an associate	<u>420</u>

* In the opinion of the Director, the transaction was completed on 26 December 2013 (the "Cut-off Date") as the Group is not eligible to enforce any shareholder's right on ECO CDW Management subsequent to the Cut-off Date in accordance with the relevant sales and purchase agreement. The legal title has been passed to the purchaser in January 2014.

- (2) The Group held 23.96% equity interest in Bluconnection and accounted for the investment as an associate since the Group's acquisition in November 2010. In May 2014, the Group disposed of its entire interest in Bluconnection at consideration of S\$450,000 (the "Bluconnection Disposal"). This transaction has resulted in the recognition of a gain on disposal of an associate, calculated as follows:

	<i>S\$'000</i>
Consideration	450
Less: carrying amount of 23.96% investment on date of loss of significant influence	<u>—</u>
Gain on disposal of an associate	<u><u>450</u></u>

- (c) The summarised financial information of the associates extracted from management accounts prepared in accordance with HKFRS is set out below:

ECO CDW Management

	Year ended
	31 December
	2013
	<i>S\$'000</i>
Revenue	n/a*
Profit from continuing operations	n/a*
Dividends received from ECO CDW Management	<u>—</u>

* *The associate has been disposed in 2013.*

Bluconnection

	As at
	31 December
	2013
	<i>S\$'000</i>
Non-current assets	34
Current assets	1,999
Current liabilities	(15,803)
Non-current liabilities	<u>—</u>

	Year ended 31 December	
	2013	2014
	<i>S\$'000</i>	<i>S\$'000</i>
Revenue	7,792	n/a*
Loss from continuing operations	(2,759)	n/a*
Dividends received from Bluconnection	<u>—</u>	<u>—</u>

* *The associate has been disposed in 2014.*

Reconciliation to the Group's interests in associates:

	As at 31 December 2013 S\$'000
Net liabilities of Bluconnection	(13,770)
Percentage of equity interest attributable to the Group	23.96%
Carrying amount of the Group's interests in associates	<u>—</u>

Bluconnection had been in net liabilities position and making losses since the acquisition and therefore the investment cost were fully impaired during the year ended 31 December 2011 and the Group has discontinued recognition its share of losses of this associate since year ended 31 December 2012.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December		
	2013 S\$'000	2014 S\$'000	2015 S\$'000
Investment in life insurance policy at fair value (<i>note</i>)	—	—	1,439
Listed equity securities at fair value			
— Inside Hong Kong	24	24	47
— Outside Hong Kong	<u>570</u>	<u>128</u>	<u>149</u>
	<u>594</u>	<u>152</u>	<u>1,635</u>

Note: The Group entered into contract with an insurance company which contains life insurance policy to insure against the death of a key member of management of the Group, with insured sum of approximately US\$5,000,000 (equivalent to approximately S\$7,073,000). Under these contracts, the beneficiary and policy holder is CL Construction. The Group was required to pay a one-off premium payment of S\$1,813,000 during the year ended 31 December 2015. The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the premium payment plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. The insurer will declare interest (including the guaranteed interest) to the Group on a quarterly basis, based on the amount of account value, at a rate to be determined at insurer's own discretion.

Included in available-for-sale financial assets are the following amounts denominated in currencies other than the functional currency:

	As at 31 December		
	2013 S\$'000	2014 S\$'000	2015 S\$'000
HK\$	24	24	47
US\$	<u>73</u>	<u>73</u>	<u>1,549</u>
	<u>97</u>	<u>97</u>	<u>1,596</u>

20. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Contract costs incurred plus recognised profits less recognised losses	74,801	104,446	142,300
Less: Progress billings	<u>(67,634)</u>	<u>(98,383)</u>	<u>(133,875)</u>
	<u>7,167</u>	<u>6,063</u>	<u>8,425</u>
Analysed for reporting purposes as:			
Amounts due from customers for contract work	11,566	12,837	15,199
Amounts due to customers for contract work	<u>(4,399)</u>	<u>(6,774)</u>	<u>(6,774)</u>
	<u>7,167</u>	<u>6,063</u>	<u>8,425</u>

All amounts due from/(to) customers for contract work are expected to be recovered/settled within one year.

Included in the Group's amounts due from/(to) customers are balances with related parties whom are Mr. Alan Lim's spouse ("Mrs. Lim") and related companies beneficially wholly owned by Mr. Alan Lim, Mrs Lim and Mr. Alan Lim's brother. The amounts with the related parties included in the above balances were unsecured, interest free and repayable on demand, and illustrated as followings:

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Contract costs incurred plus recognised profits less recognised losses	744	10,492	35,637
Less: Progress billings received and receivable	<u>(423)</u>	<u>(5,397)</u>	<u>(26,903)</u>
	<u>321</u>	<u>5,095</u>	<u>8,734</u>
Analysed for reporting purposes as:			
Amounts due from customers for contract work	388	5,095	8,734
Amounts due to customers for contract work	<u>(67)</u>	<u>—</u>	<u>—</u>
	<u>321</u>	<u>5,095</u>	<u>8,734</u>

21. TRADE RECEIVABLES

	Notes	As at 31 December		
		2013 S\$'000	2014 S\$'000	2015 S\$'000
Trade receivables		12,252	20,456	33,990
Retention sum receivables	(a)	<u>2,537</u>	<u>6,086</u>	<u>3,008</u>
		14,789	26,542	36,998
Less: Provision for impairment of trade receivables		<u>(1,507)</u>	<u>(2,257)</u>	<u>(2,048)</u>
		<u>13,282</u>	<u>24,285</u>	<u>34,950</u>
Total trade receivables, net				
— Third parties		11,306	15,466	15,370
— Related parties	(d)	<u>1,976</u>	<u>8,819</u>	<u>19,580</u>
		<u>13,282</u>	<u>24,285</u>	<u>34,950</u>

- (a) Retention sum receivables refer to retention sum which will be partially billed upon the practical completion, and the balance shall be billed upon the final completion. Retention sum receivables are non-interest-bearing and on terms based on the respective contract's retention period.
- (b) During the Relevant Periods, credit period granted to the Group's customers generally within 30 days from invoice date of the relevant contract revenue. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually 1 year) after completion of the contract.
- (c) Based on invoices date, ageing analysis of the Group's trade receivables as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2013 S\$'000	2014 S\$'000	2015 S\$'000
0 to 30 days	6,522	10,900	11,355
31 to 90 days	3,395	6,331	7,349
91 to 180 days	1,509	4,082	7,249
181 to 365 days	1,082	2,051	8,027
1 year to less than 2 years	196	921	970
2 years and over	<u>578</u>	<u>—</u>	<u>—</u>
	<u>13,282</u>	<u>24,285</u>	<u>34,950</u>

Ageing analysis of the Group's trade receivables as at the end of each of the Relevant Periods that are not impaired is as follows:

	As at 31 December		
	2013 S\$'000	2014 S\$'000	2015 S\$'000
Neither past due nor impaired	6,626	11,292	12,371
1 to 30 days past due	2,005	4,236	5,652
31 to 90 days past due	1,959	3,401	6,555
91 to 180 days past due	1,284	2,951	8,513
181 to 365 days past due	960	1,548	1,181
1 year to less than 2 years past due	196	857	678
2 years and over	252	—	—
	<u>13,282</u>	<u>24,285</u>	<u>34,950</u>

The Group's trade receivables as at the reporting dates that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. The Group does not hold any collateral in respect of trade receivables past due but not impaired.

Movement in the provision for impairment of trade receivables:

	As at 31 December		
	2013 S\$'000	2014 S\$'000	2015 S\$'000
Balance at beginning of the year	949	1,507	2,257
Impairment losses	633	1,230	1,326
Bad debts recovered	(75)	(480)	(1,535)
	<u>1,507</u>	<u>2,257</u>	<u>2,048</u>

At the reporting dates, the Group's trade receivables are individually determined for impairment testing. Included in the provision for impairment of receivables are individually impaired trade receivables with a balance of approximately S\$1,507,000, S\$2,257,000 and S\$2,048,000 as at 31 December 2013, 2014 and 2015, respectively. The impairment losses recognised on trade receivables are expensed immediately for the amount by which the trade receivables' carrying amount exceeds their recoverable amount.

- (d) The receivables from these related parties were unsecured, interest free and repayable on demand. The trading transactions with these related parties and corresponding relationship with the Group are detailed in note 33.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Notes</i>	As at 31 December		
		2013 S\$'000	2014 S\$'000	2015 S\$'000
Deposits		338	232	494
Prepayments		447	857	1,102
Other receivables		<u>2,588</u>	<u>828</u>	<u>656</u>
	(a)	<u>3,373</u>	<u>1,917</u>	<u>2,252</u>
Classified as:				
Non-current assets		886	382	209
Current assets		<u>2,487</u>	<u>1,535</u>	<u>2,043</u>
		<u>3,373</u>	<u>1,917</u>	<u>2,252</u>

Notes:

- (a) Total deposits, prepayments and other receivables are analysed as follows:

	<i>Notes</i>	As at 31 December		
		2013 S\$'000	2014 S\$'000	2015 S\$'000
— Third parties		2,329	1,856	2,225
— Associates	(b)	908	—	—
— Related parties	(d)	<u>136</u>	<u>61</u>	<u>27</u>
		<u>3,373</u>	<u>1,917</u>	<u>2,252</u>

- (b) The Group has granted a loan to Bluconnection, amounting to S\$900,000 (the “Bluconnection Loan”), which is unsecured, bears fixed interest rate of 10% per annum and repayable on demand since November 2010. Upon the Bluconnection Disposal in May 2014, the interest term of the Bluconnection Loan has been revised as fixed interest of 5% per annum, and to be repaid over 3 years.

The corresponding transactions with associates in the Relevant Periods are detailed in note 33.

- (c) The Group considers that other receivables that were neither past due nor impaired under review are of good credit quality. The Group does not hold any collateral over these balances.
- (d) The deposits, prepayments and other receivables from these related parties were unsecured, interest free and repayable on demand. The transactions with these related parties and corresponding relationship with the Group are detailed in note 33.

23. DUE TO DIRECTORS

As at 31 December 2013, 2014 and 2015, the balances of approximately S\$25,000, S\$165,000 and S\$400,000 were due to directors, respectively, of which have been fully settled in March 2016.

The balances were unsecured, interest-free and repayable on demand.

24. CASH AND BANK BALANCES

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Cash at banks and in hand	14,059	16,510	14,903
Less: Pledged deposits (<i>note</i>)	<u>(4,251)</u>	<u>(4,270)</u>	<u>(4,271)</u>
Cash and cash equivalents	<u>9,808</u>	<u>12,240</u>	<u>10,632</u>

Note: As at 31 December 2013, 2014 and 2015, pledged deposits are restricted bank balances to secure:

- (i) the fuel supplies guarantee arrangement and the issuance of performance bonds (*note* 34);
- (ii) the banking facilities for term/bank loans amounting to approximately S\$3,000,000, S\$2,000,000 and S\$Nil, respectively (*note* 27(f)); and
- (iii) the banking facilities including letter of credit, overdraft and bank guarantee amounting to approximately S\$14,500,000, S\$14,500,000 and S\$14,500,000, respectively (*note* 27(f)).

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currency:

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
US\$	<u>41</u>	<u>43</u>	<u>48</u>

25. TRADE PAYABLES

	<i>Notes</i>	As at 31 December		
		2013	2014	2015
		S\$'000	S\$'000	S\$'000
Trade payables		4,662	4,296	9,443
Retention payables		<u>155</u>	<u>454</u>	<u>871</u>
	(b)	<u>4,817</u>	<u>4,750</u>	<u>10,314</u>
Total trade payables				
— Third parties		2,791	3,817	9,806
— Related parties	(c)	<u>2,026</u>	<u>933</u>	<u>508</u>
		<u>4,817</u>	<u>4,750</u>	<u>10,314</u>

Notes:

- (a) The Group's trade payables are non-interest bearing and generally have payment terms of 30 days.
- (b) Ageing analysis of trade payables as at the reporting dates is as follows:

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
0 to 30 days	2,080	3,292	8,023
31 to 90 days	533	628	1,100
91 to 180 days	63	164	172
Over 180 days	<u>2,141</u>	<u>666</u>	<u>1,019</u>
	<u>4,817</u>	<u>4,750</u>	<u>10,314</u>

- (c) The trading transactions with these related parties and corresponding relationship with the Group are detailed in note 33.

26. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Current liabilities:			
Other payables	725	440	914
Accruals	1,795	2,141	3,453
Deposits received	<u>208</u>	<u>46</u>	<u>16</u>
	<u>2,728</u>	<u>2,627</u>	<u>4,383</u>
Non-current liabilities:			
Deposits received	<u>10</u>	<u>—</u>	<u>15</u>

27. BANK BORROWINGS

	Notes	As at 31 December		
		2013 S\$'000	2014 S\$'000	2015 S\$'000
Current liabilities				
Secured bank loan:	(a)			
— Amounts payable within one year		125	—	—
Secured mortgage loan:	(b)			
— Amounts payable within one year		58	64	65
Secured term loans:	(c)			
— Amounts payable within one year		<u>664</u>	<u>248</u>	<u>187</u>
		<u>847</u>	<u>312</u>	<u>252</u>
Non-current liabilities				
Secured mortgage loan:	(b)			
— Amounts payable in second to fifth year		263	257	192
— Amounts payable after five year		<u>58</u>	<u>—</u>	<u>—</u>
		321	257	192
Secured term loans:	(c)			
— Amounts payable in second to fifth year		<u>791</u>	<u>493</u>	<u>206</u>
		<u>1,112</u>	<u>750</u>	<u>398</u>
Total balance of bank borrowings		<u>1,959</u>	<u>1,062</u>	<u>650</u>

Notes:

- (a) The Group entered into bank loan agreements with local banks which give the bank the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. The bank borrowings were executed under Local Enterprise Finance Scheme (“LEFS”) operated by the Standards, Productivity and Innovation Board of Singapore (“SPRING Singapore”) (the “LEFS Borrowings”). The interest rate offered by the banks is the LEFS lending rate of 5% per annum, which is fixed for the entire loan tenure. At the end of each of the Relevant Periods, all the LEFS Borrowings were guaranteed by Mr. Alan Lim and one of the bank loans was secured by pledge deposits of the Group.
- (b) At 31 December 2013, 2014 and 2015, the mortgage loan was guaranteed by Mr. Alan Lim and pledged by the Group's investment property (note 16). The following table details the interest rate of the mortgage loan during the Relevant Periods:

	Year ended 31 December		
	2013	2014	2015
Range of interest rate of the mortgage loan per annum	2.0%–4.7%	4.7%–5.3%	2.3%–5.3%

- (c) The Group has obtained term loans in January 2013 (the "Secured Term Loans") to finance purchase of the Group's property, plant and equipment. As at 31 December 2013, 2014 and 2015, the term loans from bank were guaranteed by Mr. Alan Lim and secured by the pledge of certain Group's property, plant and equipment (note 15).

	Year ended 31 December		
	2013	2014	2015
Range of interest rate of the Secured Term Loans per annum	1.8%	0.9%–1.8%	0.9%–1.8%

- (d) Based on the schedule repayment dates set out in the loan agreements as mentioned in (a) to (c), the bank borrowings are repayable as follows:

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Within one year	847	312	252
In the second year	741	315	256
In the third to fifth year	313	435	142
More than five years	58	—	—
	<u>1,959</u>	<u>1,062</u>	<u>650</u>

- (e) As at the reporting dates, the summary of pledged assets and pledged deposits to bank borrowings are as follows:

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Property, plant and equipment (note 15)	<u>43</u>	<u>22</u>	<u>—</u>
Investment property (note 16)	<u>1,394</u>	<u>1,382</u>	<u>1,370</u>
Pledged deposits (note 24)	<u>4,251</u>	<u>4,270</u>	<u>4,271</u>

- (f) The Group's aggregate banking facilities were amounting to S\$39,126,000, S\$45,126,000 and S\$42,477,000, of which S\$23,188,000, S\$26,039,000 and S\$20,369,000 have been utilised as at 31 December 2013, 2014 and 2015, respectively. The banking facilities of the Group were guaranteed by Mr. Alan Lim and pledged by the Group's investment property and bank deposits as set out in notes 16 and 24. The summary of banking facilities are as follows:

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Banking facilities for:			
— Term/bank loans	5,000	4,000	2,000
— Mortgage loan	827	827	827
— Letter of credit, bank overdraft and bank guarantee	16,500	16,500	16,500
— Hire purchase	<u>16,799</u>	<u>23,799</u>	<u>23,150</u>
	<u>39,126</u>	<u>45,126</u>	<u>42,477</u>

28. FINANCE LEASE OBLIGATIONS

The total future minimum lease payments under finance leases and their present values were as follows:

	2013		At 31 December 2014		2015	
	Minimum lease payments S\$'000	Present values of minimum lease payments S\$'000	Minimum lease payments S\$'000	Present values of minimum lease payments S\$'000	Minimum lease payments S\$'000	Present values of minimum lease payments S\$'000
Within one year	2,614	2,417	3,687	3,537	2,804	2,701
In the second to fifth years, inclusive	<u>4,288</u>	<u>4,150</u>	<u>5,142</u>	<u>5,015</u>	<u>3,190</u>	<u>3,119</u>
	6,902	6,567	8,829	8,552	5,994	5,820
Less: future finance charges	<u>(335)</u>	<u>n/a</u>	<u>(277)</u>	<u>n/a</u>	<u>(174)</u>	<u>n/a</u>
Present value of lease obligations	<u><u>6,567</u></u>	<u><u>6,567</u></u>	<u><u>8,552</u></u>	<u><u>8,552</u></u>	<u><u>5,820</u></u>	<u><u>5,820</u></u>
Less: Amounts due for settlement within 12 months (shown under current liabilities)		(2,417)		(3,537)		(2,701)
Amounts due for settlement after 12 months but contain a repayment on demand clause (shown under current liabilities)		<u>(2,452)</u>		<u>(3,062)</u>		<u>(1,597)</u>
		<u>(4,869)</u>		<u>(6,599)</u>		<u>(4,298)</u>
Amounts due for settlement after 12 months		<u><u>1,698</u></u>		<u><u>1,953</u></u>		<u><u>1,522</u></u>

The Group leases certain property, plant and equipment under finance leases (note 15). The lease term is ranging from 3 to 7 years, with effective interest rate ranging from approximately 2.1% to 6.5% per annum in the Relevant Periods. All the leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the charge over the leased asset and guaranteed by Mr. Alan Lim (note 33).

29. SHARE CAPITAL AND RESERVES

Details of the movements on the Group's reserves are set out in the combined statements of changes in equity in Section I.

Share capital

The Company was incorporated in the Cayman Islands on 25 August 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same day, 1 nil-paid share in the share capital of the Company was allotted and issued to Codan Trust Company (Cayman) Limited, the initial subscriber, and transferred to Brewster Global Holdings Limited, which is wholly and beneficially owned by Mr. Alan Lim.

For the purpose of this report, the share capital of the Group as at 31 December 2013, 2014 and 2015 represented the share capital of Longlands of US\$100.

During the year ended 31 December 2015, a pre-IPO investor (the "Pre-IPO Investor") as subscriber, and Longlands as the issuer and Mr. Alan Lim as guarantor to Longlands entered into an agreement, pursuant to which the Pre-IPO Investor agreed to subscribe and Longlands allotted and issued 7 ordinary shares in the share capital of Longlands to the Pre-IPO Investor at a consideration of approximately S\$2,166,000 (equivalent to HK\$12,000,000). The subscription was completed on 7 September 2015. The allotment of 7 shares credited approximately S\$2,166,000 to the account of share premium during the year ended 31 December 2015.

Share premium

Under the bye-laws and Memorandum and Articles of Association of Longlands, there is no restriction on the share premium account.

Capital reserve

Capital reserve of the Group arose as a result of the Reorganisation and represented the difference between the nominal value of Longlands' shares issued and the nominal value of the share capital of a subsidiary.

30. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2013, 2014 and 2015, the Group has given corporate guarantee to a bank for a related company to obtain banking facilities of S\$38,240,000. As at 31 December 2015, the Group had given corporate guarantee to a bank for an independent third party to obtain banking facilities of Australian dollar ("AU\$") 9,100,000 (equivalent to approximately S\$9,394,000), of which the Group's maximum exposure amounted to approximately S\$4,697,000.

The Directors considered that no provision has been made for the Group's obligation under the guarantee contracts as it was considered that it was not probable that the settlement/repayment of the facilities would be in default.

31. OPERATING LEASE ARRANGEMENT**(a) As lessor**

Future minimum lease rental receivables under non-cancellable operating leases of the Group as at the reporting dates are as follows:

	As at 31 December		
	2013	2014	2015
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Within one year	322	49	133
Within second to fifth year	<u>27</u>	<u>—</u>	<u>35</u>
	<u><u>349</u></u>	<u><u>49</u></u>	<u><u>168</u></u>

The Group leases its investment property and a dormitory under operating lease. The leases run for an initial period of 1 to 3 years. None of these leases includes any contingent rentals.

(b) As lessee

Future minimum rental payables under non-cancellable operating lease of the Group in respect of as at the reporting dates are as follows:

	As at 31 December		
	2013	2014	2015
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Within one year	420	732	113
Within second to fifth year	<u>26</u>	<u>213</u>	<u>—</u>
	<u><u>446</u></u>	<u><u>945</u></u>	<u><u>113</u></u>

The Group leases office premises, office equipments, workshops and warehouses and a dormitory under operating leases. The leases run for an initial period of 1 to 4 years, with options to renew the lease terms upon expiry when all terms are re-negotiated. None of these leases includes any contingent rentals.

32. COMMITMENTS

The Group has the following commitments as at the reporting dates in respect of:

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
— Contracted but not provided for, in respect of acquisition of property, plant and equipment	1,459	—	2,533

33. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The Directors of the Company are of the view that the followings companies are related parties that had transactions or balances with the Group during the Relevant Periods:

Name of the related party	Relationship with the Group
Mrs Lim	Mr. Alan Lim's spouse
Autoworld Care Pte. Ltd. ("Autoworld Care")	A related company beneficially partially owned by Mr. Alan Lim
Autoworld Hub Pte. Ltd. ("Autoworld Hub")	A related company partially owned by Mr. Alan Lim
Cheng Yap Construction Pte. Ltd. ("Cheng Yap")	A related company wholly owned by Mr. Alan Lim's brother
Chuan Lim Engineering Pte. Ltd. ("Chuan Lim Engineering")*	A related company wholly owned by certain directors of the Group
Chuan Marine Pte. Ltd. ("Chuan Marine")	A related company wholly owned by Mr. Alan Lim
Chuan Marine SNK Engineering & Trading Pte. Ltd. ("Chuan Marine SNK")	A related company beneficially partially owned by Mr. Alan Lim
CM Marine Pte. Ltd. ("CM Marine")	A related company substantially owned by certain directors of the Group
Golden Empire Civil Engineering Pte. Ltd. ("Golden Empire")	A related company partially owned by Mr. Alan Lim
Hulett Construction (S) Pte. Ltd. ("Hulett Construction")	A related company wholly owned by Mr. Alan Lim and his spouse
United E&P Pte. Ltd. ("United E&P")	A related company beneficially partially owned by Mr. Alan Lim
We Lim Builders Pte. Ltd. ("We Lim Builders")	A related company wholly owned by Mr. Alan Lim and his spouse

* All of the shares in Chuan Lim Engineering held by the directors of the Group were disposed to independent third parties during the year ended 31 December 2015.

- (b) Save as disclosed elsewhere in the Financial Information, during the Relevant Periods, the following material transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Construction contract work and ancillary services income received from related parties			
— Mrs Lim	621	1,099	2,021
— Cheng Yap	156	710	—
— Chuan Lim Engineering	3,184	405	181
— Chuan Marine	60	—	—
— Chuan Marine SNK	105	—	—
— CM Marine	—	113	83
— Golden Empire [#]	—	1,174	4,580
— Hulett Construction	—	8,773	23,124
— United E&P	—	38	39
	<u>4,126</u>	<u>12,312</u>	<u>30,028</u>
Rental and maintenance income of dormitory received from related parties			
— Chuan Lim Engineering	31	30	—
— Chuan Marine	1	—	—
	<u>32</u>	<u>30</u>	<u>—</u>
Sales of scrap materials and consumables to related parties			
— Cheng Yap	8	—	—
— Chuan Lim Engineering	30	3	2
— Chuan Marine	8	—	—
— Chuan Marine SNK	1	—	—
— Golden Empire	—	108	—
	<u>47</u>	<u>111</u>	<u>2</u>
Management service income received from related parties			
— Chuan Lim Engineering	160	160	107
— Chuan Marine	49	—	—
— We Lim Builders	72	72	8
	<u>281</u>	<u>232</u>	<u>115</u>
Purchase of property, plant and equipment from related parties			
— Cheng Yap	—	9	—
— Chuan Marine	—	3	—
— Chuan Marine SNK	—	6	—
— We Lim Builders	46	—	—
	<u>46</u>	<u>18</u>	<u>—</u>

	Year ended 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Construction costs and related supporting service fees charged by related parties			
— Autoworld Care	—	—	8
— Autoworld Hub	—	110	311
— Cheng Yap	177	151	137
— Chuan Lim Engineering	3,656	2,770	1,219
— Chuan Marine	2	—	—
— Chuan Marine SNK	404	—	—
— CM Marine	—	—	15
— Golden Empire	—	—	19
— Hulett Construction [#]	1,246	799	—
— United E&P [#]	—	—	19
— We Lim Builders	498	403	358
	<u>5,983</u>	<u>4,233</u>	<u>2,086</u>
Rental expenses charged by related parties			
— Hulett Construction	54	18	—
	<u>54</u>	<u>18</u>	<u>—</u>
Management service fees charged by related parties			
— Hulett Construction	11	2	—
— We Lim Builders	2	—	—
	<u>13</u>	<u>2</u>	<u>—</u>
Loan interest income received from an associate			
— Bluconnection	90	30	—
	<u>90</u>	<u>30</u>	<u>—</u>

[#] The transactions with the related parties constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

All the transactions with the related parties and associates were negotiated and carried in the ordinary course of business and at terms agreed between the parties.

- (c) The outstanding balances of interest-bearing bank borrowings guaranteed by Mr. Alan Lim as at the end of each of the Relevant Periods are detailed in notes 27(a) to (c).
- (d) The bank facilities guaranteed by Mr. Alan Lim as at the end of each of the Relevant Periods are detailed in note 27(f).
- (e) At 31 December 2013, 2014 and 2015, the Group provided financial guarantee contracts to a bank amounting to S\$38,240,000 to secure certain banking facilities granted to Hulett Construction (note 30).
- (f) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	Year ended 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Short-term employee benefits	<u>1,365</u>	<u>1,601</u>	<u>1,988</u>

(g) Details of amounts due from related parties during the Relevant Periods are as follows:

	Maximum amount outstanding during the year ended		
	31 December		
	2013	2014	2015
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Related parties:			
Mrs Lim	388	1,202	2,896
Autoworld Hub	—	3	25
Cheng Yap	—	126	154
Chuan Lim Engineering	2,071	1,888	—
Chuan Marine	206	206	—
CM Marine	—	86	60
Golden Empire	—	2,109	4,506
Hulett Construction	—	8,745	23,254
United E&P	—	41	43
We Lim Builders	43	—	—
	<u>915</u>	<u>—</u>	<u>—</u>
Associates:			
Bluconnection	915	—	—
	<u>915</u>	<u>—</u>	<u>—</u>

34. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

(a) Performance bonds and guarantees provided for ordinary course of business

- (i) At 31 December 2013, 2014 and 2015, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of S\$7,296,000, S\$6,289,000 and S\$2,346,000, respectively. The guarantees in respect of performance bonds issued by banks, which are secured by pledged deposits (note 24) and guaranteed by Mr. Alan Lim.
- (ii) During the Relevant Periods, the Group had contingent liabilities on providing guarantee of an agreement amounting to S\$150,000 to a fuel supplier contractually for commercial fuel supply offering to the Group, which was arranged via a bank under mutual agreement between parties, the Group has pledged its bank deposits (note 24) and obtained personal guarantee of Mr. Alan Lim.

(b) Financial guarantees

At 31 December 2013, 2014 and 2015, the Group had provided corporate guarantee to a bank for banking facilities offered to a related company, Hulett Construction, amounting to S\$38,240,000. At 31 December 2015, the Group had provided corporate guarantee to a bank for banking facilities of AU\$9,100,000 (equivalent to approximately S\$9,394,000) offered to an independent third party, with the maximum exposure amounted to approximately S\$4,697,000.

35. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

Major non-cash transactions

- (a) During the years ended 31 December 2013, 2014 and 2015, deposits of approximately S\$85,000, S\$30,000 and S\$Nil, respectively, paid for the acquisition of property, plant and equipment were capitalised as property, plant and equipment, upon completion of acquisition.
- (b) During the years ended 31 December 2013, 2014 and 2015, the Group acquired property, plant and equipment at cost of approximately S\$3,708,000, S\$5,817,000 and S\$1,247,000 which were financed by finance lease arrangement, respectively, as set out in note 28.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board of directors meets periodically to analyse and formulate measures to manage and monitor the Group's exposure to market risk including principally changes in interest rates and currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Directors review and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to bank deposits, pledged deposits, bank borrowings and finance lease obligations. The cash flow interest rate risk is mainly concentrated on fluctuations associated with bank borrowings with floating rate which represent prime rate plus margin per annum and variable rate bank balances. Finance lease obligations and bank borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

The following tables detail the interest rate profile of the Group at the reporting dates:

	Effective interest rate per annum					
	As at 31 December			As at 31 December		
	2013	2014	2015	2013	2014	2015
			US\$ '000	US\$ '000	US\$ '000	
Fixed-rate pledged deposits	0.1%–1.1%	0.1%–0.8%	0.4%–0.9%	4,251	4,270	4,271
Fixed-rate borrowings	2.1%–6.5%	0.9%–2.6%	1.8%–4.3%	8,147	9,293	6,213
Floating-rate borrowings	2.0%	4.7%	2.5%	379	321	257
				<u>8,526</u>	<u>9,614</u>	<u>6,470</u>

At the respective reporting dates, if interest rate had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit after income tax expense would decrease/increase by approximately S\$7,000, S\$12,000 and S\$5,000 for the years ended 31 December 2013, 2014 and 2015, respectively.

Foreign currency risk

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in S\$.

Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles and the Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise. The Group's equity price risk is concentrated on equity securities listed in Hong Kong, Singapore and United States, and these investments are diversified into several different industries.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of each reporting date. If the prices of the listed equity securities classified as available-for-sale financial assets had been 10% higher/lower, the investment revaluation reserve for the years ended 31 December 2013, 2014 and 2015 would increase/decrease by approximately S\$59,000, S\$15,000 and S\$20,000 as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2013, 2014 and 2015, 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 and the financial guarantees provided by the Group is primarily attributable to trade and other receivables, pledged deposits, cash and cash equivalents and the contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 30. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

The Group enters into trading transaction with the recognised and reputable third parties. Before accepting any new contract, evaluations were considered on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, the Group has significant concentration of credit risk from various customers. In view of their good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. At 31 December 2013, 2014 and 2015, 13%, 20% and 50% of the total trade debtors was due from the Group's largest customer respectively and 43%, 54% and 74% of the total trade debtors was due from the Group's five largest customers respectively.

In addition, the credit risk on corporate guarantee given to banks in respect of banking facilities granted to a related company and an independent third party is limited because the management will regularly review their financial performance and reconsider the continuance of the given guarantee regularly.

Fair value measurements recognised in the statement of financial position

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial asset and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Some of the Group's financial assets are measured at fair value at the end of each of the Relevant Periods. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Notes	Fair value As at 31 December			Fair value hierarchy
		2013	2014	2015	
		S\$'000	S\$'000	S\$'000	
Available-for-sale financial assets					
Investment in life insurance policy	(a)	—	—	1,439	Level 2
Listed equity securities	(b)	594	152	196	Level 1

Notes:

- (a) The fair value of investment in life insurance policy is determined based on account value as stated in cash surrender value statement issued by insurer.
- (b) Fair value of the listed equity securities has been determined directly reference to published price quotation in active market.

There were no transfers between different levels during the Relevant Periods.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity. The Group also monitors the utilisation of borrowings and ensures compliance with loan covenants.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, are as follows:

	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2013							
Trade payables	4,817	4,817	4,817	—	—	—	—
Other payables and accruals	2,520	2,520	2,520	—	—	—	—
Due to directors	25	25	25	—	—	—	—
Dividend payable	2,000	2,000	2,000	—	—	—	—
Bank borrowings	1,959	2,026	126	760	757	324	59
Finance lease obligations	6,567	6,902	4,115	1,007	933	847	—
	<u>17,888</u>	<u>18,290</u>	<u>13,603</u>	<u>1,767</u>	<u>1,690</u>	<u>1,171</u>	<u>59</u>
Financial guarantee issued (note) (maximum amount guaranteed)	<u>—</u>	<u>38,240</u>	<u>38,240</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2014							
Trade payables	4,750	4,750	4,750	—	—	—	—
Other payables and accruals	2,581	2,581	2,581	—	—	—	—
Due to directors	165	165	165	—	—	—	—
Dividend payable	601	601	601	—	—	—	—
Bank borrowings	1,062	1,091	—	324	324	443	—
Finance lease obligations	8,552	8,829	5,466	1,363	1,049	951	—
	<u>17,711</u>	<u>18,017</u>	<u>13,563</u>	<u>1,687</u>	<u>1,373</u>	<u>1,394</u>	<u>—</u>
Financial guarantee issued (note) (maximum amount guaranteed)	<u>—</u>	<u>38,240</u>	<u>38,240</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2015							
Trade payables	10,314	10,314	10,314	—	—	—	—
Other payables and accruals	4,367	4,367	4,367	—	—	—	—
Due to directors	400	400	400	—	—	—	—
Bank borrowings	650	669	—	262	262	145	—
Finance lease obligations	5,820	5,994	3,146	1,284	880	684	—
	<u>21,551</u>	<u>21,744</u>	<u>18,227</u>	<u>1,546</u>	<u>1,142</u>	<u>829</u>	<u>—</u>
Financial guarantee issued (note) (maximum amount guaranteed)	<u>—</u>	<u>42,937</u>	<u>42,937</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Note: Based on expectations at the end of each of the Relevant Periods, the Group considers that it is more likely that no amount will be payable under the arrangement. However, the estimate is subject to change depending on the probability of the counterparty which suffers credit losses on the financial receivables and claims under the guarantee.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting dates are as follows:

Financial assets

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
Available-for-sale financial assets	594	152	1,635
Loans and receivables			
Trade receivables	13,282	24,285	34,950
Other receivables	2,588	828	656
Pledged deposits	4,251	4,270	4,271
Cash and cash equivalents	9,808	12,240	10,632
	<u>30,523</u>	<u>41,775</u>	<u>52,144</u>

Financial liabilities

	As at 31 December		
	2013	2014	2015
	S\$'000	S\$'000	S\$'000
At amortised costs			
Trade payables	4,817	4,750	10,314
Other payables and accruals	2,520	2,581	4,367
Due to directors	25	165	400
Dividend payable	2,000	601	—
Bank borrowings	1,959	1,062	650
Finance lease obligations	6,567	8,552	5,820
	<u>17,888</u>	<u>17,711</u>	<u>21,551</u>

38. CAPITAL MANAGEMENT

The Group's capital management objectives include:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital. The amount of capital as at 31 December 2013, 2014 and 2015 amounted to approximately S\$29,530,000, S\$40,624,000 and S\$48,000,000, respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

39. EVENT AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in this report, the Group has the following subsequent events undertaken by the Company or by the Group after 31 December 2015:

The companies in the Group underwent the Reorganisation in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and corporate structure" in this Prospectus.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully,

BDO Limited
Certified Public Accountants
Cheung Or Ping
Practising Certificate Number P05412
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" to this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

For illustrative purpose, only the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the Global Offering might have affected the combined net tangible assets of the Group attributable to owners of the Company after the completion of the Global Offering.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted combined net tangible assets prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Global Offering on the combined net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 31 December 2015. This unaudited pro forma statement of adjusted combined net tangible assets 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 had the Global Offering been completed on 31 December 2015 or at any future dates.

	Audited combined net tangible assets attributable to the owners of the Company as at 31 December 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted combined net tangible assets per Share
	<i>S\$'000</i> <i>(note 1)</i>	<i>S\$'000</i> <i>(note 2)</i>	<i>S\$'000</i>	<i>S\$</i> <i>(notes 2 to 3)</i>
Based on an Offer Price of HK\$0.59 per Share	<u>47,627</u>	<u>15,884</u>	<u>63,511</u>	0.0635 (equivalent to <u>HK\$0.3478</u>)
Based on an Offer Price of HK\$0.88 per Share	<u>47,627</u>	<u>24,569</u>	<u>72,196</u>	0.0722 (equivalent to <u>HK\$0.3954</u>)

Notes:

- (1) The unadjusted audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 is arrived at after deducting other assets of approximately S\$373,000 from the audited combined net assets of approximately S\$48,000,000 as at 31 December 2015, as shown in the Accountant's Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 170,000,000 new shares and the indicative Offer Price of HK\$0.59 and HK\$0.88 per Share, being the lower and higher end of the stated Offer Price range per Share, assuming no exercise of Over-allotment Option or any options that may be granted under the Share Option Scheme, after deduction of the underwriting fees and other related expenses (excluding listing related expenses of approximately S\$2,316,000 which have been accounted for prior to 31 December 2015) payable by the Company in connection with the Global Offering. The estimated net proceeds are converted into S\$ at the rate of S\$1 = HK\$5.4770, which was the rate prevailing on 31 December 2015.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Global Offering assuming (i) the Global Offering had been completed on 31 December 2015 and (ii) no exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme and no Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group enter into subsequent to 31 December 2015.
- (5) The property interests of the Group as at 29 February 2016 were valued by Roma Appraisals Limited. Details of the valuation in respect of these property interests were set out in Appendix III to this prospectus. The revaluation surplus of the property interests under investment property of approximately S\$3,930,000 will not be included in the Group's financial statements as of 31 December 2015. The Group's accounting policy is to state such investment property at cost less accumulated depreciation and any impairment loss rather than at fair value. Had all the property interests been stated at such valuations, the additional annual depreciation would be approximately S\$13,000.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountant of the Company, BDO Limited, Certified Public Accountants, Hong Kong.



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香港干諾道中111號
永安中心25樓

25 May 2016

The Directors
Chuan Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chuan Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted combined net tangible assets as at 31 December 2015 and the related notes as set out in Appendix II on pages II-1 to II-2 of the prospectus issued by the Company (the “Unaudited Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of global offering of the Company (the “Global Offering”) on the Group’s financial position as at 31 December 2015 as if the Global Offering had taken place on the same date. As part of this process, information about the Group’s financial position as at 31 December 2015 has been extracted by the Directors from the Group’s historical financial statements for the year ended 31 December 2015, on which an accountant’s report 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 Rule 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” (“AG7”) issued by the Hong Kong Institute of Certified Public Accountants (“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.

The firm applies Hong Kong Standard on Quality Control 1 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 ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by Rule 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 accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with Rule 4.29(7) of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purpose 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 a prospectus is solely to illustrate the impact of the Global Offering of the Company on unadjusted financial information of the Group as if 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 transaction as at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether

- The related 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the 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 by the Directors 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 Rule 4.29(1) of the Listing Rules.

Yours faithfully,

BDO Limited

Certified Public Accountants

Cheung Or Ping

Practising Certificate Number P05412

Hong Kong

The following is the text of a report prepared for the purpose of incorporation in this prospectus received from Roma Appraisals Limited, an independent valuer, in connection with its valuations as at 29 February 2016 of the property.



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26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

25 May 2016

Chuan Holdings Limited

20 Senoko Drive
Singapore 758207

Dear Sir/Madam,

Re: Various Properties in Singapore

In accordance with your instructions for us to value the properties held by Chuan Holdings Limited (the “Company”) and/or its subsidiaries (together with the Company referred to as the “Group”) in Singapore, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 29 February 2016 (the “Date of Valuation”) for the purpose of incorporation in the prospectus of the Company dated 25 May 2016.

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. PROPERTY CATEGORISATION

In the course of our valuations, the properties owned or rented by the Group are categorized into the following groups:

- Group I (Property held by the Group for investment purpose in Singapore);
- Group II (Property rented by the Group in Singapore); and
- Group III (Property contracted to be rented by the Group in Singapore).

3. VALUATION METHODOLOGY

For the property in Group I, we have valued it by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Appropriate adjustments have been made to account for the differences between the properties and the comparables in terms of age, time, location, floor level and other relevant factors.

For the property in Group II and Group III, we have attributed no commercial value to the property interests which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

4. TITLE INVESTIGATION

We have carried out land searches at the Singapore Land Authority. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. We do not accept a liability of any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

5. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

6. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

7. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations are prepared in compliance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

8. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Singapore Dollars (“SGD”).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Dr. Alan W K Lee
BCom(Property) MFin PhD(BA)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Director

Frank F Wong
BA (Business Admin) MSc (Real Estate)
MRICS Registered Valuer
Associate Director

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 12 years’ valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

Note: Mr. Frank F Wong is a Chartered Surveyor and Registered Valuer who has 17 years’ valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 9 years’ experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

SUMMARY OF VALUES

Group I — Property held by the Group for investment purpose in Singapore

No.	Property	Market Value in Existing State as at 29 February 2016
1.	Unit Nos. 01-01, 02-01, 03-01 and 04-01, No. 1015 Upper Serangoon Road, Singapore 534753	SGD5,300,000.
Sub-total:		<u>SGD5,300,000.</u>

Group II — Property rented by the Group in Singapore

No.	Property	Market Value in Existing State as at 29 February 2016
2.	Unit No. 03-00, 4 Woodlands Loop, Singapore 738204	No Commercial Value.
Sub-total:		<u>Nil.</u>

Group III — Property contracted to be rented by the Group in Singapore

No.	Property	Market Value in Existing State as at 29 February 2016
3.	Portion of 2/F, 6/F and 84 undesignated car parking lots of the industrial factory development situated in 20 Senoko Drive, Singapore 758207	No Commercial Value.
Sub-total:		<u>Nil.</u>

VALUATION CERTIFICATE

Group I — Property held by the Group for investment purpose in Singapore

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 29 February 2016
1.	Unit Nos. 01-01, 02-01, 03-01 and 04-01, No. 1015 Upper Serangoon Road, Singapore 534753	<p>The property comprises a commercial unit on the ground floor, an ancillary office on 2nd floor and 2 residential units on 3rd and 4th floor respectively in a commercial/residential composite building, which was completed in about 2002.</p> <p>The total net floor area of the property is about 401 sq.m. For details, please see Note 3.</p> <p>The property rights are held under estate in fee simple. Fee simple title means absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.</p>	The property is subject to various tenancy agreements with a total monthly rent of SGD11,100. For details, please refer to Note 4.	SGD5,300,000.

Notes:

1. According to a Certificate of Title Volume 607 Folio 157 registered on 25 October 2002, the proprietor of the property is Chuan Lim Construction Pte Ltd (Company Registration No. 199600684W), a wholly-owned subsidiary of the Company.
2. The property is subject to mortgage No. I/220022S in favour of Standard Chartered Bank registered on 20 October 2004.
3. According to the information provided by client, the total net floor area of the property is about 401 sq.m. and the area breakdowns are as follows:

	Net Floor Area (sq.m.)
Unit No. 01-01	62
Unit No. 02-01	90
Unit No. 03-01	124
Unit No. 04-01	125
Total	<u>401</u>

4. The property is subject to various tenancies with a total monthly rent of SGD11,100, exclusive of management fees and outgoing. The details of which are as follows:

Premises	Expiry Date	Monthly Rent
Unit No. 01-01	31 May 2017	SGD3,600
Unit No. 02-01	30 April 2017	SGD3,300
Unit No. 03-01 (<i>Remarks (i)</i>)	28 February 2017	SGD2,200
Unit No. 04-01 (<i>Remarks (ii)</i>)	31 December 2016	SGD2,000
		SGD11,100
	Total	SGD11,100

Remarks:

- (i) Rental comprising SGD1,500 and SGD700 being rental and charges for the maintenance charges and the hire of the furniture, fixtures and fittings respectively.
- (ii) Rental comprising rental and hire of the furniture, fixtures and fittings.
5. Our inspection was performed by Dr. Alan W K Lee in November 2015.

VALUATION CERTIFICATE

Group II — Property rented by the Group in Singapore

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 29 February 2016
2.	No. 03-00, 4 Woodlands Loop, Singapore 738204	<p>The property comprises an office unit on the 3rd floor of the Building completed in about 2000's.</p> <p>The gross floor area of the property is about 8,100 sq.ft. (or about 752.51 sq.m.)</p> <p>The property rights are held under leasehold estate for a term of 30 years commencing on 16 July 1994 expiring on 15 July 2024.</p>	<p>The property is rented by Chuan Lim Construction Pte Ltd for a term of 2 years commencing on 1 April 2014 and expiring on 31 March 2016 at a monthly rent of SGD13,770 with an option to renew for a term of 2 years inclusive of rates, electricity and water bills and exclusive of management fees and other outgoings for office purpose.</p>	No Commercial Value.

Notes:

1. According to a Certificate of Title (Sub) Volume 695 Folio 108 registered on 11 September 2010, the proprietor of the property is Kay Lim Construction & Trading Pte Ltd (Company Registration No. 198900654E).
2. Our inspection was performed by Dr. Alan W K Lee in November 2015.

VALUATION CERTIFICATE

Group III — Property contracted to be rented by the Group in Singapore

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 29 February 2016
3.	Portion of 2/F, 6/F and 84 undesignated car parking lots of the industrial factory development situated in 20 Senoko Drive, Singapore 758207	<p>The subject development comprises a 9-storey general industrial factory development with temporary ancillary staff canteen and temporary secondary workers dormitory and car park, completed in about February 2016.</p> <p>The property comprises a workshop on 2/F; ancillary office and workers dormitory on 6/F and 84 undesignated car parking lots having a total gross floor area (“GFA”) of about 23,849 sq.ft..</p> <p>The property rights are held under leasehold estate for a term of 30 years commencing on 16 September 2012.</p>	<p>The property with gross floor area of approximately 23,849 sq.ft. is contracted to be rented by the Group for a term of 2 years 9 months commencing on 1 April 2016 and expiring on 31 December 2018 at a monthly rent of SGD127,430 for warehouse/workshop/production space, ancillary office, carpark and workers dormitory uses.</p>	No Commercial Value.

Notes:

1. According to a Certificate of Title (Sub) Volume 698 Folio 89 registered on 3 May 2013, the proprietor of the property is Hulett Construction (S) Pte. Ltd. (Company Registration No. 200516354D).
2. Our inspection was performed by Dr. Alan W K Lee in November 2015.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 August 2015 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 10 May 2016 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto 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). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Financial assistance to purchase shares of the Company or its subsidiaries

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company. There is no provision in the Articles that prohibits the Company from giving financial assistance for the purchase shares of its subsidiaries.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes)

and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the

members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(x) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(xi) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The 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.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder

but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as 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, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers;
 - (ee) the fixing of the remuneration of the directors and of the auditors;
 - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
 - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of

the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) 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 shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of

such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 15 September 2015.

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 certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. 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**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 August 2015. Our Company has established its principal place of business in Hong Kong at 57/F, The Center, 99 Queen's Road Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 22 October 2015, with Ms. Ngan Chui Wan, Judy appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of certain provisions of the Memorandum and Articles of our Company and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon its incorporation, one Share was allotted and issued, nil paid, to its initial subscriber. On the same day, the said one Share was transferred to Brewster Global nil paid. The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this prospectus:

- (a) On 10 May 2016, Mr. Alan Lim and the Pre-IPO investor transferred their entire shareholding interest in Longlands to our Company in consideration of the initial share held by Brewster Global being credited as fully paid and our Company allotting and issuing 92 Shares and 7 Shares to Brewster Global (as Mr. Alan Lim's nominee) and the Pre-IPO investor respectively, credited as fully paid.
- (b) On 10 May 2016, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by creation of an additional 9,962,000,000 Shares.
- (c) Immediately following completion of the Global Offering and Capitalisation Issue (but not taking into account the Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option(s) which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 1,000,000,000 Shares will be allotted and issued fully paid or credited as fully paid and 9,000,000,000 Shares will remain unissued. Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraph headed "Written resolutions of the Shareholders passed on 10 May 2016" in this section, the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, our Directors do not have any present intention to allot and 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.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus up to the Latest Practicable Date.

3. Changes in the share capital of our subsidiaries

Our principal subsidiaries are set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and corporate structure" of this prospectus, there are no changes in the registered capital of our subsidiaries during the two years preceding the date of this prospectus.

4. Written resolutions of the Shareholders passed on 10 May 2016

By written resolutions of the Shareholders passed on 10 May 2016, among other things:

- (a) our Company approved and adopted the amended and restated Memorandum with immediate effect and the Articles of our Company with effect from the Listing Date;
- (b) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and Shares to be allotted and issued as mentioned in this prospectus including the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme; (bb) the Offer Price having been duly determined and the execution and delivery of the Hong Kong Underwriting Agreement on the date as specified in this prospectus; and (cc) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:
 - (i) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of additional 9,962,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue as at the date of such resolutions;

- (ii) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option; (bb) implement the Global Offering and the listing of Shares on the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised to approve any amendment(s) to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (iv) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK\$8,299,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 829,999,900 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or upon the exercise of any option(s) which may be granted under the Share Option Scheme or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option and any option(s) which may be granted under the Share Option Scheme, Shares with an aggregate nominal value not exceeding the sum of (aa) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding the Shares which may be allotted and issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme), (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the

authority granted to our Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first;

- (vi) a general unconditional mandate was given to our Directors to exercise all powers of our Company to buy-back 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 aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding the Shares which may be allotted and issued under the Over-allotment Option or pursuant to the exercise of the option(s) which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first; and
- (vii) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company bought back by our Company pursuant to the mandate to buy-back Shares as referred to in sub-paragraph (vi) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding the Shares which may be allotted and issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

5. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For details, please see the section headed “History, Reorganisation and corporate structure” in this prospectus.

6. Buy-back by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the buy-back by our Company of its own securities.

(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 buy-backs 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 of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of the Shareholders passed on 10 May 2016, a general unconditional mandate (the “**Buy-back Mandate**”) was given to our Directors to exercise all powers of our Company to buy-back on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding the Shares which may be allotted and issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Buy-back Mandate shall remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) *Source of funds*

Buy-backs must be funded out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not buy-back 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.

Any buy-backs(s) by us may be made out of profits, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the buy-back or, subject to the Companies Law, out of capital and, in the case of any premium payable on the buy-back, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are bought back or, subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person”, which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for buy-backs

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to buy-back Shares in the market. Such buy-backs may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such buy-backs will benefit our Company and our Shareholders.

(c) Funding of buy-back

In buying-back Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this prospectus. However, our Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Buy-back Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Listing, would result in up to 100,000,000 Shares being bought back by our Company during the period in which the Buy-back Mandate remains in force.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Buy-back Mandate is exercised to sell any Share(s) to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a buy-back of Shares pursuant to the Buy-back 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 the 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 buy-back pursuant to the Buy-back Mandate.

Our Directors will not exercise the Buy-back Mandate if the buy-back 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 core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buy-back Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR COMPANY'S 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 sale and purchase agreement between CL Construction and SF Global Pte Ltd dated 30 May 2014 pursuant to which CL Construction sold 176,500 ordinary shares in the capital of Bluconnection Pte Ltd to SF Global Pte Ltd in consideration of S\$450,000;
- (b) the Pre-IPO Subscription Agreement (as amended by the Side Letter) pursuant to which Victory Time, our Pre-IPO Investor, subscribed for seven shares in Longlands for a cash consideration of HK\$12 million;
- (c) the sale and purchase agreement entered into between Mr. Alan Lim and Longlands dated 13 October 2015 for the transfer of the entire issued share capital of CL Construction to Longlands in consideration of Longlands allotting and issuing one share to Mr. Alan Lim credited as fully-paid (with reference to the net asset value and anticipated future earnings of CL Construction);
- (d) the deed of non-competition undertaking from We Lim Builders Pte. Ltd to our Company dated 23 December 2015 pursuant to which We Lim Builders Pte. Ltd undertakes, inter alia, in favour of our Company that it will not acquire or add in new and used tipper trucks and excavation machines of similar natures, functions and/or purposes from the date thereof or after Listing, which has or is likely to have direct competition with our Group's existing business;

- (e) the deed of non-competition undertaking from Hulett Construction to our Company dated 4 February 2016 pursuant to which Hulett Construction undertakes, inter alias, in favour of our Company that it will not engage in any construction-related business and/or any activities of similar nature from the date thereof or after the Listing which has or is likely to have direct competition with our Group's existing business;
- (f) the deed of non-competition undertaking from Golden Empire Civil Engineering Pte. Ltd. to our Company dated 16 February 2016 pursuant to which Golden Empire Civil Engineering Pte. Ltd. undertakes, inter alias, in favour of our Company that it will not engage in any earthwork/landfill-related business and/or any activities of similar nature from the date thereof or after the Listing which has or is likely to have direct competition with our Group's existing business;
- (g) the deed of non-competition undertaking from Golden Empire-Huatiang Pte. Ltd, a joint venture company formed between Golden Empire Civil Engineering Pte. Ltd. and an Independent Third Party, to our Company dated 16 February 2016 pursuant to which Golden Empire-Huatiang Pte. Ltd undertakes, inter alias, in favour of our Company that it will not engage in any earthwork/landfill-related business, civil engineering and/or any activities of a similar nature from the date thereof or after the Listing, which has or is likely to have direct competition with our Group's existing business;
- (h) the deed of non-competition undertaking from Chuan Marine Pte. Ltd to our Company dated 16 February 2016 pursuant to which Chuan Marine Pte. Ltd undertakes, inter alias, in favour of our Company that it will not engage in any earthwork/landfill-related business and/or any activities of a similar nature from the date thereof or after the Listing which has or is likely to have direct competition with our Group's existing business;
- (i) the sale and purchase agreement between Mr. Alan Lim, our Company and Victory Time dated 10 May 2016 pursuant to which Mr. Alan Lim and Victory Time transferred their entire shareholding interests in Longlands to our Company in consideration of (i) the initial share held by Brewster Global being credited as fully-paid; and (ii) our Company allotting and issuing 92 Shares and seven Shares to Brewster Global and Victory Time respectively, credited as fully-paid;
- (j) the Deed of Non-competition;
- (k) the Deed of Indemnity; and
- (l) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademark:

Trademark number	Trademark	Registered owner	Place of registration	Class	Date of registration	Expiry date
303532608	CLC Holdings Limited	Longlands Holdings Limited	Hong Kong	37	15 March 2016	9 September 2025
40201515154T	 CHUAN LIM	CL Construction	Singapore	37	31 August 2015	31 August 2025

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks:

Trademark application number	Trademark	Applicant	Place of application	Class	Application date
303680532	Chuan Holdings Limited	Longlands Holdings Limited	Hong Kong	37	5 February 2016

(b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registered owner	Date of registration	Expiry date
www.clcholdings.com	CL Construction	14 July 2015	14 July 2016
www.chuanholdings.com	CL Construction	28 January 2016	28 January 2017

Save as disclosed in this prospectus, there are no trademarks, patents or other intellectual property rights which are material in relation to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**1. Directors' service contracts**

The aggregate annual basic salary (excluding the bonus and allowances mentioned below) of all our Executive Directors pursuant to each of their respective service contracts is approximately S\$1.8 million. Our Executive Directors' service contracts have a term of three years commencing from 1 June 2016 and may be terminated by either party by giving not less than three calendar months' notice in writing. In certain other circumstances, the service contract can also be terminated by us, including but not limited to certain breaches of our Directors' obligations under the contract or certain misconducts. The appointments of our Executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles. The salary of each Executive Director after each financial year is subject to adjustment as determined by our Company's remuneration committee and approved by a majority of the members of the Board (excluding our Director whose salary is under review).

Each of our Independent Non-Executive Directors has entered into a letter of appointment with our Company for a period of three years commencing from the Listing Date and may be terminated by either party by giving at least three months' notice. The appointments of the Independent Non-Executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles. Pursuant to the terms of the letters of appointment, the annual director's fee payable to our Independent Non-Executive Directors is approximately S\$80,000.

2. Directors' remuneration

Our Company's policies concerning remuneration of Executive Directors are as follows:

- (i) the amount of remuneration payable to the Executive Directors will be determined on a case by case basis depending on our Director's experience, responsibility, workload, the time devoted to our Group, individual performance and the performance of our Group; and
- (ii) non-cash benefits may be provided at the discretion of the Board to our Directors under their remuneration package.

The aggregate emoluments paid (salary, allowances, benefits in kind, discretionary bonuses and defined contribution) granted by our Group to our Directors in respect of the three financial years ended 31 December 2013, 2014 and 2015 was approximately S\$0.8 million, S\$1.2 million and S\$1.6 million, respectively. Details of our Directors' remuneration are also set out in note 11(a) of the Accountant's Report set out in Appendix I to this prospectus.

Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our Independent Non-Executive Directors) for the year ending 31 December 2016, are expected to be approximately S\$1.5 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2015 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2015.

3. Disclosure of Directors' interests

Immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option) and the Capitalisation Issue, the interests or short positions of our Directors and the chief executives of our Company in the Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Long positions in the Shares of our Company

Name of Director	Capacity/Nature of interest	Number of Shares held immediately after completion of the Global Offering	Approximate percentage of interest in our issued share capital immediately after the Global Offering
Mr. Alan Lim	Interest in a controlled corporation	697,500,000 (Note 2)	69.75% (Note 1)

Notes:

- The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date. We have therefore assumed that 1,000,000,000 Shares will be in issue on the Listing Date.
- Brewster Global is owned as to 100% by Mr. Alan Lim. Accordingly, Mr. Alan Lim is deemed to be interested in all the Shares owned by Brewster Global by virtue of the SFO. Brewster Global is the direct legal owner of the 697,500,000 Shares on Listing.

4. Substantial shareholders

So far as is known to our Directors, immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme or the Over-allotment Option) and

the Capitalisation Issue, the following persons (not being a Director or the chief executives of our Company) will have an interest or a short position in 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 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:

Name of Substantial Shareholder	Capacity/Nature of interest	Number of Shares held immediately after completion of the Global Offering <i>(Note 1)</i>	Approximate percentage of interest in our issued share capital immediately after the Global Offering <i>(Note 2)</i>
Brewster Global	Beneficial Owner	697,500,000 (L)	69.75%
Ms. Yee Say Lee	Interest of spouse	697,500,000 (L) <i>(Note 3)</i>	69.75%

Notes:

1. The letter "L" denotes the person's long position in the relevant Shares.
2. The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date. We have therefore assumed that 1,000,000,000 Shares will be in issue on the Listing Date.
3. Ms. Yee is the spouse of Mr. Alan Lim and is deemed to be interested in the Shares indirectly held by Mr. Alan Lim through Brewster Global.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken 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 will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any of our Directors or chief executive of our Company, no person has an interest or short position in the Shares and underlying shares of our Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of

Part XV of the SFO, or is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (c) none of our Directors nor any of the persons listed in the sub-section headed “Qualifications and consents of experts” below is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the persons listed in the sub-section headed “Qualifications and consents of experts” below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) none of the persons listed in the sub-section headed “Qualifications and consents of experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) so far as is known to our Directors, none of our Directors or their associates or any shareholder of our Company (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers of our Group.

D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

(a) Purpose of the Share Option Scheme

The purpose of this Share Option Scheme is to enable the Board to grant options to Eligible Persons (as defined below) as incentives or rewards for their contribution or potential contribution to our Group and to recruit and retain high caliber Eligible Persons and attract human resources that are valuable to the Group.

(b) Who may join

Subject to the provisions in the Share Option Scheme, our Directors may at any time and from time to time within a period of ten (10) years commencing from the date of adoption of the Share Option Scheme at their absolute discretion and subject to such terms,

conditions, restrictions or limitations as they may think fit offer, at the consideration of HK\$1.00 per option, to grant option to any person belonging to the following classes of participants (the “**Eligible Person(s)**”):

- (i) any employee or proposed employee (whether full time or part time, including any director) of any member of the Group or invested entity; and
 - (ii) any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of our Group or any invested entity.
- (c) *Maximum number of Shares*
- (i) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
 - (ii) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 100,000,000 Shares, being 10% of the total number of Shares (assuming the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme) in issue on the Listing Date (the “**Scheme Limit**”) unless approved by our Shareholders pursuant to paragraph (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company shall not be counted for the purpose of calculating the Scheme Limit.
 - (iii) Our Company may seek separate approval of the Shareholders in general meeting for refreshing the Scheme Limit provided that such limit as refreshed shall not exceed 10% of the total number of Shares (assuming the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme) in issue as at the date of the approval of the Shareholders on the refreshment of the Scheme Limit. Options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of our Company or exercised) will not be counted for the purpose of calculating the limit as refreshed.

For the purpose of seeking the approval of Shareholders, a circular containing the information as required under the Listing Rules shall be sent by our Company to the Shareholders.

- (iv) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the Options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by

our Company before such approval is sought and that the proposed grantee(s) and his close associates (or his associates if the proposed grantee is a connected person) shall abstain from voting in the general meeting. For the purpose of seeking the approval of the Shareholders, our Company shall send a circular to the Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and any other information as required under the Listing Rules.

(d) Maximum entitlement of each Eligible Person

No option shall be granted to any Eligible Person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue from time to time (the “**Participant Limit**”), unless:

- (i) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the Eligible Person and his close associates shall abstain from voting;
- (ii) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the Eligible Person, the number and terms of the options to be granted and options previously granted to such Eligible Person); and
- (iii) the number and terms (including the subscription price) of such option are fixed before our Shareholders’ approval is sought.

(e) Grant of options to connected persons

- (i) Any grant of options to any Director, chief executive, or substantial shareholder (excluding the proposed director or chief executive) of our Company or any of their respective associates shall be approved by all the Independent Non-Executive Directors (excluding any Independent Non-Executive Director who is any offeree of an option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.
- (ii) Where an option is to be granted to a substantial shareholder or an Independent Non-Executive Director (or any of their respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant: (1) representing in aggregate over 0.1% (or such other percentage as

may from time to time be specified by the Stock Exchange) of the total number of Shares in issue at the relevant time of grant; and (2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange), such grant shall not be valid unless: (aa) a circular containing the details of the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including, in particular, a recommendation from the Independent Non-Executive Directors (excluding any Independent Non-Executive Director who is a grantee of an option) to the independent Shareholders as to voting); and (bb) the grant has been approved by the independent Shareholders in general meeting (taken on a poll), at which the proposed grantee, his associates and all core connected persons of our Company shall abstain from voting in favour of the grant.

- (iii) Where any change is to be made to the terms of any option granted to a substantial shareholder or an Independent Non-Executive Director (or any of their respective associates), such change shall not be valid unless the change has been approved by the Shareholders in general meeting as required under sub-paragraph (ii) above.

(f) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Person within the date as specified in the offer letter issued by our Company, being a date not later than 21 days inclusive of, and from, the date upon which it is made, by which the Eligible Person must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten years after the date of adoption of the Share Option Scheme or after the termination of the Share Option Scheme, and no such offer may be accepted by a person who ceases to be an Eligible Person after the offer has been made.

An offer shall be deemed to have been accepted on the date when the duly signed duplicate comprising acceptance of the offer by the Eligible Person, together with a payment in favour of our Company of HK\$1.00 per option by way of consideration for the grant thereof is delivered to our Company. Such consideration shall in no circumstances be refundable. Subject to the rules of the Share Option Scheme, option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by our Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period.

(g) Performance targets

There is no performance target that has to be achieved or minimum period in which an option must be held before the exercise of any option save as otherwise imposed by our Board in the relevant offer of options.

(h) *Subscription price for Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by our Board, and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "**Offer Date**"), which must be a trading day, on which our Board passes a resolution approving the making of an offer of grant of an option to an Eligible Person; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date.

Where an option is to be granted, the date of our Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option. For the purpose of calculating the subscription price, where an option is to be granted less than five trading days after the listing of the Shares on the Stock Exchange, the new issue price shall be taken to be the closing price for any Business Day within the period before listing.

(i) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an option shall be subject to our Company's constitutional documents for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

(j) *Restrictions on the time of grant of options*

No offer of an option shall be made and option shall be granted after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of our Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's result for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option shall be granted.

(k) *Period of the Share Option Scheme*

Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. All options granted and accepted and remaining unexercised immediately prior to expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(l) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an Eligible Person for any reason other than his serious illness, death, retirement in accordance with his contract of employment or service or the termination of his contract of employment or service on one or more of the grounds specified in paragraph (m) below, the grantee may exercise his outstanding options within 3 months following the date of such cessation, and any such options not exercised shall lapse and determine at the end of the said period of 3 months.

(m) Rights on dismissal

If the grantee of an option is an Eligible Person and ceases to be an Eligible Person by reason of a termination of his contract of employment or service on any one or more grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option (to the extent not already exercised) will lapse automatically on the date of cessation of being an Eligible Person.

(n) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, the option may be exercised in full or in part (to the extent not already exercised) by his personal representative(s) within 12 months from the date of death or such period extended by the Board.

(o) Rights on a general offer

If a general or partial offer is made to all our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), our Directors shall as soon as practicable notify the option holder accordingly. An option holder shall be entitled to exercise his outstanding options in whole or in part within fourteen (14) days of receipt of such notice. To the extent that any option has not been so exercised, it shall upon the expiry of such period lapse and determine.

(p) Rights on winding-up

If notice is given of a general meeting of our Company at which a resolution will be proposed for the voluntary winding-up of our Company, our Company shall forthwith give notice thereof to all option holders and each option holder shall be entitled, at any time not later than two (2) Business Days prior to the proposed general meeting of our Company to exercise his outstanding options in whole or in part. Our Company shall as soon as possible and in any event no later than one (1) Business Day prior to the date of such general meeting, allot and issue such number of Shares to the option holders which fall to be issued on such exercise. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up.

(q) Rights on compromise or arrangement between our Company and its creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all option holders on the same date as it gives notice of the meeting to our Shareholders and our Company's creditors, and thereupon each option holder shall be entitled, at any time not later than two (2) Business Days prior to the proposed meeting of our Company, to exercise his outstanding options in whole or in part. Our Company shall as soon as possible and in any event no later than one (1) Business Day prior to the date of such general meeting, allot and issue such number of Shares to the option holders which fall to be issued on such exercise. Subject thereto, all Options then outstanding shall lapse and determine upon such compromise or arrangement becoming effective.

(r) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, subdivision or consolidation of shares or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction), our Company shall (if applicable) make corresponding alterations (if any), in accordance with Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplemental guidance issued by the Stock Exchange on 5 September 2005) to:

- (i) the number or nominal amount of Shares comprised in each Option for the time being outstanding; and/or
- (ii) the subscription price; and/or
- (iii) the Scheme Limit; and/or
- (iv) the Participant Limit;

as the auditors or the independent financial adviser to the Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that:

- (a) the aggregate Subscription Price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such adjustment;
- (b) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) no adjustment will be required in circumstances when there is an issue of Shares as consideration in a transaction; and

- (d) any adjustment shall be made in accordance with the provisions of Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

In addition, in respect of any such adjustments, other than any made on a capitalisation issue, the auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

(s) Cancellation of options

Our Board may cancel an option granted but not exercised with the approval of the option holder. Any such options cancelled by our Company cannot be re-granted to the same Eligible Person; the issue of new options must be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the Scheme Limit.

(t) Termination of the Share Option Scheme

Our Company, by resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provision of the Share Option Scheme shall remain in full force and effect. All options granted and accepted and remaining unexercised immediately prior to such termination shall continue to be valid and exercisable in accordance with their terms and the terms of the Share Option Scheme.

(u) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable or transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

(v) Lapse of option

The right to exercise an option (to the extent not already exercised) shall lapse immediately upon the earliest of:

- (i) the expiry of the option period to be determined and notified by our Board to the grantee;
- (ii) the expiry of the periods as referred to in sub-paragraphs (l), (n), (o), (p) and (q) respectively;
- (iii) subject to sub-paragraph (p), the date of the commencement of the winding-up of our Company;

- (iv) the date on which the grantee ceases to be an Eligible Person by reason of the termination of his contract of employment or service on any one or more grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally or has been convicted of any criminal offence involving his integrity or honesty; and
 - (v) the date on which the Directors cancel any outstanding option or part thereof on the ground the grantee commits a breach of sub-paragraph (u) breach of the Share Option Scheme.
- (w) *Alterations to the Share Option Scheme*
- (i) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the Listing Rules by resolution of our Board except that the following alterations must first be approved by a resolution of the Shareholders in general meeting:
 - (i) the purpose of the Share Option Scheme;
 - (ii) the definitions of “Eligible Person”, “Option Period” and “Scheme Period”;
 - (iii) the Scheme Limit;
 - (iv) the Participant Limit;
 - (v) the minimum period for which an option must be held before it can be exercised;
 - (vi) the statement as to performance targets that must be achieved before an option may be exercised;
 - (vii) the amount payable on acceptance of an option and the period within which it must be paid for such purpose;
 - (viii) the basis of determination of the subscription price;
 - (ix) the rights to be attached to the Shares to be issued upon the exercise of options;
 - (x) the circumstances under which options will automatically lapse;
 - (xi) the adjustment made in the event of any alterations of the capital structure of our Company;
 - (xii) the cancellation of options granted but not exercised;
 - (xiii) the effect on existing options of an early termination of the Share Option Scheme;

- (xiv) the transferability of options;
- (xv) this paragraph (w);
- (xvi) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted to the advantage of such option holders; and
- (xvii) any change to the authority of the Directors in relation to any alterations to the terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options shall comply with Chapter 17 of the Listing Rules.

- (ii) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be altered in any respect by resolution of our Board without the approval of the Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guideline issued by the Stock Exchange from time to time.
 - (iii) Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.
- (x) *Conditions*

The Share Option Scheme is conditional upon:

- (i) the passing of the necessary resolutions to approve and adopt the Share Option Scheme;
- (ii) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and the Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions referred to above are not satisfied on or before the date falling thirty (30) days after the date of this prospectus, the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

2. Present status of the Share Option Scheme

(a) Approval and adoption of the rules of the Share Option Scheme

The rules of the Share Option Scheme, the principal terms of which are set out above, were approved and adopted by our Shareholders on 10 May 2016. The provisions of the Share Option Scheme comply with Chapter 17 of the Listing Rules in all material respects.

(b) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Scheme and any other share option scheme(s) of our Company shall not exceed 100,000,000 Shares, being 10% of the total number of Shares in issue as at the date of listing of the Shares unless our Company obtains the approval of the Shareholders in general meeting for refreshing the said 10% limit under the Share Option Scheme, provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit above mentioned.

(c) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of Brewster Global and Mr. Alan Lim (the “**Indemnifiers**”) has, pursuant to the Deed of Indemnity referred to in the paragraph headed “Summary of material contracts” in this appendix, given indemnity in favour of our Group from and against, among other things, any tax liabilities which might be payable by any member of our Group (“**Group Member**”) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date, save:

- (a) to the extent that full provision or allowance has been made for such taxation in the audited combined accounts of our Group for each of the three years ended 31 December 2015 as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation claim arises or is incurred as a result of any retrospective change in law or regulations or practice by the Hong Kong Inland Revenue Department or the tax authorities of Singapore or any other tax or government authorities in any part of the world coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;
- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any Group Member which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the date on which the conditions stated in the paragraph headed “Conditions of the Global Offering” in the section headed “Structure and conditions of the Global Offering” in this prospectus being fulfilled on or before the date as stated therein (the “**Effective Date**”);

- (d) to the extent that such Taxation or liability would not have arisen but for any act or omission by any Group Member (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the date hereof or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date; and
- (e) to the extent of any provisions or reserve made for taxation in the audited accounts of our Group up to 31 December 2015 which is finally established to be an over-provision or an excessive reserve as set out in Appendix I to this prospectus.

Further, pursuant to the Deed of Indemnity, the Indemnifiers have given indemnity in respect of, among other matters, any liability for Hong Kong estate duty, if any, which might be incurred by any of Group Member by reason of any transfer of property to any of the members of our Group on or before the Listing Date. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Singapore, the British Virgin Islands, being jurisdictions in which the companies comprising our Group are incorporated.

In addition, pursuant to the Deed of Indemnity, the Indemnifiers have agreed and undertaken to jointly and severally indemnify the members of our Group and each of them and at all times keep the same indemnified on demand from and against all claims, damages, losses, costs, expenses, fines, actions and proceedings whatsoever and howsoever arising at any time whether present or in the future as a result of or in connection with:

- (a) any alleged or actual violation or non-compliance by any of our Group Members with any laws, regulations or administrative orders or measures in Singapore and Hong Kong on or before the Effective Date;
- (b) any and all expenses, payments, sums, outgoing, fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines, penalties which any Group Members may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) or any other applicable laws, rules and regulations by any Group Members on or before the Effective Date (in the case of our Group Members); and
- (c) any irregularities in relation to any corporate documents of any of our Group Members.

2. Litigation

Save as disclosed in the section headed “Business — Litigation” in this prospectus, as of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fee in relation to the Listing is approximately HK\$3.9 million.

The Sole Sponsor has made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made for the Shares to be admitted into CCASS.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$70,000 and are payable by our Company.

5. No material adverse change

Saved as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our Group's financial or trading position since 31 December 2015 (being the date on which the latest audited combined financial information of our Group was prepared).

6. Promoter

Our Company does not have any promoter (as defined in the Listing Rules). Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of holders of Shares*(a) Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(b) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
VBG Capital Limited	Licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified public accountants
Rajah & Tann Singapore LLP	Legal advisers to our Company as to Singapore laws
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands laws
Robertsons	Legal advisers to our Company as to Hong Kong laws
Roma Appraisals Limited	Property valuer
Ascenda Cachet Risk Consulting Limited	Internal control adviser

Each of the experts named above 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 valuation certificate and/or opinions and/or the references to its name included herein in the form and context in which it is respectively included.

9. Compliance adviser

We have appointed VBG Capital as the compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules. Further details of the appointment are set out in the section headed “Directors, senior management and employees — Compliance Adviser” in this prospectus.

10. Particulars of Selling Shareholder

The names, addresses and descriptions of Brewster Global, being the Selling Shareholder offering the Sale Shares for sale under the International Offering are as follows:

Name:	Brewster Global
Address:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
Description:	An investment holding company incorporated in the BVI with limited liability
Sale Shares:	80,000,000 Shares
Interest of our Directors in the Sale Shares:	Brewster Global is owned as to 100% by Mr. Alan Lim, an Executive Director and a Controlling Shareholder

11. Binding effect

This prospectus shall have the effect, in an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Miscellaneous Provisions) Ordinance so far as applicable.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

13. 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 our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) 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 our subsidiaries; and

- (iv) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of our subsidiaries;
- (b) no founder, management or deferred Shares nor any debenture in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (d) the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (e) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (f) our Directors have been advised that under Cayman Companies Law the use of a Chinese name by our Company does not contravene the Cayman Companies Law;
- (g) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures;
- (h) none of the persons whose names are listed in the paragraph headed "8. Qualifications and consents of experts" under this Appendix V:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group; and
- (i) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “E. Other information — 8. Qualifications and consents of experts” in Appendix V to this prospectus;
- (c) a copy of each of the material contracts referred to in the section headed “B. Further information about our Company’s business — 1. Summary of material contracts” in Appendix V to this prospectus;
- (d) a copy of statement of adjustments relating to the Accountant’s Report prepared by BDO Limited; and
- (e) the statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Robertsons at 57/F, The Center, 99 Queen’s Road 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 Accountant’s Report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus, together with the related statement of adjustments;
- (c) the audited financial statements of the relevant Group companies for each of the three financial years immediately preceding the issue of this prospectus;
- (d) the report on the unaudited pro forma financial information prepared by BDO Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the letter, summary of property values and valuation certificates relating to the property interest of our Group prepared by Roma Appraisals Limited, the texts of which is set out in Appendix III to this prospectus;
- (f) the letter of advice prepared by Conyers Dill & Pearman, legal advisers to our Company as to Cayman Islands laws, summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;
- (g) the Companies Law;
- (h) the rules of the Share Option Scheme;

- (i) the material contracts referred to in the section headed “B. Further information about our Company’s business — 1. Summary of material contracts” in Appendix V to this prospectus;
- (j) the written consents referred to in the section headed “D. Other information — 8. Qualifications and consents of experts” in Appendix V to this prospectus;
- (k) the service contracts and the letters of appointment referred to in the section headed “C. Further information about our Directors and substantial Shareholders” in Appendix V to this prospectus;
- (l) the legal opinion issued by Rajah & Tann Singapore LLP, legal advisers to our Company as to Singapore laws;
- (m) the legal opinion issued by Robertsons, legal advisers to our Company as to Hong Kong laws; and
- (n) the statement of particulars of the Selling Shareholder.

Chuan Holdings Limited
川 控 股 有 限 公 司*